



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

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**CIRCULAR LETTER**

**TO : ALL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES AND THEIR AGENTS**

**SUBJECT : ADOPTION AND IMPLEMENTATION OF THE 2013 DISPUTE SETTLEMENT PROCEDURES IN RELATION TO THE "RECRUITMENT AND TRANSFERS OF EMPLOYEES AND SALES PRODUCERS"**

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In line with the Commission's thrust to safeguard the interest of the insuring public, the **2013 Dispute Settlement Procedures in relation to the "Recruitment and Transfers of Employees and Sales Producers"** is hereby adopted and issued for the guidance, compliance and implementation of all Life Insurance Companies doing business in the Philippines and their agents, copy attached hereto as Annex "A".

Hence, all life insurance companies are hereby enjoined to provide the necessary support to ensure the effective implementation of the Dispute Settlement Procedures.

Non-compliant companies, officers or agents shall be subject to disciplinary sanctions provided under Section 438 of the 2013 Amended Insurance Code.

  
**EMMANUEL F. DOOC**  
Insurance Commissioner

Cc : The Honorable Secretary  
CESAR V. PURISIMA  
Department of Finance

MS. ESTHER C. TAN  
President  
Philippine Life Insurance Association, Inc.  
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**2013 DISPUTE SETTLEMENT PROCEDURES  
IN RELATION TO THE  
"RECRUITMENT AND TRANSFERS OF EMPLOYEES  
AND SALES PRODUCERS"**

**RULE I**

1. For sales producers, the recruiting company, when requested, shall allow the current principal to retain the hiree for a maximum period of sixty (60) days before the start of the new contract. This period will allow the current principal with adequate time to take remedial steps to avoid work or service disruption. In the case of employees, the provisions of the Labor Code or their employment contracts shall apply.
2. The recruiting company shall not, in any manner, directly or indirectly, employ or contract the services of employees or sales producers reporting directly to the hiree for a period of one year from the date of the transfer.
3. A company in violation of the foregoing shall pay the aggrieved company a fine, as follows:
  - 3.1. In case of sales producers – 50% of their last two (2) years commission or overrides, with a minimum of P100,000.
  - 3.2. In case of employees – six (6) months' salary of the recruited employee(s) at the recruiting company's rate.

The imposition of fines, however, is without prejudice to other remedial actions available to the aggrieved company under existing laws and regulations.

**RULE II**

**Dispute Settlement Procedures**

**General Provisions**

1. Any and all disputes between or among PLIA Members arising out of or in connection with Rule 1 shall be resolved exclusively by conciliation or mediation or, in case of termination of mediation other than by settlement of the dispute, by arbitration, in accordance with these Rules.



2. For the avoidance of doubt, membership in PLIA shall constitute submission to these dispute resolution procedures and no separate agreement shall be required from the disputants.
3. The objectives of dispute resolution are to:
  - 3.1. Encourage the early and expeditious settlement of disputes;
  - 3.2. Provide an alternative, and less adversarial, mode of dispute resolution; and
  - 3.3. Ensure confidentiality of the proceedings for the protection of the interest of all Members.

### **Conciliation**

4. Conciliation is an informal process where a neutral third party, the Conciliator, brokers an amicable settlement between the disputants. The Conciliator may call the parties to a meeting or meet with them separately to bring about reconciliation. Mediation is the voluntary process in which a Mediator, selected by the disputant parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute. Arbitration is the voluntary process in which one or more arbitrators, appointed in facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute accordance with these rules, resolve a dispute by rendering an award.
5. The Conciliator for all disputes shall be the PLIA President, or in case of the PLIA President's refusal of the role, the Director-in-Charge for Ethics and Compliance, or in case of such director's refusal of the role, any other director designated by the PLIA President.
6. Mediators and Arbitrators shall be chosen from the Roster of PLIA-Accredited Mediators and Arbitrators.
  - 6.1. The PLIA General Manager shall preside over the process of nominating members of the Roster. The PLIA General Manager shall solicit nominations before the date of the organizational meeting of the Board that will approve the nominations.
  - 6.2. Nominees shall be of good moral character, be knowledgeable in life insurance, and trained and qualified in accordance with PLIA's standards and procedures.
  - 6.3. The PLIA Board shall accept nominees to the Roster at the first organizational meeting of their term. The PLIA Board shall have sole authority to assess the qualification of all nominees according to the above standard.

