CIRCULAR LETTER

TO : APPLICANTS FOR ISSUANCE OF NEW OR RENEWAL OF LICENSE TO ACT AS INSURANCE AND/OR REINSURANCE BROKER

SUBJECT : GUIDELINES ON THE LICENSING REQUIREMENTS OF INSURANCE AND/OR REINSURANCE BROKERS

Pursuant to the powers of the Insurance Commissioner under Section 437 of the Insurance Code, as amended by Republic Act No. 10607, the following Guidelines on the Licensing of Insurance and/or Reinsurance Brokers are hereby promulgated:

Section 1. Scope. – These Guidelines shall govern the licensing requirements of new and existing insurance and/or reinsurance brokers.

Section 2. Definition of Terms. – As used herein, the following terms shall mean:

a. “Broker” shall mean either an insurance broker, reinsurance broker, and insurance and reinsurance broker unless so specified;

b. “Commissioner” shall mean the Insurance Commissioner;

c. “Insurance Broker” shall mean a person who for any compensation, commission or other thing of value acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract or in placing risk or taking out insurance, on behalf of the insurance other than himself;
d. "Person" shall include any individual, partnership, association, or corporation, unless the context otherwise requires; and

e. "Reinsurance Broker" shall mean a person who for compensation, not being an insurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts for reinsurance, or placing risks of effecting reinsurance, for any company authorized to do business in the Philippines.

Section 3. Capitalization and Net Worth Requirements. - Any new entrant intending to do business either as an insurance broker or reinsurance broker must have a minimum capitalization or paid-up capital of Twenty Million Pesos (P20,000,000.00) and must maintain a net worth of at least Twenty Million (P20,000,000.00).

Any new entrant intending to do business as an insurance broker and reinsurance broker must have a minimum capitalization or paid-up capital of Fifty Million Pesos (P50,000,000.00) and must maintain a net worth of at least Fifty Million (P50,000,000.00).

Existing insurance broker or reinsurance broker must have a net worth of at least Ten Million Pesos (P10,000,000.00) while existing insurance and reinsurance brokers must have a net worth of at least Twenty Five Million Pesos (P25,000,000.00).

The foregoing capitalization and net worth requirements shall be without prejudice to the adoption of the risk-based capital approach and other internationally accepted forms of capital framework.

Section 4. Business or Corporate Name. - All persons applying for the issuance of new or renewal of broker's license are required to include in its business or corporate name the descriptive words "insurance broker", "reinsurance broker" or "insurance and reinsurance broker", whichever is applicable, to properly represent the company's operation in order to avoid confusion among the insuring public.

Section 5. Documentary Requirements. –

A. An application for issuance of new broker’s license shall be made using the form herein attached as Annex “A” and shall be accompanied by the following documents:

i. Copy of the Certificate of Registration issued by the Department of Trade and Industry, in the case of sole proprietorship, or Certificate of Recording issued by the Securities and Exchange Commission, in the case of partnership, or Certificate of Incorporation, in the case of corporation;

ii. Copies of the Articles of Partnership or Incorporation and By-Laws;

iii. Copy of Mayor’s Permit;

iv. Proof of registration with the Bureau of Internal Revenue;

v. Proof of ownership or lease agreement covering the principal office,

vi. Capital Structure;

vii. Certificate of bank deposit or any other evidence of bank account ownership together with the name and address of the depository bank;
viii. Waiver on Bank Secrecy Law in favor of the Commissioner and/or duly authorized representative;
ix. Pre-operational Balance Sheet;
x. Curriculum Vitae of the incorporators and officers;
xi. Organization Chart;
xii. Income Tax Return of Incorporators;
xiii. Clearance issued by the National Bureau of Investigation of the incorporations, officers, and proposed soliciting official;
xiv. Copy of the Surety Bond, in the case of insurance broker, as provided in Section 6;
xv. Copies of the errors and omission policies provided in Section 7;
xvi. Affidavit signed by a senior officer, with a rank of at least Vice-President attesting that it has no violation on the prohibition provided under Section 11;
xvii. Proof of Qualifications of Nominated Soliciting Official; and
xviii. Documentary Stamp Tax.

