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Non-life insurers allowed to invest in real property

BIG NON-LIFE insurance firms may now invest in land and other real property assets to augment their capital buffers and generate more income, the Insurance Commission (IC) announced yesterday.

In a statement, the regulator said non-life issuers with a net worth of at least P550 million will be allowed to acquire land assets to generate fresh incomes up to a maximum of 20% exposure.

"The new guidelines now allow non-life insurance companies to invest their money in incoming-producing real properties, other than those utilized as its main place of business or offices, provided that the applicant non-life insurance company satisfies the conditions stated therein," IC Commissioner Dennis B. Funa was quoted as saying.

"Easing the investment policy of non-life insurance companies in real properties will create a new revenue stream for the non-life insurance sector."

Mr. Funa signed Circular Letter No. 2017-43 last month that allows the insurance firms to further diversify their investments, which also limits a company's exposure to a fifth of its total net worth. The amount includes the cost of developing the property — such as putting up a building or facility be rent out as commercial space — and is computed against the latest financial statement of the insurer.

"As traditional fixed income investments have generated declining returns in the low-yield environment, non-life insurance companies have been spurred to search for new investment opportunities," Mr. Funa also said.

There are 70 non-life insurance firms operating in the Philippines as of end-2016. Following the P550-million threshold for the real property investments, some 47 of these companies may consider investing on real property according to IC data.

Any plans to acquire parcels of land must be submitted to the IC together with a five-year projected income, as well as the details of the intended occupants, a copy of the proposed lease contract, and a copy of the land title in the

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name of the insurance firm, the IC said.

Such assets will also be considered as reserve investment, according to the circular.

Insurance firms must likewise adopt a comprehensive framework to manage liquidity risks, which will allow the companies to remain afloat despite periods of a funding crunch.

Non-life premiums written totalled P22.2 billion as of end-June, spelling a 12.8% increase from the P19.69 billion recorded during the first semester of 2016 led by higher availments under the motor vehicle and fire lines.