6.4. Each Member is entitled to submit one nominee to the Roster.

6.5. The following persons shall automatically be nominated to the Roster:

6.5.1 The President for the calendar year of the Life Underwriters' Association of the Philippines (LUAP).

6.5.2 The President for the calendar year of the General Agency Managers' Association of the Philippines (GAMA).

6.5.3 A PLIA legal representative to be designated by the PLIA Board.

6.5.4 A representative from the Ethics and Compliance Committee to be designated by the PLIA Board

7. If a dispute should arise, the parties shall attempt to reconcile through Conciliation. If Conciliation fails, the parties shall enter into Mediation. If Mediation fails, the parties shall enter into Arbitration.

### **Mediation**

8. Consideration must always be given to the need to promote candor of parties and Mediators through the confidentiality of the mediation process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the mediation process rests with the parties. The provisions on voluntary mediation in the Alternative Dispute Resolution Act of 2004 (Republic Act. No. 9285) shall apply suppletorily.

9. To qualify as a Mediator, one shall be independent and impartial, and have no conflict of interest with respect to any of the issues brought for mediation or with respect to any of the parties.

10. Upon acceptance of the Mediation Request as described below, the parties shall each submit to PLIA the name/s of not more than ten (10) nominees from the Roster in order of preference for appointment as mediator. All nominees must accept or reject their nomination within five (5) days of receipt of the notice of their nomination. The Mediator will be chosen in accordance with the following:

10.1. The common nominee of the parties shall be appointed, subject to the nominee's acceptance of the nomination.

10.2. Should there be more than one common nominee, the common nominee who is ranked higher in the order of preference of the parties, shall be appointed.



- 10.3. Should there be no common nominee, the PLIA President shall appoint another qualified and available nominee who will act as the Mediator. Such nominee appointed by PLIA must not be a nominee of any of the parties.
11. If any Mediator shall become disqualified or unwilling or unable to serve, the common nominee ranked next to the disqualified or unwilling or unable to serve nominee shall be appointed.
12. The Mediator shall fix the date and the time of each mediation session. The Mediation shall be held at the PLIA office, or at any other convenient location agreeable to the Mediator and the parties. The Mediator shall attempt to settle the dispute amicably between the parties within forty-five (45) days from the appointment of the Mediator. If no settlement agreement is signed within the said period, the Mediator shall declare the mediation failed, provided that both parties may agree to extend the said period by a maximum of fifteen (15) days. The Mediator may adopt the proceedings attached hereto as Annex "A".

### **Arbitration**

13. The Request for Arbitration shall be submitted to PLIA, through the PLIA General Manager who shall act as Secretary of the proceedings, copy furnished the other party, and shall state:
- Names of the parties to the case, their counsels, if any, and their addresses and telephone numbers;
  - The nature of the dispute and the remedy sought.

Within fifteen (15) days, the other party shall file an Answer, copy furnished the other party.

14. Appointment of Arbitrators. -

The parties shall appoint an Arbitral Panel composed of Three (3) Arbitrators. PLIA shall send to each party the Roster. Each party shall strike the names objected to, provided that a minimum of ten (10) remain on the list. If a party does not return the list within two days, all persons named therein shall be deemed acceptable. The first party shall appoint one Arbitrator from the list provided by the second party, the second party shall appoint one Arbitrator from the list provided by the first party, and the Arbitrators appointed by both parties shall appoint the third Arbitrator, who shall be the Chairman of the Panel. PLIA shall invite the arbitrators in accordance with the designated order of mutual preference. If the chosen and invited arbitrators are unable to act as such, the parties may select by mutual choice a person or persons not on the list.

