

[IC Circular Letter No. 2015-11, March 18, 2015]

**RULES AND REGULATIONS ON CONSOLIDATION AND MERGER
OF INSURANCE COMPANIES**

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In accordance with Sections 258^[1] and 437^[2] of the Insurance Code, as amended by R.A. No. 10607, the following rules and regulations governing mergers and consolidation for domestic insurance companies doing business in the Philippines are hereby promulgated:

1. **Notice to the Commissioner.** - Two (2) or more domestic insurance companies desirous of consolidating into a single corporation which shall be a new corporation or merge into a single corporation must notify the Insurance Commissioner in writing at least thirty (30) days prior to any board action to approve any Plan of Merger/Consolidation.
2. **Plan of Merger/Consolidation.** - After notifying the Commissioner of its intention to merge or consolidate, the domestic insurance companies concerned must come up with a common agreement to be known as Plan of **Merger/Consolidation**, as the case may be, for the proposed merger or consolidation, through their respective boards of directors.
3. **Contents of the Plan of Merger/Consolidation.** - The Plan of Merger/Consolidation must include the following provisions:
 - a. The manner of transfer of assets to and assumption of liabilities by the absorbing or acquiring company from the absorbed or dissolved company or companies;
 - b. The proposed articles of merger or consolidation and by-laws of the surviving or acquiring company;
 - c. The corporate name to be adopted which should not be that of any other existing company transacting similar business or one so similar as to be calculated to mislead the public;
 - d. The rights of the stockholders or members of the absorbed or dissolved companies;
 - e. Date of effectivity of the merger or consolidation; and
 - f. Such particulars as may be necessary to explain and make manifest the objects and purposes of the absorbing or acquiring company.
4. **Stockholder's Approval.** - The Plan of Merger/Consolidation must then be submitted to the stockholders or members of the constituent companies for **adoption and approval at separate corporate meetings duly called for the purpose.** Notice of such meetings shall be given to all stockholders or members of the respective corporations, at least two (2) weeks prior to the

date of the meeting, either personally or by registered mail. Said notice shall state the purpose of the meeting and shall include a copy or a summary of the plan of merger or consolidation.

5. **Stockholder's Right of Appraisal.** - All stockholders or members dissenting or objecting to the merger or consolidation shall be paid the value of their shares by the company concerned in accordance with the by-laws thereof.
6. **Notice to Policyholders and Creditors.** - After the adoption and approval of the Plan of Merger/Consolidation by and between or among the boards of directors and the stockholders or members of the constituent companies, notice thereof shall be immediately sent through mail within twenty (20) days from execution of such agreement to their policyholders and all creditors.
7. **Discharge of Liabilities.** - The company or companies to be absorbed or dissolved must undertake to discharge all its accrued liabilities; otherwise, such liabilities shall, with the consent of its creditors, be transferred to and assumed by the absorbing or acquiring company. In the case of policies subject to cancellation by the company or companies to be absorbed or dissolved, the same must be cancelled pursuant to the terms thereof in lieu of such transfer, assumption, or reinsurance and submission of proof of endorsement notifying the insured of such cancellation. In any case, proof as to the discharge of its accrued liabilities must be in writing and submitted to the Commissioner.
8. **Articles of Merger/Consolidation.** - The corresponding articles of merger or of consolidation shall be duly executed by the presidents and attested by the corporate secretaries and shall bear the corporate seals of the merging or consolidating companies setting forth:
 - a. The plan of merger or the plan of consolidation;
 - b. As to each corporation, the number of shares outstanding, or in case of mutual corporations, the number of members; and
 - c. As to each corporation, the number of shares or members voted for and against such plan, respectively.
9. **Financial Examination.** - Before the Insurance Commissioner endorses the Articles of Merger/Consolidation to the Securities and Exchange Commission (SEC), the current year's examination/verification shall be utilized for the purpose of determining the financial condition of the concerned insurance companies. The Insurance Commissioner shall send a notice to the said conduct of financial examination to the concerned company at least thirty (30) days prior to the date of such examination.
10. **Commissioner's Approval of Plan of Merger/Consolidation.**- After a review, the Commissioner shall then approve or deny the Plan of Merger/Consolidation and the Articles of Merger/Consolidation. In case the Commissioner denies the Plan of Merger/Consolidation, the reason/s for such denial should be stated.
11. **Commissioner's Endorsement.**- In accordance with Section 79 of the Corporation Code of the Philippines, insurance companies must secure the favorable recommendation of the Insurance Commissioner before submitting the articles of merger or consolidation with the Securities and Exchange Commission (SEC)^[3]. To secure the endorsement of the Commissioner, the following must be submitted: