

[DOF LOCAL FINANCE CIRCULAR NO. 2-93, June 16, 1993]

PRESCRIBING THE GUIDELINES GOVERNING THE POWER OF MUNICIPALITIES AND CITIES TO IMPOSE THE BUSINESS TAX ON INSURANCE COMPANIES PURSUANT TO SECTIONS 143(F) AND 151 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, AND ITS IMPLEMENTING RULES AND REGULATIONS (IRR)

Pursuant to Sections 143(f) and 151 of Republic Act No. 7160, otherwise known as The Local Government Code of 1991 (LGC), as implemented by Article 232 (f) of the IRR, cities and municipalities may impose business tax on banks and other financial institutions which may include insurance companies.

Accordingly, the following guidelines are hereby prescribed in accordance with Art. 287 of the IRR, to ensure the proper and effective exercise by cities and municipalities of their taxing powers over insurance companies for the guidance and compliance of all concerned.

SECTION 1. Coverage. - (a) As used herein, the term "insurance companies" shall mean those formed or organized to save any person or persons or other corporations harmless from loss, damage or liability, arising from any unknown or future or contingent event, or to indemnify or to compensate any person or persons or other corporations for any such loss, damage or liability, or to guarantee the performance of or compliance with contractual obligations or the payment of debts of others.

The term "insurance companies" shall include all individuals, partnerships, associations, or corporations including government-owned or - controlled corporations or entities, engaged as principals in the insurance business, including their branches, except mutual benefit associations and purely cooperative insurance associations organized under the laws on cooperatives. The term shall also include professional reinsurers.

(b) Domestic insurance company - shall refer to companies formed, organized, or existing under the laws of the Philippines.

(c) Foreign insurance company - shall include companies formed, organized, or existing under any laws other than those in the Philippines.

(d) Branch - a fixed place in a locality established as a branch of an insurance company as authorized by the Insurance Commission.

(e) General Agent - is any person duly licensed so to act by the Insurance Commission, who for compensation solicits or obtains insurance in 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. In property and liability insurance, a general agent can bind a risk and thereby make insurance effective immediately and prior to the actual delivery of the policy; a limited agent has restricted powers and must operate within the scope of the authority delegated to him.

(f) Head Office. - shall refer to the principal office of the insurance company appearing in its articles of incorporation.

(g) Insurance Policy. - is a written instrument in which a contract of insurance is set forth.

For purposes of this Circular, insurance policies shall be classified as follows:

(1) Life insurance policies which may be -

(i) Individual life

(ii) Group life

(iii) Industrial life

(iv) Health, accident and disability insurance

(2) Non-life insurance contracts which may be -

(i) Marine

(ii) Fire

(iii) Casualty

(3) Contracts of suretyship or bonding

(h) Insurance Premium. - is the agreed price for assuming and carrying the risk, i.e., the consideration paid to an insurer for undertaking to identify the insured against a specified peril as indicated in the insurance contract.

(i) Insurance Agent. - any person who for compensation solicits or obtains insurance in behalf of any insurance company or transmits for a person other than himself or application for a policy or contract of insurance to or from such company, or offers or assumes to act in the negotiating of such insurance.

(j) Insurance Broker. - 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 risk or taking out insurance, on behalf of the insured other than himself.