

COLLATERAL LOANS

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Pursuant to the provisions of Section 414 of the Insurance Code, which provides, among others, that the "Commissioner may issue such rulings, instructions, circulars, orders and decisions as he may deem necessary to secure the enforcement of the provisions of this Code, subject to the approval of the Secretary of Finance", and in connection with the grant of loans secured by collaterals other than real estate securities under Section 198 of the Insurance Code, as amended, which Insofar as pertinent, provides that,

"Section 198. No insurance company shall loan any of its money or deposits to any person, corporation or association, except - x - x - x - upon bonds or other evidences of debt of the Government of the Philippines or its political subdivisions authorized by law to issue bonds, or upon bonds or other evidences of debt of government-owned or controlled corporations and instrumentalities including the Central Bank - x - x - x -; or upon stocks, bonds or other evidences of debt as are specified in section two hundred."

the following rules and regulations are hereby promulgated:

1. No insurance company shall loan any of its money or deposits to any person, corporation or association, when the amount of such loan is in excess of -

- One hundred per centum (100%) of the market value of bonds or other evidences of debt of the Government of the Philippines or its political subdivisions authorized by law to issue bonds or upon bonds or other evidences of debt of government-owned or controlled corporations and instrumentalities including the Central Bank;

- Ninety per centum (90%) of the market value of bonds or other evidences of debt of private entities as are specified under Section 200 of the Insurance Code; and

- Seventy five per centum (75%) of the market value of stocks as are specified in Section 200 of the Insurance Code.

2. Collateral loans granted for a period longer than five (5) years shall be amortized monthly, quarterly, semi-annually or annually, provided that no such loans shall have a maturity in excess of ten (10) years.

This Circular shall take effect upon Its approval by the Secretary of Finance.

Adopted: 11 June 1987

(SGD.) BEN A. NICOLAS

Asst. Insurance Commissioner

Officer-in-Charge

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