

GUIDELINES FOR NON-LIFE INSURANCE COMPANIES WITH (1) EXISTING SERVICING LICENSES PRIOR TO 5 MAY 2017; OR (2) PENDING APPLICATIONS FOR SERVICING LICENSES PRIOR TO 5 MAY 2017

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WHEREAS, servicing insurance companies, as defined under this Commission's Circular Letter No. 2014-14 dated 12 May 2014 ("Definition and Licensing of Servicing Insurance Companies") are required under said Circular Letter to secure servicing licenses, respectively;

WHEREAS, this Commission issued Circular Letter No. 2017-26 on 11 April 2017 providing for "Guidelines on Voluntary Cessation of Non-Life Insurance Business in the Philippines", whereby concerned companies are respectively issued servicing licenses "x x x for purposes of voluntary cessation and withdrawal of business x x x";

WHEREAS, prior to the issuance of Circular Letter No. 2017-26 and its effectivity on 5 May 2017, several non-life insurance companies have already been operating as servicing insurance companies or have pending applications for servicing licenses;

WHEREAS, this Commission recognizes the need to issue supplemental guidelines that will cover non-life insurance companies with existing servicing licenses prior to the effectivity of Circular Letter No. 2017-26 on 5 May 2017; or those with pending applications for servicing licenses prior to said date;

NOW THEREFORE, pursuant to the powers vested upon the Insurance Commissioner under Section 437 of Republic Act No. 10607, otherwise known as the Amended Insurance Code of the Philippines, the following Guidelines for Non-Life Insurance Companies with (1) Existing Servicing Licenses prior to 5 May 2017; or (2) Pending Applications for Servicing Licenses Prior to 5 May 2017 are hereby promulgated, to wit:

A. APPLICABILITY

These Guidelines shall apply to:

1. Non-life insurance companies with existing servicing licenses prior to 5 May 2017; and
2. Non-life insurance companies with pending applications for servicing licenses prior to 5 May 2017.

B. PROCESS

1. For non-life insurance companies with existing servicing licenses prior to 5 May 2017 that are in a state of "run-off" or were allowed by this Commission to "run-off", the following processes shall be observed:

(a) Renewal of Servicing License

If the concerned company's servicing license has expired or is about to expire within thirty (30) days from the effectivity of this Circular Letter, said company shall apply for the renewal of its servicing license with this Commission's Licensing Division within fifteen (15) days from the effectivity of this Circular Letter.

(b) Letter of Intent

Companies falling within the purview of Section B(1) of this Circular Letter shall confirm to this Commission, in writing and within forty-five (45) days from the effectivity of this Circular Letter, its intention whether:

- i. The concerned company is only engaged in servicing activities on a temporary basis and is intending to revive its business; or
- ii. The concerned company shall continue to "run-off" or cease/ withdraw from doing insurance business.

(c) Submission of Revival Plan

If the concerned company confirms that it is only engaged in servicing activities on a temporary basis and is intending to revive its business pursuant to Section B(1)(b)(i) of this Circular Letter, said company shall submit, together with the Letter of Intent, a Revival Plan for the consideration and approval of the Insurance Commissioner. The Revival Plan shall detail the measures and/or strategies that will be implemented to restore the company to financial viability and normal business operations.

If the concerned company fails to submit said Revival Plan and/or submit the Letter of Intent within the forty-five (45)-day period provided for under Section B(1)(b) of this Circular Letter, or in the event that this Commission disapproves the Revival Plan submitted by the concerned company, said company shall be considered as withdrawing and/or ceasing from doing insurance business. Consequently, the provisions of Circular Letter No. 2017-26 shall be made to apply in such situation.

(d) Designation of Overseer

An Overseer of the concerned insurance company or MBA, whose qualifications shall, at least, correspond with those of conservators, receivers, or liquidators, shall be appointed or designated by the Insurance Commissioner upon the recommendation of this Commission's CRL Division.

During the servicing period, the Overseer shall ensure that the liabilities of the concerned company are paid as they fall due and that sufficient reserves are available until all said liabilities are paid.

