

LEGAL
ALERT

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Insurance and Reinsurance Companies Encouraged to Invest in Infrastructure Projects to Comply with Net Worth Requirement

The Philippine Insurance Commission (“Commission”) recently issued Circular Letter No. 2018-74 (“Circular”) to entice insurance and reinsurance firms to invest in debt and/or equity security instruments for the infrastructure projects under Philippine Development Plan (“PDP”). In addition to supporting the government’s Build Build Build project, the Circular also aims to help insurers comply with the minimum statutory net worth requirement of PHP900 million (approximately USD17.3 million) by the end of this year and PHP1.3 billion (approximately USD25 million) by 2022.

The Circular lists documents required to be submitted in order to assess the viability of the proposed investment such as, audited financial statements and feasibility studies. Once approved by the Commission, the investment will be considered as admitted assets for purposes of determining the net worth of insurance and reinsurance companies. The investment in the infrastructure project may also be considered as reserve investment.

Implications for Business

Aside from the sky-high net worth requirement, the Commission was previously very strict in terms of allowable investments of insurance companies. With this new development, insurance companies are given the opportunity to easily beef up their net worth while diversifying portfolio among investments with more auspicious rates of return.

What the Circular Says

All insurance and professional reinsurance companies may invest either in debt and/or equity security instrument for the infrastructure projects under the PDP through the following participations:

- Construction – insurance and professional reinsurance companies may enter as project proponent.
- Project financing – insurance and professional reinsurance companies may enter as financiers or sponsors.
- Operation and maintenance contract – insurance and professional reinsurance companies through an existing public service facility which will require operation and maintenance and will be paid through consignment or service fees.

The following are the activities which may be undertaken under the PDP:

- Highways, including expressways, roads, bridges, interchanges, tunnels, and related facilities,
- Railways or rail-based projects;
- Non-rail-based mass transit facilities, navigable inland waterways and related facilities;
- Port infrastructures and related facilities;
- Airports, air navigation, and related facilities;
- Power generation, transmission, sub-transmission, distribution, and related facilities;

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- Telecommunications, backbone network, terrestrial and satellite facilities and related service facilities;
 - Information technology (“IT”) and data base infrastructure;
 - Irrigation and related facilities;
 - Water supply, sewerage, drainage, and related facilities;
 - Education and health infrastructure;
 - Land reclamation, dredging and other related development facilities;
 - Industrial and tourism estates or townships, including ecotourism projects and related infrastructure facilities and utilities;
 - Government buildings, housing projects;
 - Markets, slaughterhouses, and related facilities;
 - Warehouses and post-harvest facilities;
 - Public fish ports and fishponds, including storage and processing facilities;
 - Environmental and solid waste management related facilities; and
 - Climate change mitigation and adaptation infrastructure projects and related facilities.

If you have any questions or require any additional information, please contact [Felix Sy](#) or [Aubrey Lim](#) of Insights Philippines Legal Advisors.

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