



Republic of the Philippines  
**DEPARTMENT OF FINANCE**  
Roxas Boulevard Corner Vito Cruz Street  
Manila 1094

DEPARTMENT ORDER 27-06

TO: ALL INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT: CAPITALIZATION REQUIREMENTS FOR LIFE, NON-LIFE, AND REINSURANCE COMPANIES

WHEREAS, stable and reliable insurance and insurance systems, greatly influence the country's economic development by impacting the level of capital formation and allocation and engendering consumer confidence in the systemic integrity of the financial system;

WHEREAS, capitalization is one of the most vital financial rating factors for insurance companies: The Philippines has one of the lowest capital requirements among Asian countries which has hampered the ability of local insurance companies to compete at least with ASEAN and other regional players in this period of economic globalization;

WHEREAS, current minimum capitalization requirements are inadequate relative to:

- a. The needed business infrastructures and quality management team that will ensure better service to all stakeholders and expand its market penetration; and
- b. The adequate allowance for increased business volatility and for mitigating market imperfections;

WHEREAS, capital bases must be rebuilt because low capitalization levels have resulted in low retention ratios and heavy reliance on reinsurance;

WHEREAS, the solvency positions of insurers must be secured and stable capital bases reduce insolvency risk and afford better protection for the insuring public;

NOW, THEREFORE, pursuant to the authority vested in me by the provision of Section 188 of the Insurance Code, as amended, the following are hereby promulgated:

*Luengini Cresitomo Rivilla*

- I. Any licensed wholly Filipino-owned domestic life or non-life insurance company existing, operating, or otherwise doing business in the Philippines, licensed as of the effectivity of this Order, must possess of capitalization hereunder specified in accordance with the following schedule of compliance:

Minimum Statutory Net Worth	Minimum Paid-Up Capital	By (Compliance Date)
A. Php 100 Million	Php 50 Million	December 31, 2006
B. Php 150 Million	Php 75 Million	December 31, 2007
C. Php 200 Million	Php 100 Million	December 31, 2008
D. Php 250 Million	Php 125 Million	December 31, 2009
E. Php 350 Million	Php 175 Million	December 31, 2010
F. Php 500 Million	Php 250 Million	December 31, 2011

- II. Any life or non-life insurance company existing, operating, or otherwise doing business in the Philippines with *forty percent (40%) or less* foreign equity must possess of capitalization hereunder specified in accordance with the following schedule of compliance:

Minimum Statutory Net Worth	Minimum Paid-Up Capital	By (Compliance Date)
A. Php 200 Million	Php 100 Million	December 31, 2006
B. Php 300 Million	Php 150 Million	December 31, 2007
C. Php 400 Million	Php 200 Million	December 31, 2008
D. Php 500 Million	Php 250 Million	December 31, 2009
E. Php 600 Million	Php 300 Million	December 31, 2010

- III. Any life or non-life insurance company existing, operating, or otherwise doing business in the Philippines with more than *forty percent (40%) but less than sixty percent (60%)* foreign equity must possess of capitalization hereunder specified in accordance with the following schedule of compliance:

Minimum Statutory Net Worth	Minimum Paid-Up Capital	By (Compliance Date)
A. Php 300 Million	Php 150 Million	December 31, 2006
B. Php 400 Million	Php 200 Million	December 31, 2007
C. Php 500 Million	Php 250 Million	December 31, 2008
D. Php 600 Million	Php 300 Million	December 31, 2009
E. Php 700 Million	Php 350 Million	December 31, 2010

*Arangeli Cruzonzo Acuña*

IV. Any life or non-life insurance company existing, operating, or otherwise doing business in the Philippines with *at least sixty percent (60%)* foreign equity must possess of capitalization hereunder specified in accordance with the following schedule of compliance:

Minimum Statutory Net Worth	Minimum Paid-Up Capital	By (Compliance Date)
A. Php 500 Million	Php 250 Million	December 31, 2006
B. Php 600 Million	Php 300 Million	December 31, 2007
C. Php 700 Million	Php 350 Million	December 31, 2008
D. Php 850 Million	Php 425 Million	December 31, 2009
E. Php 1.00Billion	Php 500 Million	December 31, 2010

V. Any reinsurance company existing, operating, or otherwise doing business in the Philippines must possess of capitalization hereunder specified in accordance with the following schedule of compliance:

Minimum Statutory Net Worth	Minimum Paid-Up Capital	By (Compliance Date)
A. Php 750 Million	Php 375 Million	December 31, 2006
B. Php 1.00 Billion	Php 500 Million	December 31, 2007
C. Php 1.25 Billion	Php 625 Million	December 31, 2008
D. Php 1.50 Billion	Php 750 Million	December 31, 2009
E. Php 2.00 Billion	Php 1.00 Billion	December 31, 2010

VI. The statutory net worth of life, non-life, and reinsurance companies shall include the company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings, and revaluation increments as may be approved by the Insurance Commissioner.

VII. All existing life, non-life, or reinsurance companies must submit a detailed Capital Build-up Program for the Years 2006 to 2010, accompanied by all resolution/s of the board of directors to this effect and attested to by the president, chief executive officer, and chief financial officer, not later than October 31, 2006.

VIII. No life, non-life, or reinsurance company may be rehabilitated and authorized to transact business anew unless in full compliance with, or possessed of the minimum capitalization levels required under, Department Order 1-2006.

*Jungcini Cruz-Tomas*

IX. The requirements under this Order shall be without prejudice to other requirements to be imposed under the Risk-Based Capital method to be adopted by the Insurance Commission, and the statutory Margin of Solvency requirement under Section 194 of the Insurance Code.

The Insurance Commission may issue such other guidelines as it deems necessary to enforce the provisions of this Order. Non-compliance with this Order and additional guidelines shall result to the revocation of the life, non-life, or reinsurance company's license to do business or certificate of authority.

This supersedes provisions of Department Order Nos. 116-93; 100-94; 49-96; and 31-01 as are inconsistent with the provisions of this Department Order.

This Department Order shall take effect immediately.

Signed on September 1, 2006.



MARGARITO B. TEVES  
Secretary  
Department of Finance

Recommending approval:

  
EVANGELINE CRISOSTOMO-ESCOBILLO  
Insurance Commissioner

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