

**[ IC Circular Letter No. 2015-15, March 25, 2015 ]**

**CLARIFYING THE PROCEDURE UNDER SECTIONS 298-301 OF  
REPUBLIC ACT NO. 10607, OTHERWISE KNOWN AS "THE  
AMENDED INSURANCE CODE"**

*Adopted: 25 March 2015*

*Date Filed: 01 April 2015*

Sections 298-301 of the Amended Insurance Code provides that:

*SEC. 298. Transactions within a holding company system to which a controlled insurer is party shall be subject to 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.*<sup>[1]</sup>

*SEC. 299. The prior written approval of the commissioner shall be required for the following transactions between a controlled insurer and any person in its holding company system: sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer's admitted assets as of the thirty first day of December next preceding.*

*SEC. 300. The following transactions between a controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into any such transaction at least thirty (30) days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period:*

- a. Sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (½%) but less than five percent (5%) of the insurer's admitted assets as of the thirty- first day of December next preceding;*
- b. Reinsurance treaties or agreements;*

- c. *Rendering of services on a regular or systematic basis; or*
- d. *Any material transaction, specified by regulation, which the Commissioner determines may adversely affect the interest of the insurer's policyholders or stockholders or of the public.*

*Nothing herein contained shall be deemed to authorize or permit any transaction which, in the case of a non-controlled insurer, would be otherwise contrary to law.*

*SEC. 301. The Commissioner, in reviewing the transactions pursuant to Section 299 and 300, shall consider whether the transactions comply with the standard set forth in Section 298 and whether they may adversely affect the interests of policyholders. This section shall not apply to transactions subject to other sections of this Code which impose notice or approval requirements greater than those prescribed by this title.*

Accordingly, the procedure for transactions within a holding company system in which a controlled insurer is a party is hereby promulgated as follows:

**I. Sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer's admitted assets.**

- a. **Request for Approval.**- A controlled insurer intending to enter into sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of its admitted assets as of the thirty-first day of December next preceding must request for the approval of the Insurance Commissioner **in writing at least forty-five (45) days prior to the intended date of transaction.**
- b. **Contents of the Request.**- The request for approval must clearly and accurately disclose the details of the proposed transaction and must include all the material information as required under Section 298 of the Amended Insurance Code such as, but not limited to, the books, accounts and records of each party to the transaction.
- c. **Review by the Commissioner.**- Upon submission of the requirements above-stated, the proposed transaction will be reviewed by the Insurance Commissioner or his duly authorized representative, and shall consider whether the proposed transaction complies with the standard set forth in Section 298 and whether they may adversely affect the interests of policyholders.
- d. **Approval by the Commissioner.**- If the Commissioner finds that the proposed transaction complies with the requirements under Section 298 and that it will not adversely affect the interests of policyholders, written approval for the proposed transaction will then be issued to the controlled insurer.

**II. Sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (½%) but less than five percent (5%) of the insurer's admitted assets as of the thirty- first day of December next preceding**

- a. **Written notification.** - A controlled insurer intending to enter into