## 15. Arbitration Proceedings

- a) Preliminary Conference – At the discretion of the arbitrator(s), a preliminary conference may be scheduled with the parties to:
  - specify and clarify the issues to be resolved
  - stipulate the uncontested facts
  - consider other matters that will expedite the arbitration proceedings such as:
    - identification of witnesses to be called
    - extent of, and schedule for, presentation of material and relevant documents as evidenced and other information
- b) Place and Schedule of Hearing – Generally, the hearing shall be completed within one day. The arbitrator(s) shall set the place, date and time for the hearing. PLIA shall send a notice to the parties at least five days in advance. The hearing may proceed in the absence of any party who, after due notice, fails to be present or fails to obtain a postponement.
- c) Attendance at the Hearing – The arbitrator(s) shall maintain the privacy of the hearing. Only persons having a direct interest in the arbitration are entitled to attend the hearing. The arbitrator(s) shall have the discretion of determining the propriety of the attendance of any other person at the hearing. The arbitrator(s) shall likewise have the power to require the exclusion of any witness during the testimony of another witness.
- d) Closing the Hearing – All parties to the dispute shall be afforded full and equal opportunity to present material and relevant evidence. The arbitrator(s) shall specifically inquire of all parties whether they have any further proofs to offer or witnesses to be heard. Upon receiving negative replies or if satisfied that the record is complete, the arbitrator(s) shall declare the hearing closed.
- e) Decision – The arbitrator(s) shall then deliberate on the merits of the case and render a decision. The arbitrator(s) may grant any remedy or relief that they deem just and equitable including, but not limited to, specific performance. They may also assess fees, expenses and compensation in favor of any party. Decisions must be in writing, signed by a majority of the arbitrators and submitted to PLIA.
- f) Conclusion of Proceedings – PLIA shall immediately furnish all parties a copy of the arbitrators' decision which shall be final and binding on all parties concerned. The arbitration proceedings are generally concluded with the transmittal of the decision.



- g) The provisions of Republic Act No. 876 (Arbitration Law) shall apply suppletorily, including Section 24 thereof on grounds for vacating an award, specifically:
- a. The award was procured by corruption, fraud, or other undue means; or
  - b. That there was evident partiality or corruption in the arbitrators or any of them; or
  - c. That the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; that one or more of the arbitrators was disqualified to act as such under section nine hereof, and willfully refrained from disclosing such disqualifications or of any other misbehavior by which the rights of any party have been materially prejudiced; or
  - d. That the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made.

## Annex "A"

### 1. *Mediation Proceedings:*

- 1.1. *Commencement of Proceedings.* - Mediation Proceedings shall be commenced by the filing of a written Mediation Request by any party thereto with PLIA in the form and number of copies as shall be required by PLIA and by paying the appropriate filing fee. Upon receipt of the request, PLIA shall contact the other party(ies) involved in the dispute as listed in the Mediation Request and attempt to obtain his/their submission to Mediation.
- 1.2. *Identification of Matters in Dispute.* - At least ten (10) days prior to the first scheduled mediation meeting, each party shall provide the Mediator with a brief memorandum setting forth its claim(s) with regard to the issues that need to be resolved. At the discretion of the Mediator, such memoranda may be mutually exchanged by the parties.
- 1.3. *Limit of Authority of the Mediator.* - The Mediator shall not have the authority to impose a settlement on the parties but will attempt to help them reach a satisfactory resolution of their dispute.
- 1.4. *Joint and Separate Meetings with the Parties.* - The Mediator is hereby authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement.
- 1.5. *Privacy.* - Mediation meetings shall be private. The parties, their representatives, including their legal counsel, may attend the Mediation meetings. Other persons may attend only with the permission of both parties and with the consent of the Mediator.
- 1.6. *Confidentiality.* -The Mediator, the parties, and their representatives shall keep all matters relating to or arising out of the Mediation confidential, such matters including all information disclosed to a Mediator by the parties or their representatives in the course of the Mediation, as well as all records, reports or other documents received by a Mediator while serving as such. A party, a Mediator, or a nonparty participant may refuse to disclose and may prevent any other person from disclosing a Mediation communication.
- 1.7. *Inadmissibility as Evidence.* - The Mediator, the parties, and their representatives shall not rely on, or introduce as evidence in any arbitral, judicial, or other proceeding all such matters, including but not limited to the following:
  - 1.7.1. Views expressed or suggestions made by the other party in respect of a possible settlement of the dispute;
  - 1.7.2. Admission made by the other party in the course of the Mediation proceedings;



