

IC closes 5 non-life insurance firms

By MARY GRACE PADIN

The Insurance Commission (IC) has shut down the operations of five non-life insurance companies due to their failure to comply with the capital requirements set by the Insurance Code.

In a statement, Insurance commissioner Dennis Funa said the five firms placed under conservatorship are First Integrated Bonding and Insurance Co. Inc., Investors Assurance Corp., Metropolitan Insurance Co. Inc., Plaridel Surety and Insurance Co. and Premier Insurance and Surety Corp.

Funa clarified, however, that the companies were not closed due to weak financial status, but rather due to their inability to meet the increase in the minimum net worth requirement of insurance companies to P550 million starting in 2016.

"These companies are not

operating on net losses. Based on the respective 2016 annual statements of the companies, all have positive net worth, but short of the minimum amount required under the Insurance Code," Funa said.

According to the insurance chief, the companies were ordered to cease from issuing new policies, or renewing any kind or character of insurance business after being placed under conservatorship.

Funa said the IC has appointed a conservator for each company who would be in charge of the management of the company, as well as its assets and liabilities.

"The process of placing a company under conservatorship is primarily aimed at restoring the viability of the company and allows the commission, through the appointed conservator, to become more directly involved in the management of the company," Funa said.

"To achieve this objective, a conservator is empowered by law to exercise all powers necessary to preserve the assets of the company," he said.

Under conservatorship, Funa said the operations of a company would still be "business as usual," including the processing and payment of claims, except it cannot sell new insurance policies anymore.

"This means all insurance contracts issued before the conservatorship order remain valid and the obligation of the company towards its policyholders still exists until the expiration of their policies," Funa said.

However, Funa said placing the companies under conservatorship does not necessarily mean they would permanently close shop, as they could still explore various routes to return into the business—including entering

into a merger, or infusing fresh capital to meet the minimum capital requirement.

Under Republic Act 10607 or the Amended Insurance Code of the Philippines, new players in the industry, are required P1 billion in paid-up capital when they establish their business in the country.

Existing insurers, for their part, must have a paid-up capital of at least P250 million by June 2013, P550 million by December 2016, P900 million by December 2019 and P1.3 billion by December 2022.

Aside from the five companies, the IC said six non-life insurers have also decided to voluntarily surrender their licenses due to their inability to comply with the capital requirement.

As a result, the IC said non-life insurance companies operating in the Philippines have been trimmed to 55 from 66.

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5 nonlife insurers placed under conservatorship

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The Insurance Commission has placed five nonlife insurance firms under conservatorship for failing to meet the statutory minimum net worth requirement.

In a statement, the commission identified the five companies as First Integrated Bonding and Insurance Co. Inc., Investors Assurance Corp., Metropolitan Insurance Co. Inc., Plaridel Surety and Insurance Co. and Premier Insurance and Surety Corp.

Republic Act No. 10607 or the Amended Insurance Code sets the minimum net worth requirement on insurance players at P550 million starting end-2017. It will rise to P900 million next

year and to P1.3 billion in 2022.

Insurance Commissioner Dennis B. Funa said placing the five companies under conservatorship "does not necessarily mean they will close shop."

"The purpose of placing a company under conservatorship is to preserve the going concern value of the company returning it to health or ultimately resulting in a receivership. There are several routes that may result in the lifting of the conservatorship order including entering in a merger or consolidation with an existing insurer or a purchase and assumption agreement with an investor. This does not also prevent the company from infusing fresh capital from either existing shareholders or a new investor in order to meet the minimum net

worth requirement," Funa said.

Funa said the five firms were ordered to cease from issuing new and renewing any kind or character of insurance policies and were placed under conservatorship after verifying that they indeed failed to comply with the requirement.

But Funa clarified that "these companies are not operating on net losses," citing that the insurers' 2016 annual statements "all have positive net worth but short of the minimum amount required under the Insurance Code."

Funa appointed conservators, who will be in-charge of managing the assets and liabilities, for all five insurers.

"Placing a company under conservatorship is aimed at

restoring the viability of the company and allowing the Insurance Commission, through the appointed conservator, to become more directly involved in the management of the company," he said.

"Under the regime of conservatorship, the operations of the company will be business as usual under the management of the Insurance Commission-appointed conservatorship, including the processing of claims and payment of valid claims, except that it cannot sell new insurance business. This means all insurance contracts issued before the conservatorship order remain valid and the obligation of the company towards its policyholders still exists until the expiration of their policies," Funa added. INQ

IC places five firms under conservatorship for failing to meet net worth requirement

THE INSURANCE Commission (IC) has shut down five non-life insurers for failing to meet the minimum net worth requirement.

In a statement on Wednesday, IC said it shuttered the operations of five insurance firms, namely First Integrated Bonding & Insurance Co., Inc., Investors Assurance Corp., Metropolitan Insurance Company, Inc., Plaridel Surety & Insurance Co., and Premier Insurance & Surety Corp., and were put under conservatorship.

As a consequence, these companies are no longer permitted to write new insurance policies. The commission will then appoint a conservator for each of these insurers mandated to take charge of the management of the companies and their assets and liabilities.

Insurance Commissioner Dennis B. Funa said the regulatory body ceased the operations of these insurers after they failed to comply with the P550-million minimum net worth requirement set by the agency.

"These companies are not operating on net losses. Based on the respective 2016 annual statements of these companies, all have positive

net worth but short of the minimum amount required under the Insurance Code," Mr. Funa was quoted as saying in the statement.

However, Mr. Funa clarified that the insurers will continue to process and pay claims of their policy holders.

"This means all insurance contracts issued before the conservatorship order remain valid and the obligation of the company towards its policyholders still exists until the expiration of their policies."

The insurance commissioner explained that the purpose of placing the insurers under conservatorship is "to preserve the going concern value of the company, returning it to health or ultimately resulting in a receivership."

"There are several routes that may result in the lifting of the conservatorship order including entering in a merger or consolidation with an existing insurer or a purchase and assumption agreement with an investor," Mr. Funa said, adding that existing shareholders or new investors may infuse additional capital to meet the minimum net worth requirement.

Last month, seven insurers — six non-life and one life insurance firm — voluntarily surrendered their licenses to the IC for failing to meet the P550-million minimum net worth requirement, and were issued individual servicing licenses for the orderly run-off of their businesses.

As a result, the previous 66 non-life insurers in 2016 is now reduced to 55.

Under the amended Insurance Code, the minimum net worth of insurance companies shall increase every three years.

From the previous P250-million minimum net worth, IC required the insurers to have P550 million net worth effective end-2016.

The capitalization requirement will again increase to P900 million in 2019 and P1.3 billion in 2022.

In preparation for the next increase in net worth requirement, the commission will be requiring all insurers to submit their respective capital build-up plan.

Meanwhile, Mr. Funa assured the insuring public of the financial strength of the insurers despite their decrease in number. — **Karl Angelo N. Vidal**