



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

Legal Opinion (LO) No.:	2022 - 02
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ATTY. JOSEPHINE A. NAYVE
Senior Associate – Tax Services
Reyes Tacandong & Co.
26th Floor BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226
janayve@reystacandong.com

Subject: **Ownership of Shares in an Insurance
Company and in an Insurance Agency**

Dear **Atty. Nayve:**

This refers to your email on 01 December 2021 seeking clarification as to whether there are provisions under the Insurance Code, as amended, and guidelines issued by the Insurance Commission specifically prohibiting an individual from owning shares in both an insurance company and an insurance agency. The pertinent facts are as follows:

“In this scenario, a person (“X”) is an original subscriber of shares of a corporation that acts as an insurance agency. On the other hand, his parent (“Y”) was an original subscriber of shares of a corporation that operates as an insurance company. When Y died without a will in 2019 and his properties were distributed among his compulsory heirs, X inherited a portion of shares of the corporation that operates as an insurance company.”

Relative to the foregoing, you requested a legal opinion on the following issues:

- (1) Is X prohibited from owning shares in both an insurance agency and an insurance company?
- (2) What is the legal basis, if any, of the prohibition?
- (3) What is the penalty, if any, if a person owns shares in both an insurance agency and an insurance company?

- (4) Will the prohibition still apply even if, as in the present case, the shares in the insurance company were acquired by legal succession?

Upon careful consideration of the matters raised in your request, hereunder are the Insurance Commission's findings.

There are no prohibitions in the Insurance Code, as amended, or in any of the guidelines, rules and regulations previously issued by the Insurance Commission insofar as the ownership of shares in an insurance company and in an insurance agency is concerned. Insurance Memorandum Circular No. 3-93 dated 28 June 1993 which provides for guidelines on licensing of insurance agents and general agents merely prohibit an employee of an insurance company from acting as its insurance agent or general agent, to wit:

- "2.7 No employee with the rank of manager and above of an insurance company shall be licensed to act as its insurance agent or general agent."

Meanwhile, Insurance Memorandum Circular No. 2-94 dated 15 July 1994 provides that:

- "No application for license of an employee with the rank of manager and above of an insurance company to act as its agent or general agent shall be entertained unless it is accompanied by a board resolution authorizing said employee to act as such."

The limitations set forth in IMC No. 3-93 and IMC No. 2-94 pertain specifically to the scenario wherein an individual employed in an insurance company seeks to be licensed as an agent or general agent of the same company. No similar limitation applies to individuals who own shares in an insurance company and in an insurance agency.

Please note that the above 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 and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

For your information and guidance.

Very truly yours,

DENNIS B. FUNA
Insurance Commissioner

