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

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<th>Circular Letter (CL) No.:</th>
<th>2017-52</th>
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<td>Date:</td>
<td>17 November 2017</td>
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CIRCULAR LETTER

TO : ALL INSURANCE AND REINSURANCE COMPANIES, INSURANCE AGENTS AND GENERAL AGENTS

SUBJECT : PENALTY FOR PAYMENT OF COMMISSIONS TO PERSONS ACTING AS INSURANCE AGENTS WITHOUT THE REQUIRED LICENSE

WHEREAS, Section 307 of the Insurance Code of the Philippines, as amended, prohibits the payment of commission to any person unless such person shall have first procured from the Insurance Commission a license to act as an insurance agent of such company, without, however, providing any penalty for the said violation;

WHEREAS, Section 438 of the Insurance Code of the Philippines, as amended, authorizes the Insurance Commissioner, at his discretion, to impose a fine of not less than Five Thousand Pesos (P5,000.00) and not more than Two Hundred Thousand Pesos (P200,000.00) for any violation of any provision of the Insurance Code, as amended;

WHEREAS, IC Circular Letter No. 2014-15 dated 15 May 2014 provided the penalty for unauthorized payment of commission to unlicensed agents in the amount of Five Thousand Pesos (P5,000.00) per agent or the amount of commission given, whichever is higher;

WHEREAS, there is a need to harmonize the applicable provisions of the Insurance Code, as amended, and IC Circular Letter No. 2014-15 dated 15 May 2014 in order to rationalize and implement the proper penalty for the violation of Section 307;

NOW, THEREFORE, pursuant to the authority vested in the Insurance Commission under existing laws, the following are hereby promulgated:

1. Payment of commissions to any person who does not have a license to act as an insurance agent, regardless of the amount involved, is a violation of Section 307 of the Insurance Code of the Philippines, as amended;

2. The number of unlicensed persons who received payment of commissions shall be the basis in determining the number of violations committed by an insurance company. Thus, payment of commission to one unlicensed person shall constitute as one violation;

Head Office: P.O. Box 3589 Manila FAX No.522-14-34 Tel. Nos. 523-84-61 to 70 Website: www.insurance.gov.ph
3. The insurance company shall be notified of the number of violations committed after the conduct of its financial examination by the Insurance Commission;

4. The insurance company can contest the finding only if it can prove that the person was a licensed agent on or before the payment of the commission was made;

5. Repetition of the violation shall be determined on a per fiscal year basis, regardless of the number of violations committed in a given fiscal year;

6. A repetition of the violation, regardless if committed in successive fiscal years or not, shall be considered as a second or third offense, as the case maybe;

and,

7. IC Circular Letter No. 2014-15 dated 15 May 2014 is hereby amended, in so far as the penalty for payment of commission to an unlicensed person is concerned, to read as follows:

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<th>“C. Violation</th>
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<td>1. xxxx</td>
<td>First Offense: Five Thousand Pesos (P5,000.00) for each violation;</td>
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<td>9. Payment of commission to</td>
<td>Second Offense: Ten Thousand</td>
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<td>unlicensed persons (commercial</td>
<td>Pesos (P10,000.00) for each violation; and</td>
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<td>and microinsurance)</td>
<td>Third and Succeeding Offense/s: Twenty Thousand Pesos</td>
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<td>Twenty Thousand Pesos (P20,000.00) for each violation”</td>
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This Circular takes effect immediately.

For strict compliance.

DENNIS B. FUNA
Insurance Commissioner