B. An application for renewal of broker’s license shall be made using the form herein attached as Annex “B” and shall be accompanied by the following:
i. Copy of the license sought to be renewed;
ii. Income Tax Return of the Broker and Soliciting Official;
iii. Updated List of Stockholders, Members of the Board of Directors, and Officers;
iv. Copy of the Surety Bond, in the case of insurance broker, as provided in Section 6;
v. Copies of the renewed errors and omission policies provided in Section 7;
vi. Certification on commissions earned during the preceding fiscal year signed by the company’s external audit, provided that, in case of insurance and reinsurance brokers, such certification must indicate commissions earned for its direct and reinsurance business;
vii. Affidavit signed by a senior officer, with a rank of at least Vice-President attesting that it has no violation on the prohibition provided under Section 11; and
viii. Documentary Stamp Tax.

C. In case of unavailability of any of the documents enumerated above at the time of the submission of the application, the applicant must state the reason/s for the unavailability thereof with an undertaking that the lacking document/s shall be made available and presented during the pre-licensing examination.

Section 6. Surety Bond. – Every application for issuance of new or renewal of broker’s license except reinsurance broker, shall be accompanied by a bond in the amount of not less than One Million Pesos (P1,000,000.00) in favor of the People of the Republic of the Philippines by a company authorized to become a surety upon official recognizances, stipulations and undertakings.

Section 7. Errors and Omissions Policies. – Upon approval of the application, but before the issuance of a new broker’s license, the applicant must file two (2) Errors and Omissions (Professional Liability or Professional Indemnity) insurance policies issued separately by two (2) insurance companies authorized to do business in the
Philippines, Provided, that in no case shall the amount of each of such policies shall be not less than Five Hundred Thousand Pesos (P500,000.00).

In case of applications for renewal of broker's license, the total limit of liability of the said policies shall be equivalent to one hundred percent (100%) of the commissions earned for the preceding fiscal year but not exceeding a maximum amount of Twenty Million (P20,000,000.00), Provided, that in no case shall the amount of each of such policies shall be less than Five Hundred Thousand Pesos (P500,000.00).

Section 8. Soliciting Official. -- A license issued to a broker shall authorize only the individual or individuals named in the license as Soliciting Official.

An applicant for the issuance of a new broker's is required to nominate a soliciting official, subject to the approval of the Commissioner.

In respect of a sole proprietorship, the sole proprietor shall be deemed to be the Soliciting Officer. In respect of a partnership, the Soliciting Official shall be one of the partners. In respect of a corporation, the Soliciting Official shall be a full time officer of the corporation.

Exercise or attempted exercise of such authority by an individual not so named in the license, with the knowledge or consent of the licensee shall constitute cause for the revocation or suspension of the license.

Section 9. Qualifications of a Soliciting Official. --To be qualified as a Soliciting Official, an individual must:

a. be a resident of the Philippines
b. have either i) at least five (5) years of experience in the insurance industry involving sales and/or underwriting, Provided that, such individual held a managerial position for at least two (2) years; or ii) licensed as a general agent for at least five (5) years, Provided, however, that an applicant who fails to meet this requirement may request for an exemption of this requirement upon proof satisfactory to the Commissioner that he has been trained in the kind of insurance contemplated in the licensed applied for or if the applicant holds an associateship from the Insurance Institute for Asia Pacific or other similar institution acceptable to the Commission, Provided, further, that an individual applying for such exemption must have at least three (3) years of experience in the insurance industry occupying a managerial position or licensed as a general agent for at least three (3) years; and
c. must not have been convicted by final judgment of an offense or crime involving moral turpitude.

The minimum qualifications enumerated above shall be without prejudice to any additional qualifications as may be prescribed by the Commissioner.

Section 10. Effect of Disqualification, Death or Resignation of Soliciting Official. -- Disqualification, death or resignation of the Soliciting Official shall automatically suspend the broker's license until such time that a proposed Soliciting Official has been approved by the Commissioner unless there are other Soliciting Officials named in the license.
Section 11. Prohibition. – No person licensed as an insurance agent or general agent shall be licensed as an insurance broker, nor shall a person licensed as an insurance broker be licensed as an insurance agent or general agent.

No official or employee of an insurance broker shall be licensed to act as insurance agent or general agent.

No broker or its stockholders and officers shall have controlling interest in any insurance or reinsurance company, or insurance adjustment company or vice versa.

Section 12. Pre-licensing Examination. – Upon submission of documentary requirements and upon payment of the pre-licensing fee, an on-site pre-licensing examination shall be conducted by the duly authorized representative/s of the Commissioner with respect to applications for issuance of new broker’s license.

Section 13. Validity of License. – A license issued to a broker shall be valid until the last day of the December of the third year following the date of its issuance and shall be renewable every three years thereafter, subject to the company’s continuing compliance with the provisions of the Insurance Code, circulars, instructions, ruling, or decisions of the Commission, Provided That, an application for the renewal of license must be submitted within (3) months before the expiration of the license.

