



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



Legal Opinion (L.O.) No.	LO-2018-06
Date	March 5, 2018

MS. JILL MARIE B. LOPEZ
Assistant Corporate Secretary
AXA Philippines
34th Floor GT Tower International
6813 Ayala Ave. Cor. H.V. Dela Costa St.
Makati City.

**SUBJECT: Shared Services Agreement between Philippine
AXA Life Insurance and Charter Ping An
Insurance Corporation**

Dear Ms. Lopez:

This pertains to your letter dated 28 September 2017 informing this Commission of the intent of Philippine AXA Life Insurance Corporation (AXA Philippines) to enter into a shared services arrangement with Charter Ping An Insurance Corporation (CPAIC) on a regular systematic basis.

The following services are proposed to be shared by and between AXA Philippines and CPAIC, namely:

- a. Actuarial-Capital Management;
- b. Investment and Asset-Liability Management;
- c. Legal and Compliance;
- d. Procurement and Purchasing;
- e. Financial Controlling and Accounting;
- f. Brand and Marketing;
- g. Human Resources;
- h. Transformation and Operations;
- i. Risk Management;
- j. Internal Audit; and
- k. Distribution Support

In order to determine the propriety of the proposed shared services agreement, the Commission, through its Regulation, Enforcement and Prosecution Division,

requested additional documents *i.e.* audited financial statements of AXA Philippines and CPAIC and compensation structure of AXA Philippines and CPAIC.

In a letter dated 06 December 2017, your company submitted the following documents in support of its request for approval to enter into separate shared services arrangement with CPAIC on a regular systematic basis.

For AXA Philippines:

- 1) Audited Financial Statements
- 2) Current Salary Structure
- 3) Organizational Structure

For Charter Ping An Insurance Corporation

- 1) Audited financial Statement
- 2) Current Salary Structure
- 3) Organizational Structure

The Commission duly notes that CPAIC is a subsidiary and one hundred percent (100%) owned by AXA Philippines. It must be noted that while CPAIC or AXA Philippines does not fall under the holding company system or controlled insurer as defined under the Insurance Code, as amended by R.A. 10607, the criteria set forth under Section 298 is relevant for determining the propriety of a shared services agreement between the companies which are 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."

Upon thorough perusal of the documents submitted, the Commission finds that the terms and conditions in the Service Level Agreement between AXA Philippines and CPAIC are compliant with Section 298 of the Insurance Code, as amended by R.A. 10607.

Thus, this Commission hereby approves AXA Philippines shared services agreement with CPAIC provided that the continuing requirements under Section 298 of the Amended Insurance Code and other applicable laws are present.

Please note that the opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein. This opinion shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in the other cases whether for similar or dissimilar circumstances. If upon investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered null and void.

Also, please be advised that the above-mentioned findings of the Commission does not affect the validity or invalidity of the employment contract/relationship of CPAIC absorbed employees considering that the determination of the same falls under another jurisdiction.

Please be guided accordingly.

Thank you.

Very truly yours,

DENNIS B. FUNA
Insurance Commissioner

