



Legal Opinion (LO) No.:	2022-09
Date:	23 March 2022

**Mr. JUSTIN DANIEL T. ARCENAS**

*Managing Director*

**CASHKO INSURANCE BROKERAGE**

3rd Floor, Dr. Ramon Arcenas Building

Osmeña Boulevard, Cebu City

Province of Cebu

**ATTENTION:**     **Mr. RICKY M. MORALES**  
ricky.morales@ruralnet.ph

**SUBJECT:**         **Request for a Legal Opinion on queries  
regarding Group Insurance**

Dear **Mr. Arcenas**:

This refers to your letter dated 23 February 2022 requesting for the Commission's legal opinion on queries pertaining to subject matter of Group Insurance.

In your letter, you stated that pursuant to your company's group insurance proposal to a prospective client company engaged in the business of lending, several questions were raised by your client lending company regarding its designation as a policyholder of the group insurance representing the client lending company's customers who are availing loans from it. In order to satisfy your client, your company requested confirmation or an opinion regarding following queries:

1. *Whether the lending company is allowed or is not prohibited under the Insurance Code or its rules to act as policyholder in a group policy covering its customers;*
2. *Whether the lending company as policyholder of the group policy is not required to be licensed as an insurance agent; and,*
3. *Whether the lending company is authorized or is not prohibited from collecting a service fee from the insurance company for providing services in the administration of the group policy for its customers.*

Relevant to said queries, please be guided by **Insurance Commission Circular Letter No. 2017-57<sup>1</sup>** (IC CL no. 2017-57), entitled “**Guidelines on Group Insurance of Both Life and Non-life Insurance Companies,**” and its amendments contained in **Insurance Commission Circular Letter No. 2019-52<sup>2</sup>** and **Insurance Commission Circular Letter No. 2019-61.<sup>3</sup>** These issuances were promulgated to serve as a guidance for all Insurance Companies and intermediaries in dealing with group policies as well as state the obligations of each party. Attached in this legal opinion for your perusal and guidance are the copies of the relevant Circular Letters.

1. As regards to the first query, **Section 1.1 of IC CL no. 2017-57** states that, “*a group should consist of persons with a commonality of purpose, interest or circumstances or engaging in a common economic and/or social activity similar, but not limited to employees of a corporation or member of a professional association.*” **Section 1.2** distinguished two classes of insurable groups, namely:

- a) **Employee group**, where all members work for the employer proposing to cover them; and
- b) **Affinity group**, whose members have a commonality other than employment and whose insured members are not its employees.

Moreover, Section 1.2 provided that “*in the affinity group, the policyholder is the association, trustee, union, and other organization to which an individual insured must belong or be associated with to be insured.*”

Considering that lending companies were expressly mentioned in Section 1.2 and are clearly classified as part of the Affinity group, the client-lending company is therefore allowed to act as a policyholder in a group policy covering its customers. Thus, as a policyholder, the client-lending company must observe the obligations set forth in **Section 3.1** such as:

- a) *To contract with insurance company for the coverage of individual members under a group policy taking into consideration the best interest of its members;*
- b) *To negotiate for a reasonable premium which its members may partially or fully pay;*
- c) *To distribute to the insured members the statement, proof of cover, confirmation or certificate issued by the insurer;*

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<sup>1</sup> Dated 12 Dec. 2017; retrieved: [https://www.insurance.gov.ph/wp-content/uploads/2017/12/CL2017\\_57.pdf](https://www.insurance.gov.ph/wp-content/uploads/2017/12/CL2017_57.pdf)

<sup>2</sup> Dated 20 Sept. 2019; retrieved: [https://www.insurance.gov.ph/wp-content/uploads/2019/09/CL2019\\_52.pdf](https://www.insurance.gov.ph/wp-content/uploads/2019/09/CL2019_52.pdf)

<sup>3</sup> Dated 30 Oct. 2019; retrieved: [https://www.insurance.gov.ph/wp-content/uploads/2019/10/CL2019\\_61.pdf](https://www.insurance.gov.ph/wp-content/uploads/2019/10/CL2019_61.pdf)



- d) *To make available to the insured for reading or copying the master policy and relevant documents and provide a copy thereof in paper or electronic form in an amount not exceeding the cost of reproduction or delivery;*
- e) *To collect from the insured person an amount not higher than the amount of premiums indicated in the policy;*
- f) *To faithfully remit to the insurer the amount collected as premium;*
- g) *To maintain the list of insured members or documents to prove individual membership or enrollment;*
- h) *To assist the insured person or beneficiary in the processing of claims and submission of documents to the insurer;*
- i) *To support individual insured or beneficiary in the filing of cases relevant to the non-payment of claims;*
- j) *To inform the active members of the impending cancellation of the group policy by the insurer upon its receipt of the notice; and*
- k) *To inform the covered members of the fact of issuance and important contents of any endorsement or rider issued after the issuance of the group policy which shall be agreed upon by the policyholder and the insurer.*

2. As regards to the second query, the client-lending company as a policyholder of a group policy is **not** required to be licensed as an insurance agent. **Section 1.7** of the **IC CL no. 2017-57** only requires a valid certificate of registration from the Securities and Exchange Commission. However, please note that the certificate requirement does not apply to recognized and legal foreign entities which have offices or branches in the Philippines such as diplomatic, foreign or international organizations.
  
3. Lastly, as regards to the third query, **Section 5.5** of the **IC CL no. 2017-57** is clear in authorizing and allowing a policyholder to collect service fees from the insurance company for providing services in the administration of the group policy for its customers, stating that, “a service fee or collection fee may be paid by the Insurer to the policyholder. It is understood that the payment of a service fee or collection fee to the policyholder is necessary to help defray the costs for servicing and administering the plan.” However, please note that a service fee or collection fee is not a matter of right which can be required from the insurer as this would still be subject to an agreement between the contracting parties.

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.

Please be guided accordingly.

Thank you.

Very truly yours,



**DENNIS B. FUNA**  
Insurance Commissioner



Enclosed: As stated