

Editor
Raul O. Marcelo

Business News Editor
Corrie S. Narisma

PHILIPPINE DAILY INQUIRER

BUSINESS

Investment curbs eased for nonlife insurers

By Daxim L. Lucas
@DaxINQ

Insurance regulators have relaxed investment rules for large and liquid nonlife insurers, allowing these firms to use clients' funds to acquire income-generating real estate valued as much as one-fifth of its net worth.

In a press statement, the Insurance Commission said nonlife insurance companies with unim-

paired capital of at least P550 million may invest in real property if they comply with liquidity requirements, according to a recently signed circular.

"The new guidelines now allow nonlife insurance companies to invest their money in income-producing real properties, other than those utilized as its main place of business or offices, provided that the applicant nonlife insurance company satisfies the conditions stated therein," Insur-

ance Commissioner Dennis Funa said.

Industry sources said the move was meant to give nonlife firms—those which insure against risks to property, for example—a broader menu of options for earning returns, especially since traditional investible assets like government and corporate bonds have been yielding low interest rates in recent years.

To participate in this liberalized investment scheme, the In-

surance Commission requires insurers to adopt a comprehensive liquidity risk framework duly approved by their directors. Liquidity risk refers to the possibility that an insurer will be unable to sell hard assets like land or buildings to fund its obligations when they fall due.

The comprehensive liquidity risk framework must contain strategies, policies and products that take into account any mismatch between the expected as-

sets and liability cash flows, inability to sell assets quickly, and cash-flow positions, among others.

Funa stressed real property investments by insurers were subject to a 20-percent ceiling.

"The aggregate book value of investments in any income producing real property shall not exceed [one-fifth] of the total net worth of a nonlife insurance company as shown in its latest financial statement approved by the IC," he said. "Included in the computa-

tion of the threshold is the cost of improvement or development of the real property."

An application for approval of investment in income-producing real property to be submitted to the regulator must be accompanied by a five-year income projection, intended occupants, a copy of the proposed lease contract, and a copy of the certificate of title covering the property which must be in the name of the insurance company, among others. INQ