Application for renewal of license made after the expiration date of the license shall be considered as late application which must be filed not later than the last day of the third month following the expiration of such license and subject to the payment of penalty for late renewal in the amount of Five Hundred Pesos (P500.00) per working day of late application.

All applications for renewal filed beyond the period specified above shall be considered as new applications.

Section 14. Refusal, suspension or revocation of license. – The Commissioner may refuse to issue, and after due and hearing, may suspend or revoke a broker’s license if the Commission finds that as to the applicant or licensee, any one or more of the following grounds exist:

a. Has willfully violated any provision of the Insurance Code, as amended by Republic Act No. 10607, circulars, instructions, ruling, or decisions of the Commission; or
b. Has intentionally made a material misstatement in the application to qualify for such license; or
c. Has obtained or attempted to obtain a license by fraud or misrepresentation; or
d. Has been guilty by reason of final judgment of fraudulent or dishonest practices; or
e. Has misappropriated or converted to his own use or illegally withheld moneys required to be held in a fiduciary capacity; or
f. Has not demonstrated trustworthiness and competence to transact business as an insurance broker in such manner as to safeguard the public; or

The proceeding on suspension or revocation of broker's license based on the grounds enumerated above shall be governed by Insurance Memorandum Circular No. 1-93 entitled "Rules of Procedure Governing Administrative Cases Before the Insurance Commission" and any amendment or supplement thereto.

Section 15. Fees.

A. Pre-Licensing Examination Fee

An applicant for the issuance of a new broker's license is required to pay a pre-licensing examination fee in accordance with the following schedule depending on the location of the principal office of the applicant:

- Within Metro Manila: P10,100.00
- Luzon: P25,250.00
- Visayas: P40,400.00
- Mindanao: P45,250.00

B. Licensing Fee

Upon approval of the application for issuance of new or renewal of license as insurance or reinsurance broker with one (1) Soliciting Official, the applicant shall pay a licensing fee in the amount of Ninety Thousand Nine Hundred Pesos (P90,900). In case there are more than one (1) Soliciting Official, the applicant shall pay a licensing fee of Thirty Thousand Three Hundred (P30,300.00) for each additional Soliciting Official.

Upon approval of the application for issuance of new or renewal of license as insurance and reinsurance broker with one (1) Soliciting Official, the applicant shall pay a licensing fee in the amount of One Hundred Eighty One Thousand Eight Hundred Pesos (P181,800). In case there are more than one (1) Soliciting Official, the applicant shall pay a licensing fee of Thirty Thousand Three Hundred (P30,300.00) for each additional Soliciting Official, is required.

C. Fee for Additional Soliciting Official

If the application for approval of additional Soliciting Official is filed other than at the time of the filing of the application for issuance of new or renewal of license, a licensing fee in the amount of P10,100.00 for each Soliciting Official per year of the remaining validity of the license, irrespective of the month in which the application was filed.

Section 16. Separability Clause. – Should any provision of this Circular Letter or any part thereof be declared invalid, the other provisions, insofar as they are separable from the invalid ones, shall remain in full force and effect.
Section 17. Repealing Clause. – All circulars, memoranda, and other issuances or parts thereof inconsistent with this Circular Letter are hereby repealed, amended or modified accordingly.

Section 18. Effectivity. – This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner
APPLICATION FOR INSURANCE AND/OR REINSURANCE BROKER’S LICENSE
(Under Chapter IV, Title 1 of the Insurance Code)

INSTRUCTIONS TO APPLICANTS

This form is to be completed by each applicant for license as an insurance and/or reinsurance broker. This application will not be accepted unless all information called for are furnished and all documentary requirements prescribed by this Commission are attached.

This application must be accompanied with a documentary stamp which shall be affixed to the license being applied for.