- 1.7.3. The fact that another party had or had not indicated willingness to accept a proposal for settlement made by the Mediator; or
- 1.7.4. Proposals made by the Mediator.
- 1.8. *No Stenographic or Other Record.* – There shall be no stenographic or audio or visual or other form of recording of the Mediation Process. Nothing shall prevent, however, the Mediator or the parties and their representatives or legal counsel from taking down notes for their own personal reference.
- 1.9. *Costs and Other Expenses.* – Except as otherwise provided, the parties to the Mediation shall be jointly liable for the costs of Mediation. All other expenses of the Mediation, including required traveling and other expenses of the Mediator, and the cost of any expert advice produced at the direct request of the Mediator, shall be borne equally by the parties unless they agree otherwise.
- 1.10. *Exclusion of Liability.* – Neither PLIA nor any Mediator shall be a necessary party in judicial proceedings relating to the Mediation conducted under these Rules. Neither PLIA nor any mediator shall be liable to any party for any act or omission in connection with any Mediation conducted under these Rules.
- 1.11. *Termination of Mediation Proceedings.* – The Mediation shall terminate:
- 1.11.1. Upon the execution of a settlement or other similar agreement by the parties;
  - 1.11.2. Upon the execution by the Mediator of a statement stating that the attempt to mediate has not been successful;
  - 1.11.3. When one or more parties have failed to attend further mediation meetings;
  - 1.11.4. By a written declaration of any party to the effect that the Mediation proceedings are terminated; or
  - 1.11.5. By the expiration of a Mediation period mutually agreed upon by the parties, which in no case shall exceed 30 days from the submission to mediation, unless such period is extended by mutual consent by a maximum of 30 days.
2. *Settlement Agreement.* – Following successful mediation, a Settlement Agreement shall be prepared.
- 2.1. The settlement agreement shall be prepared by the parties with the assistance of their respective counsel, if any, and by the Mediator. The parties and their respective counsels shall endeavor to make the terms and condition thereof complete and make adequate provisions for the contingency of breach to avoid conflicting interpretations of the agreement.
- 2.2. The parties and their respective counsels, if any, shall sign the settlement agreement.

- 2.3. If the parties so desire, they may deposit such settlement agreement with the appropriate Clerk of a Regional Trial Court of the place where one of the parties resides. Where there is a need to enforce the settlement agreement, a petition may be filed by any of the parties with the same court, in which case, the court shall proceed summarily to hear the petition, in accordance with such rules of procedure as may be promulgated by the Supreme Court.
- 2.4. The parties may agree in the settlement agreement that the Mediator shall be deemed a sole arbitrator for the dispute and shall treat the settlement agreement as an arbitral award which shall be subject to enforcement under Republic Act No. 876, otherwise known as the Arbitration Law.
3. Move to Arbitration. - Where the Mediation has terminated other than by settlement of the parties, the Mediator shall declare the dispute automatically referred to Arbitration, and shall order one party to execute a Request for Arbitration, stating therein the matters stated below.