

GUIDELINES FOR FOREIGN CURRENCY DENOMINATED INVESTMENTS AND INSURANCE POLICIES

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In view of the enactment of Republic Act No. 8183 repealing Republic Act No. 529, otherwise known as the Uniform Currency Act, the Insurance Commission, in coordination with the Investment Advisory Committee and the Joint Financial Committee, issues the following set of guidelines for foreign currency denominated investments and insurance policies:

A

Foreign Currencies Allowed

Only foreign currencies acceptable to the Bangko Sentral ng Pilipinas (BSP) as part of its international reserves shall be allowed.

B

Investments

1. The following foreign currency denominated investments may be allowed:

- a. Issues of the Philippine government or Philippine government — owned or controlled corporations.
- b. Issues of Philippine private corporations provided they shall have a credit rating of at least BB+ or its equivalent.
- c. Issues of foreign governments provided these shall have a credit rating of BB+ or better as rated by an international credit rating agency acceptable to the Insurance Commission.
- d. Issues of foreign corporations provided these shall have a credit rating of at least BBB as rated by an international credit rating agency acceptable to the Insurance Commission.
- e. Loans against mortgages on real properties outside the Philippines which shall be considered surplus investments and which shall be made only if the laws of the country where the property is located allow the tender to own real estate property in the event of foreclosure.
- f. Loans guaranteed by banks of foreign countries provided the guarantor bank has a credit rating of at least BBB as rated by an international credit rating agency acceptable to the Insurance Commission.
- g. Investments in venture which shall be considered as surplus investments if made in accordance with rules and regulations, and upon prior approval of the Insurance Commission.

2. Reserves and other liabilities in a foreign currency must be matched with assets in the same currency to at least 50%. Exceptions may be granted where the aggregate liabilities in a foreign currency are less than 10% of the total foreign currency liabilities of the company.

The pertinent provisions of the Insurance Code on investments shall likewise be applicable to foreign investments.

C

Insurance Policies

1. All liabilities resulting from the insurance of a foreign currency denominated policy shall be valued in the same currency used in the insurance policy.
2. All foreign currency assets shall be booked in the currency stated in the underlying instrument/document in the absence of any instruments/documents, it shall be booked in the currency of the country where the asset is physically located.
3. Only cash holdings in acceptable foreign currencies as defined in item A, shall be allowed.
4. Premium related taxes and documentary stamp taxes shall be based on the peso equivalent of the premium or sum assured, as the case may be, at the time the taxes are due in accordance with BIR regulations.
5. Commissions shall be paid in accordance with the currency agreed upon in the agency contract.
6. Policy benefits and claims shall be payable in the currency of the insurance policy issued. However, payment may be made in another currency subject to the agreement between the claimant and the insurance company.
7. Premiums shall be billed in the same currency as the policy issued. However, payment may be made in another currency subject to the agreement between the policy holder and the insurance company.
8. Income arising from foreign currency investments shall be recognized in the currency of the instrument, unless such instrument specifies another currency, in which case the investment income shall be valued in that currency.
9. For purposes of booking the original transaction, all foreign currency assets and liabilities shall be recorded in their original currency as mentioned in items 1 and 2 above, converted to Philippine Peso based on the exchange rate being used by individual insurance company at the time they were acquired or incurred, provided however that these are revealed periodically as explained in item 10, below.
10. For purposes of periodic and annual reporting, the value of the foreign currency assets and liabilities shall be converted to Philippine peso based on the BSP guiding rate at the end of the reporting period.
11. Unrealized foreign exchange gain or loss shall be recognized as Fluctuation Reserve-Foreign Exchange.
12. Realized foreign exchange gain or loss shall be recognized as income or loss in the Income Statement.
13. Schedules showing balance sheet items in foreign currency values and their peso equivalent, shall be submitted with the Annual Statement. In case an account consists of multiple currencies, a sub-schedule showing the currency breakdown shall likewise be submitted.

This Circular shall take effect immediately.

Adopted: 24 Sept. 1997

(SGD.) EDUARDO T. MALINIS

Insurance Commissioner

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