

APPLICABILITY OF THE LIMITATION UNDER SECTION 211 OF THE INSURANCE CODE, AS AMENDED, TO BUSINESS COMBINATIONS FOR THE PURPOSE OF CORPORATE GROUP RESTRUCTURING

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/a53565cdabb3/>

Adopted: 10 August 2018

Date Filed: 15 August 2018

WHEREAS, Sec. 290 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, defines a Holding Company System as a holding company together with its controlled insurers and controlled persons;

WHEREAS, under Sec. 299 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, prior written approval of the Commissioner shall be required for the following transactions between a controlled insurer and any person in its holding company system: sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer's admitted assets as of the thirty-first day of December next preceding;

WHEREAS, in reviewing transactions pursuant to Sec. 299, the Insurance Commission is mandated to evaluate whether the transactions comply with the standard set forth in Sec. 298 which provides that the terms shall be fair and equitable, charges or fees for services performed shall be reasonable, expenses incurred and payments received shall be allocated to the insurer on an equitable basis in conformity with customary insurance accounting practices consistently applied and whether they may adversely affect the interests of policyholders;

WHEREAS, Sections 207 and 211 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, allows non-life insurance companies to invest any portion of its funds representing earned surplus in any financial institution: Provided, that no investment in stocks or bonds of any single entity shall in the aggregate, exceed twenty percent (20%) of the net worth of the insurance company as shown in its latest financial statement approved by the Commissioner or twenty percent (20%) of the paid-up capital of the issuing company, whichever is lesser, unless otherwise approved by the Commissioner;

WHEREAS, in order to comply with the Capital Build-up Requirement of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, and in order to maximize synergy and promote the efficient use of capital, controlled insurance companies within a common holding company has resorted to business combinations such as merger, consolidation, acquisition of shares and acquisition of portfolio;

WHEREAS, such business combination entered into by controlled insurance companies within a common holding company should not be limited by the provisions of Sections 207 and 211 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607;

WHEREAS, under Sec. 437 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, the Insurance Commissioner is empowered to issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of the Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public.

NOW, THEREFORE, by the powers vested in me, the following rules are hereby issued and promulgated:

1. **APPLICABILITY OF LIMITATION ON INVESTMENT FOR NON-LIFE INSURANCE COMPANIES.** - The limitation on investment for non-life insurance companies provided under Sec. 211 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, shall not be applicable for a business combination, which is hereto defined as a transaction in which the acquirer obtains control of another business of the acquiree (e.g. merger, consolidation, acquisition, etc)[1]
2. **APPLICABILITY.** - This Circular shall only apply to any business combination undertaken or entered into by two or more controlled insurance companies within a common holding company system strictly for the purpose of corporate group restructuring.
3. **REQUIREMENTS.** - If the business combination is a merger or consolidation, the requirements under IC Circular Letter No. 2015-11 dated 18 March 2015 shall also be complied with. Also, if the business combination will result into the acquisition of control of one of the controlled insurance companies, the requirements under IC Circular Letter No. 2014-37 dated 05 September 2014 shall also be complied with. Also, transactions within a holding company system must be approved or reported, depending on the threshold, as provided under IC Circular Letter No. 2015-15 dated 25 March 2015.
4. **PERIOD.** - The parties should complete the business combination within six (6) months from receipt of this Commission's written approval.

This Circular Letter shall take effect immediately. All concerned should be guided accordingly.

(SGD) DENNIS B. FUNA
Insurance Commissioner

[1] <https://www.accountingtools.com/articles/2017/5/10/business-combination>; IFRS 3

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.