If an Overseer has been already appointed within the time the concerned company is required to submit its Revival Plan, the Revival Plan must be evaluated and recommended for approval by the Overseer before the same is forwarded to this Commission for the latter's final approval. In the event that the Overseer finds that the Revival Plan is not feasible, he/she shall instead recommend cessation of business in accordance with Circular Letter No. 2017-26.

(e) Submission of Reportorial Requirements

In the interest of effectively and efficiently monitoring and supervising the servicing activities of the concerned company and its financial condition, the following documents shall be submitted by said company to this Commission's CRL Division not later than the thirtieth (30th) day of the month immediately following the applicable quarter:

- i. Quarterly and Annual Statement/Reports;
- ii. Quarterly Interim Financial Statements;
- iii. Quarterly Masterlist of Claimants, Insureds, and Creditors, with the corresponding outstanding liabilities and reserves; and

iv. Quarterly Statement of Paid Up Capital/Reserves and Investments.

This Commission may likewise require the concerned company and/or the Overseer to submit other documents upon sufficient notice, which will enable this Commission to effectively and efficiently monitor and supervise the servicing activities of said company and its financial condition.

All other documents and reports required by this Commission's other Circular Letters that are in force shall continue to be submitted by the concerned company, unless said company is specifically exempted by the Insurance Commissioner on reasonable grounds upon the application of the concerned company and/or its Overseer.

The Overseer shall submit his/her quarterly reports to the CRL Division for the latter's evaluation and appropriate action not later than the twenty-fifth (25th) day of the month immediately following the applicable quarter.

(f) Examination of Financial Condition and Evaluation of Servicing Activities

The Overseer, in consultation with this Commission's CRL Division, Financial Examination Group, and Technical Services Group, shall conduct a regular quarterly financial examination of the servicing company. The Quarterly Financial Examination Report of the Overseer shall be submitted to the CRL Division not later than the twenty-fifth (25th) day of the month immediately following the applicable quarter. Said Report shall be reviewed by the CRL Division and endorsed for the Insurance Commissioner's approval.

If after the submission of the Quarterly Financial Examination Report under this subsection, this Commission finds that the servicing company is insolvent (i.e., unable to pay its lawful obligations as they fall due and/or said company's liabilities exceed its assets), it shall not be precluded from taking the necessary regulatory action under the circumstances; such as, but not limited to, the suspension or revocation of the servicing license, issuance of a Cease and Desist Order, and/or placement of the servicing company under conservatorship, receivership, or liquidation.

2. For non-life insurance companies "running-off" towards closure and whose applications for servicing licenses or voluntary cessation of business were approved by this Commission on or after 5 May 2017, the provisions of Circular Letter No. 2017-26 shall apply.

3. Companies with pending applications for servicing licenses or voluntary cessation of business, which applications were received prior to 5 May 2017, shall confirm to this Commission their intention to cease or revive its business in writing and within fifteen (15) days from the effectivity of this Circular Letter.

If the concerned company shall confirm its intention to cease/withdraw from business, the provisions of Circular Letter No. 2017-26 shall apply to said company's application.

If the concerned company shall confirm its intention to revive its business, it must submit its Revival Plan under Section B(1)(c) hereof within the same period of forty-five (45) days from the effectivity of this Circular Letter.

4. For financially distressed non-life insurance companies that are under conservatorship, receivership, or liquidation, the existing processes for conservatorship, receivership, or liquidation shall apply and be observed by this Commission's CRL Division.

C. APPLICABILITY OF PROVISIONS TO CIRCULAR LETTER NO. 2017-26

The provisions under Sections B(1)(d) to (f) of this Circular Letter shall supplement the processes described under Section VIII of Circular Letter No.

2017-26.

D. EX-OFFICIO OVERSEER

In cases where a servicing license has already been issued to a company pursuant to this Circular Letter or Circular Letter Nos. 2017-26 and/or 2014-

14, and no Overseer has yet been appointed or designated to such company, the Division Manager or any lawyer of the CRL Division shall act as said company's Ex-Officio Overseer until such time that an Overseer is appointed or designated.

E. EFFECTIVITY

This Circular Letter shall take effect fifteen (15) days following its filing with the University of the Philippines Law Center.

For the guidance and compliance of concerned parties.

(SGD) DENNIS B. FUNA
Insurance Commissioner

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