CIRCULAR LETTER

TO : All Insurance/Reinsurance Companies, Insurance and Reinsurance Brokers, Mutual Benefit Associations, Pre-Need Companies and Health Maintenance Organizations

SUBJECT : Amendments to Items A and B of Circular Letter (CL) No. 2018-36 dated 26 June 2018 on Rules on Number of Seats, Qualifications and Term Limits of Independent Director

WHEREAS, the required minimum number of independent director provided for under Section 22\(^\text{1}\) of the Revised Corporation Code is at least twenty percent (20\%) of the board.

WHEREAS, under item A of the existing Insurance Commission Circular Letter No. 2018-36 dated 26 June 2018, the required number of independent director must be at least two (2) or twenty percent (20\%) of the members of the board, whichever is higher.

\(^\text{1}\) Section 22 of the Revised Corporation Code provides:

"Section 22 – The Board of Directors or Trustees of a Corporation; Qualification and Term. – Unless otherwise provided in this Code, the board of directors or trustees shall exercise the corporate powers, conduct all business, and control all properties of the corporation.

xxx

The board of the following corporations vested with public interest shall have independent directors constituting at least twenty percent (20\%) of such board:

xxx

b) Banks and quasi-banks, NSSSLAs, pawnshops, corporations engaged in money service business, pre-need, trust and insurance companies, and other financial intermediaries;

xxx
WHEREAS, there is a need to amend item A of CL No. 2018-36 to conform with Section 22 of the Revised Corporation Code.

ACCORDINGLY, pursuant to the power of the Insurance Commission (IC) under paragraph 3, Section 437 of the Insurance Code, as amended, Section 6 (k) of the Pre-Need Code of the Philippines and Section 4 (j) of Executive Order No. 192, Series of 2015 to issue circulars or rules and regulations, the undersigned Insurance Commissioner enacts the following:

SECTION 1. Item A of CL No. 2018-36 is hereby amended to read as follows:

“A. Number of Seats of Independent Directors in the Board.

The Board of the insurance companies, insurance and reinsurance brokers, mutual benefit associations, pre-need companies and health maintenance organizations shall have independent directors constituting at least twenty percent (20%) of such board.

xxx ”.

SECTION 2. Item B(7) of the same Circular is hereby deleted. Succeeding sub-items are hereby renumbered accordingly.

This Circular shall take effect immediately.

For your information and strict compliance.

DENNIS B. FUNA
Insurance Commissioner