DOCUMENTARY REQUIREMENTS FOR THE ACQUISITION OF CONTROL OF A DOMESTIC INSURANCE COMPANY

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Section 302 (a) (2), (b), and (d) of the Amended Insurance Code provides, to wit:

> SEC. 302. (a) No person, other than an authorized insurer, shall acquire control of any domestic insurer, whether by purchase of ifs securities or otherwise, except:
>
> (1) After twenty (20) days written notice to its insurer or such shorter period as the Commissioner may permit, of its intention to acquire control; and
> (2) With the prior written approval of the Commissioner.

(b) The Commissioner shall disapprove the acquisition of control of a domestic insurer if he determines, after notice and an opportunity to be heard, that such action is reasonably necessary to protect the interest of the people of this country. The following shall be the only factors to be considered by him in reaching the foregoing determination:

> (1) The financial condition of the acquiring person and the insurer;
> (2) The trustworthiness of the acquiring person or any of its officers or directors;
> (3) A plan for the proper and effective conduct of the insurer's operations; (4) The source of the funds or assets for the acquisition; (5) The fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received; (6) Whether the effect of the acquisition may be substantially to lessen competition in any line of commerce in insurance or to tend to create a monopoly therein; and (7) Whether the acquisition is likely to be hazardous or prejudicial to the insurer's policyholders or stockholders.

(c) xxx.

(d) The Commissioner may require the submission of such information as he deems necessary to determine whether any acquisition or retention of control complies with this title and may require, as a condition of approval of such acquisition or retention of control, that all or any portion of such information be disclosed to the insurer's stockholders. x x x"

Accordingly, no person shall acquire control of any domestic insurance company without the prior written approval of the Insurance Commissioner. Application for the approval of acquisition of control of any domestic insurance company shall include the following:

A. In case an applicant is a corporation

- Proof of prior written notice of the applicant corporation to the domestic insurance company of its intention to acquire control pursuant to Section 302 (a) (1)2 of the Amended Insurance Code;

- Copy of the latest audited financial statement of the applicant corporation duly stamped received by Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR), for IC to determine its financial

condition pursuant to Section 302 (b) (1) of the Amended Insurance Code;

- Income Tax Return (ITR) of the applicant corporation for the last three (3) years, for IC to determine its trustworthiness pursuant to Section 302 (b) (2) of the Amended Insurance Code;

- Profile of senior management of the applicant corporation, for IC to determine the trustworthiness of its officers pursuant to Section 302 (b) (2) of the Amended Insurance Code, if applicable;

- Profile of board of directors of the applicant corporation, for IC to determine the trustworthiness of its directors pursuant to Section 302 (b) (2) of the Amended Insurance Code, if applicable;

- ITR of the applicant corporation's senior management and board of directors for the last three (3) years, for IC to determine its trustworthiness pursuant to Section 302 (b) (2) of the Amended Insurance Code;

- Clearance of the applicant corporation’s board of directors and senior management from the National Bureau of Investigation (NBI), or any acceptable substitute as may be required by the Commissioner, for IC to determine the trustworthiness of the applicant corporation’s board of directors and officers pursuant to Section 302 (b) (2) of the Amended Insurance Code;

- List of possible officers with their respective resume that will run the domestic insurance company, for IC to determine whether the applicant has plans for the proper and effective conduct of the domestic insurance company’s operations pursuant to Section 302 (b) (3) of the Amended Insurance Code;

- List of prospective board of directors with their respective resume, for IC to determine whether the applicant corporation has plans for the proper and effective conduct of the domestic insurance company’s operations pursuant to Section 302 (b) (3) of the Amended Insurance Code;

- Applicant corporation’s business plan for the proper and effective conduct of the domestic insurance company's operations pursuant to Section 302 (b) (3) of the Amended Insurance Code;

- Source of funds or assets for the acquisition pursuant to Section 302 (b) (4) of the Amended Insurance Code;

- Pertinent sale documents, for IC to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received pursuant to Section 302 (b) (5) of the Amended Insurance Code;

- Pertinent Board Resolutions relative to the proposed sale of the subject shares, for IC to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received and whether the acquisition is likely to be prejudicial to the policyholders or stockholders pursuant to Section 302 (b) (5) of the Amended Insurance Code, if applicable; and

- Pertinent Board Resolution by the applicant relative to the purchase of the subject shares, for IC to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received and source of the funds or assets for the acquisition pursuant to Section 302 (b) (5) of the Amended Insurance Code, if applicable.

B. In case an applicant is an individual

- Proof of prior written notice of the applicant to the domestic insurance company of its intention to acquire control pursuant to Section 302 (a) (1)[2] of the Amended Insurance Code;

- Sworn declaration of assets, liabilities and net worth of applicant, for IC to determine applicant's financial condition pursuant to Section 302 (b) (1) of the Amended Insurance Code;

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- Profile of the applicant, for IC to determine his trustworthiness pursuant to Section 302 (b) (2) of the Amended Insurance Code;

- ITR of the applicant for the last three (3) years, for IC to determine applicant’s trustworthiness pursuant to Section 302 (b) (2) of the Amended Insurance Code;

- Clearance of the applicant from the National Bureau of Investigation (NBI), or any acceptable substitute as may be required by the Commissioner, for IC to determine the trustworthiness of the applicant pursuant to Section 302 (b) (2) of the Amended Insurance Code;

- Applicant's business plan for the proper and effective conduct of the domestic insurance company's operations pursuant to Section 302 (b) (3) of the Amended Insurance Code;

- Source of funds or assets for the acquisition pursuant to Section 302 (b) () of the Amended Insurance Code;

- Pertinent sale documents, for IC to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received pursuant to Section 302 (b) (5) of the Amended Insurance Code; and

- Pertinent Board Resolution of the domestic insurance company relative to the proposed sale of the subject shares, for IC to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received and whether the acquisition is likely to be prejudicial to the policyholders or stockholders pursuant to Section 302 (b) (5) of the Amended Insurance Code, if applicable.

The foregoing shall be without prejudice to other requirements that the Commission may require from the applicant. A requirement may be waived by the Insurance Commissioner for a valid reason.

The application shall be evaluated by the Deputy Insurance Commissioner for Financial Examination, in coordination with the Licensing Division, who shall thereafter submit a joint recommendation to the Insurance Commissioner.

For your information and guidance.

(SGD) EMMANUEL F. DOOC
Insurance Commissioner

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[1] Control, including the terms controlling, controlled by and under common control with, means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities by a contract other than a commercial contract for goods or non-management services or otherwise. Subject to Section 292, control shall be presumed to exist if any person directly or indirectly owns, controls or holds with the power to vote forty percent (40%) or more of the voting securities of any other person: Provided, That no person shall be deemed to control another person solely by reason of his being an officer or director of such other person. [Section 290 (b) of the Insurance Code (2013)]

[2] SEC. 302. (a) No person, other than an authorized insurer, shall acquire control of any domestic insurer, whether by purchase of its securities or otherwise, except: (1) After twenty (20) days written notice to its insurer or such shorter period as the Commissioner may permit, of its intention to acquire control;

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