

[IC INSURANCE MEMORANDUM CIRCULAR NO. 2-86, December 03, 1986]

LICENSING OF INSURANCE AGENTS, VARIABLE CONTRACT AGENTS, INSURANCE BROKERS AND REINSURANCE BROKERS

Pursuant to the authority granted to the undersigned by Sections 414 and 305 of Presidential Decree No. 1460, otherwise known as the Insurance Code, as amended by Presidential Decree No. 1814, the following rules and regulations are hereby promulgated:

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Definitions

The definitions set forth hereunder shall govern the construction of the following terms used in this memorandum circular:

- a. The term **person** shall, unless the context, otherwise requires, include any individual, partnership, association or corporation.
- b. The term **insurance agent** shall mean any person who for compensation solicits or obtains insurance on behalf of any insurance company or transmits for a person other than himself an application for a policy or contract of insurance to or from such company or offers or assumes to act In the negotiation of such insurance.
- c. The term **variable contract agent** shall mean any person who sells or offers for sale variable contracts, as defined in Section 232(2) of the said Insurance Code, or does or performs any act or thing in the sale, negotiation, making or consummating of any such contract other than for himself.
- d. The term **general agent** shall mean any person who for compensation solicits or obtains insurance on behalf of any insurance company or transmits for a person other than himself an application for a policy or contract of insurance to or from such company or offers or assumes to act in the negotiation of such insurance and empowered by such company to do such other acts and things for and on its behalf in the conduct of its business as specified in the general agency agreement executed by and between them.
- e. The term **insurance broker** shall mean any person who for any compensation, commission, or other thing of value acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract or in placing risks or taking out insurance on behalf of an insured other than himself.
- f. The term **reinsurance broker** shall mean any person who, for compensation, not being a duty authorized agent, employee, or officer of an insurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts or

reinsurance, or placing risks effecting reinsurance, for any insurance company authorized to do business in the Philippines.

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Licensing Requirements, Limitations

2.1 No insurance company, doing business in the Philippines, or any agent thereof, shall pay any commission or any compensation to any person for services in obtaining or placing insurance or reinsurance, unless such person shall have first procured from the Insurance Commissioner a license to act as an insurance agent, variable contract agent, general agent, insurance broker or reinsurance broker, as the case may be.

2.2 No person shall act as insurance agent, variable contract agent, general agent, insurance broker, or reinsurance broker in the Philippines without first procuring a license so to act from the Insurance Commissioner. Such license shall be issued only if, upon written application of the person desiring it and payment of the corresponding fee therefor, such person is found qualified and not otherwise disqualified for such license. Such license shall be valid until midnight of the 30th of June of the year following its issuance unless sooner revoked or suspended for cause, and may be renewed annually on the 1st day of January, or within six (6) months thereafter.

2.3 A license issued to a partnership, association or corporation to act as an insurance agent, variable contract agent, general agent, insurance broker or reinsurance broker shall authorize only the Individual or individuals named in the license. Exercise or attempted exercise of such authority by an individual not so named in the license, with the knowledge or consent of the licensee shall constitute cause for the revocation or suspension of the license.

2.4 No insurance company doing business in the Philippines, or any agent thereof, shall pay to any person licensed to act as insurance agent, variable contract agent or general agent, no shall such person receive, any commission or other compensation for the insurance on his life or property or other interest appertaining thereto, unless such person has secured for or placed with the company at least an equal amount of outside business during the period covered by his license. This rule shall also apply in the case of a partnership, association or corporation licensed to act as insurance agent, variable contract agent or general agent which obtains or procures insurance on the life or property, or other interest appertaining thereto of such partnership, association or corporation, or any of its partners, members or stockholders.

2.5 No person shall be licensed to act as an insurance agent or general agent of more than one life insurance company. [and/or as a general agent of more than one non-life insurance company and/or as insurance agent of more than three other non-life insurance companies.] No person licensed as an insurance agent or general agent shall be licensed as an insurance broker, nor shall a person licensed as an insurance broker be licensed as an insurance agent or general agent IN THE SAME KIND OF INSURANCE BUSINESS. The same limitation shall apply to the individual named in the license Issued to a partnership, association or corporation to act as an insurance agent, general agent or insurance broker.

2.6 No official or employee of an insurance brokerage or an adjustment company and no individual adjuster, shall be licensed to act as an Insurance agent, variable contract agent, or general agent.

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Qualifications

3.1 To qualify for a license to act as insurance agent, variable contract agent, general agent, insurance broker or reinsurance broker, the applicant must -

- a. be a resident of the Philippines;
- b. be trustworthy;
- c. pass the written examination mentioned below, if not otherwise exempt from taking the same.

3.2 In case the applicant is a partnership, association or corporation, such applicant must be domiciled in the Philippines and empowered under its articles to transact the kind of business applied for. The individual to be named in the license applied for must also possess the above qualifications.

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Examination

4.1 The applicant for license shall qualify himself in a written examination for the kind of license applied for, if not otherwise exempt from taking the same.

4.2 The examination shall be held at such times and places as the Insurance Commissioner shall designate.

4.3 Those desiring to take such examination shall file an application with the Insurance Commission on forms prescribed by the Insurance Commissioner.

4.4 Every applicant for such examination shall, at the time his application is filed, pay to the Insurance Commissioner an examination fee of twenty (P20.00) pesos.

4.5 The applicant for such examination must be of good moral character and must not have been convicted of any crime involving moral turpitude. He must satisfactorily show that he has been trained in the kind or kinds of insurance contemplated in the license applied for.

4.6 A grade of 70% shall be necessary to pass the examination.

4.7 No such examination shall be required of the following:

- a. One who presently holds, or had previously held at any time during the last ten (10) years, a license (excluding a temporary certificate of authority) of the kind applied for.
- b. One who has successfully completed the Insurance Agents' Courses conducted by the Insurance Institute for Asia and the Pacific or an academic course and/or training program, satisfactory to the Insurance Commissioner, in the