CIRCULAR LETTER

TO : ALL DOMESTIC NON-LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : RULES ON EXEMPTION OF SERVICING COMPANIES FROM INDEPENDENT DIRECTOR REQUIREMENTS UNDER CIRCULAR LETTER NO. 2018-36

WHEREAS, this Commission issued Circular Letter No. 2017-26 on 11 April 2017 providing for "Guidelines on Voluntary Cessation of Non-Life Insurance Business in the Philippines," whereby domestic non-life insurance companies "intending to voluntarily cease and withdraw its insurance operations" are required to secure servicing licenses from this Commission;

WHEREAS, this Commission later issued Circular Letter No. 2018-36 on 26 June 2018 providing for "Rules on Number of Seats, Qualifications and Term Limits of Independent Directors";

WHEREAS, this Commission has observed confusion concerning the application of the provisions of Circular Letter No. 2018-36 vis-à-vis Circular Letter No. 2017-26, particularly as regards the issue of whether companies that have been issued servicing licenses pursuant to the provisions of Circular Letter No. 2017-26 are still required to comply with the independent director requirement pursuant to Circular Letter 2018-36;
WHEREAS, considering the restrictions/limitations imposed under Part V of Circular Letter No. 2017-26 on servicing companies and the appointment and engagement of independent and competent overseers who will determine and monitor the settlement of the outstanding liabilities of servicing companies pursuant to Part VIII of the same Circular Letter, this Commission finds that it would be superfluous to still require compliance by servicing companies with the provisions of Circular Letter No. 2018-36;

NOW, THEREFORE, pursuant to the undersigned's powers under Section 437 of Republic Act No. 10607, otherwise known as the Amended Insurance Code, to "issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of [the Amended Insurance Code] to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public," the following Rules on Exemption of Servicing Companies from Independent Director Requirements under Circular Letter No. 2018-36 is hereby adopted and promulgated, to wit:

1. Exemption from Independent Director Requirements. – Domestic non-life insurance companies that have been and will be granted valid servicing licenses in accordance with the provisions of Circular Letter No. 2017-26 are hereby EXEMPTED from complying with the requirements under Circular Letter No. 2018-36 on the "Rules on Number of Seats, Qualifications and Term Limits of Independent Directors".

2. Duration of Validity of Exemption. – This exemption shall be valid from the date of issuance of the servicing license in favor of the servicing company until the date of surrender by said servicing company of its servicing license in accordance with Part VIII (e) of Circular Letter No. 2017-26.

3. Transition. – Within fifteen (15) days from its receipt of the servicing license, the servicing company shall cause the termination of the appointment of the independent directors. The said independent directors whose appointments shall have been terminated shall submit a terminal report to the board of directors and the IC-designated Overseer or ex officio Overseer within fifteen (15) days from receipt of the notice of termination.

4. Insurance Commissioner's Power to Re-Appoint an Independent Director – The above-stated exemption shall be without prejudice to the power of the Insurance Commissioner to re-appoint an independent director for a servicing company when circumstances would warrant and for a valid reason, such as but not limited to violation of the corporate governance standards or other acts inimical to the interest of the stakeholders.

5. Effectivity. – This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner