



Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila

Circular Letter (CL) No.:	2015-15
Date:	25 March 2015
Supersedes:	None

**CIRCULAR LETTER**

**TO : ALL INSURANCE COMPANIES CONTROLLED DIRECTLY OR INDIRECTLY BY A HOLDING COMPANY**

**SUBJECT : CLARIFYING THE PROCEDURE UNDER SECTIONS 298-301 OF REPUBLIC ACT NO. 10607, OTHERWISE KNOWN AS "THE AMENDED INSURANCE CODE"**

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Sections 298-301 of the Amended Insurance Code provides that:

*SEC. 298. Transactions within a holding company system to which a controlled insurer is party shall be subject to the following:*

- a. The terms shall be fair and equitable;*
- b. Charges or fees for services performed shall be reasonable;*
- c. Expenses incurred and payments received shall be allocated to the insurer on an equitable basis in conformity with customary insurance accounting practices consistently applied.*

*The books, accounts and records of each party to all such transactions shall be maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.<sup>1</sup>*

*SEC. 299. The prior written approval of the Commissioner shall be required for the following transactions between a controlled insurer and any person in its holding company system: sales, purchases,*

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<sup>1</sup> Sec.290(c) Holding company means any persons who directly or indirectly control any authorized insurer;  
(d) Controlled insurer means an authorized insurer controlled directly or indirectly by a holding company

*exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer's admitted assets as of the thirty-first day of December next preceding.*

*SEC.300. The following transactions between a controlled insurer and any person in is holding company system may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into any such transaction at least thirty (30) days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period:*

- a. Sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (1/2%) but less than five percent (5%) of the insurer's admitted assets as of the thirty-first day of December next preceding;*
- b. Reinsurance treaties or agreements;*
- c. Rendering of services on a regular or systematic basis; or*
- d. Any material transaction, specified by regulation, which the Commissioner determines may adversely affect the interest of the insurer's policyholders or stockholders or of the public.*

*Nothing herein contained shall be deemed to authorize or permit any transaction which, in the case of a non-controlled insurer, would be otherwise contrary to law.*

*SEC.301. The Commissioner, in reviewing the transactions pursuant to Section 299 and 300, shall consider whether the transactions comply with the standard set forth in Section 298 and whether they may adversely affect the interests of policyholders. This section shall not apply to transactions subject to other sections of this Code which impose notice or approval requirements greater than those prescribed by this title.*

Accordingly, the procedure for transactions within a holding company system in which a controlled insurer is a party is hereby promulgated as follows:

- I. Sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer's admitted assets.**
  - a. Request for Approval.** – A controlled insurer intending to enter into *sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of its admitted assets as of the thirty-first day of December next preceding* must request for the approval of the Insurance Commissioner **in writing at least forty-five (45) days prior to the intended date of transaction.**
  - b. Contents of the Request.** – The request for approval must clearly and accurately disclose the details of the proposed transaction and must include all the material information as required under Section 298 of the Amended Insurance Code such as, but not limited to, the books, accounts and records of each party to the transaction.

- c. **Review by the Commissioner.** – Upon submission of the requirements above-stated, the proposed transaction will be reviewed by the Insurance Commissioner or his duly authorized representative, and shall consider whether the proposed transaction complies with the standard set forth in Section 298 and whether they may adversely affect the interests of policyholders.
  - d. **Approval by the Commissioner.** – If the Commissioner finds that the proposed transaction complies with the requirements under Section 298 and that it will not adversely affect the interests of policyholders, written approval for the proposed transaction will then be issued to the controlled insurer.
  
- II. **Sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (1/2%) but less than five percent (5%) of the insurer's admitted assets as of the thirty-first day of December next preceding**
  - a. **Written notification.** – A controlled insurer intending to enter into *sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (1/2%) but less than five percent (5%) of the insurer's admitted assets as of the thirty-first day of December next preceding* must notify the Insurance Commissioner **in writing at least thirty (30) days prior to the intended date of transaction.**
  - b. **Contents of the Notification.** – The written notification must clearly and accurately disclose the details of the proposed transaction and must include all the material information as required under Section 298 of the Amended Insurance Code such as, but not limited to, the books, accounts and records of each party to the transaction.
  - c. **Review by the Commissioner.** – Upon submission of the requirements above-stated, the proposed transaction will be reviewed by the Insurance Commissioner or his duly authorized representative, and shall consider whether the proposed transaction complies with the standard set forth in Section 298 and whether they may adversely affect the interests of policyholders within thirty (30) days from receipt of the written notification by the Commission.
  - d. **Reckoning Period.** – The thirty (30) days period shall be reckoned from the time the written notice is officially received by the Commission.
  - e. **Approval/Disapproval by the Commissioner.** – If the Commissioner finds that the proposed transaction does not comply with the standard set forth in Section 298 and that the interests of the policyholders will be adversely affected, a written disapproval will be issued to inform the controlled insurer. On the other hand, if no written disapproval is issued

by the Commissioner within the thirty (30) day period above-mentioned, the proposed transaction is deemed approved.

**III. PENALTY.** – Willful failure of any person within a holding company system to comply with the provisions of this circular letter is punishable as provided under Section 306<sup>2</sup> of the Amended Insurance Code and loans, extensions of credits, and investments of a controlled insurer to its holding system and vice-versa without prior approval from this Commission will be considered non-admitted under Section 203 of the Amended Insurance Code for purposes of certification/examination of the annual statements of the controlled insurer.

**IV. FEE.** – Upon approval of the proposed transaction, a fee of Fifteen Thousand Pesos (P15,000.00) shall be paid by the applicant prior to the release of the approval letter or after the expiration of the thirty (30) day period if no written disapproval is issued for transactions falling under Section II of this Circular.

The foregoing shall be without prejudice to other requirements that the Commission may additionally require.

This Circular Letter will take effect immediately.

For your information and guidance.



**EMMANUEL F. DOOC**  
Insurance Commissioner

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<sup>2</sup> SEC. 306. In addition to any other penalty provided by law, the Commissioner may, upon the willful failure of any person within a holding company system to comply with this title or any regulation or order promulgated hereunder:

"(a) Proceed under Title 14 or Title 15, Chapter III of this Code with respect to insurer within the holding company system, or

"(b) Revoke or refuse to renew the authority to do business in this country of an insurer within the holding company system or refuse to issue such authority to any other insurer in the system, or

"(c) Direct that, in addition to any other penalty provided by law, such person forfeit to the people of this country a sum not less than Five thousand pesos (P5,000 00) for a first violation and Twenty-five thousand pesos (P25,000 00) for any subsequent violation. An additional sum not less than Twenty-five thousand pesos (P25,000.00) shall be imposed for each month during which any such violation shall continue.