FOR THE INSURANCE COMMISSION USE

Verified by: __________________________
Date: __________________________

Processed by: __________________________
Date: __________________________

Approved by: __________________________
Date: __________________________

License Fee: P __________________________
O.R. No.: __________________________
Date: __________________________

To the Insurance Commissioner:

The undersigned hereby applies for a license as □ insurance broker □ reinsurance broker □ insurance and reinsurance broker, pursuant to the provisions of Chapter IV of the Insurance Code, as amended by Republic Act No. 10607, and in support of this application represents as follows:

1. Name of applicant:

(If applicant is a partnership, association or corporation, Items 2 to 9 apply to the nominated soliciting official whose name shall be stated in the license to be issued.)
2. (a) Date of Birth: ______________________
(b) Place of Birth: ______________________

3. (a) Sex: ________________________________
(b) Civil Status: __________________________

4. (a) Principal Office Address:
________________________________________
(b) Residential Address:
________________________________________

5. (a) Citizenship: __________________________
(b) If a naturalized citizen of the Philippines, provide date and place of naturalization and attach a photocopy thereof.
________________________________________
(c) If applicant is a foreigner, provide number, date and place of issuance of Alien Certificate of Registration and Immigrant Certificate of Residence and attach a photocopy thereof.
________________________________________

6. Have you ever been dishonorably discharged from any position of employment? ______ If yes, state particulars.
________________________________________

7. Have you ever been accused of any crime? ______ If yes, attach copy of court's final decision.

8. Have you filed your income tax return for the preceding year? ______ If yes, attach proof of such filing, otherwise, give reason for not filing.

9. What experience and/or training have you had in the insurance business? State in what branches or kinds of insurance, in what capacity, and where and when engaged.
________________________________________
________________________________________
(Continue on separate sheet, if necessary)

10. If applicant is a partnership or corporation:
(a) Attach certified true copy each of the Certificate of Registration, Articles of Partnership, Association or Incorporation and By-Laws; and

(b) State percentage of Filipino participation in the partnership, association or corporation as of the date of this application.
________________________________________

11. Is the applicant (and the individual duly authorized to act in its behalf, if applicant is a partnership, association or corporation) duly covered by an Errors and Omissions Policy or
Professional Liability or Professional Indemnity Policy? __________ If yes, attach copy of the policy.

12. Have you ever been licensed by this Office to act as insurance broker or agent? __________ If yes, please state the full circumstances.

13. Are you an official stockholder or employee of an insurance company? __________ If yes, state the name of the company and percentage of ownership, if any.

14. Are you a licensed insurance agent? __________ If yes, state the name/s of the insurance company/ies you represent.

15. In the blanks below, state how you have been occupied during the last five years up to the date of this application, irrespective of whether employed or not.

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<th>Inclusive Dates From – To</th>
<th>Name of Employer</th>
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(Continue on separate sheet, if necessary).

16. State below the names and addresses of four (4) responsible persons for reference.

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<th>Name</th>
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Executed this __ day of __________, at ___________________________, Philippines.

__________________________
Signature of Applicant
AFFIDAVIT OF VERIFICATION

Republic of the Philippines )
Province/City of S.S.)

I, ___________________________, being duly sworn, depose and say that I am the person
named in and who signed the foregoing application; that I know that the contents thereof and
the statements made and answers to questions therein are true.

________________________________________
Affiant

SUBSCRIBED AND SWORN TO before me this ___ day of
__________________________ 20___, by the above-named applicant who exhibited to me
his/her Community Certificate Tax No. ____________________________ issued
__________________________ at

Notary Public

Doc No. ______
Page No. ______
Book No. ______
Series of 20 ______

IC-LLI-DP-003-F-02
Rev.1
APPLICATION FOR RENEWAL OF INSURANCE AND/OR REINSURANCE BROKER’S LICENSE

The undersigned hereby applies for the renewal of license to do business in the Philippines as insurance broker/reinsurance broker/insurance and reinsurance broker for the year beginning 01 January 20_____, under Chapter IV, Title 1 of the Insurance Code, as amended by Republic Act No. 10607 and in support thereof, represents as follows:

1. Name of Applicant and Soliciting Official (as stated in the License):

2. Principal Office Address:
   Telephone Number:
   E-mail Address:

3. Percentage of foreign participation:

Attached are the following pertinent documents necessary for the renewal of said license:

1. Copy of the license sought to be renewed;
2. Verified photocopy of ITR of company;
3. Verified photocopy of ITR of soliciting official/s;
4. Updated List of Stockholders and Members of Board of Directors and Officers;
5. Copies of the Renewed Errors and Omission Policies;
6. Copy of the Renewed Surety Bond;
7. Certification on commissions earned during the preceding fiscal year signed by the company’s external auditor;
8. Affidavit signed by a senior officer, with a rank of at least Vice-President attesting that it has no violation on the prohibition provided under Section 11 of Circular Letter No. ___________; and
9. Documentary Stamp

______________________________
Soliciting Official

By: __________________________
Authorized Company/Corp. Official

IC-LLI-DP-006-F-03
Rev.1