

[IC INSURANCE MEMORANDUM CIRCULAR NO. 2-85, August 08, 1985]

**ORGANIZATION AND MONITORING OF ACTIVITIES OF
INSURANCE AND REINSURANCE BROKERS**

By virtue of the powers vested in me by the provisions of Section 414 in relation to Chapter IV, Titles 1 and 2, of Presidential Decree No. 1460, as amended, otherwise known as the Insurance Code, and in view of the reported difficulties encountered in compliance with provision No. 3.2 of Insurance Memorandum Circular No. 2-34, dated April 2, 1984, the following rules and regulations are hereby promulgated:

1

Definitions

The following definitions shall govern the construction of the terms as used hereinafter:

- a. The term person shall, unless the context otherwise requires, include any individual, partnership, association or corporation.
- b. The term insurance broker shall mean a 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.
- c. The term reinsurance broker shall mean a person who, for compensation, not being a duly authorized agent, employee, or officer of an insurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts of reinsurance, or placing risks or effecting reinsurance, for any insurance company authorized to do business in the Philippines.
- d. The term broker shall mean either an insurance or reinsurance broker unless so specified.

2

Licensing

2.1 In addition to other requirements provided for in this Memorandum Circular, an applicant for a broker's license must have the following qualifications:

- a. He must be a Filipino citizen. However, an alien who has been licensed and is doing business as such broker at the time of the effectivity of this Memorandum Circular may be allowed to continue as such broker, provided that he has a permanent resident status.

b. He must have at least ten (10) years experience as:

b.1 A sales and/or underwriting executive (at least department manager level) in an insurance brokerage firm or insurance company, or

b.2 A general agent

c. The above requirement may be reduced to five (5) years if the applicant holds at least an associateship from the Insurance Institute for Asia and the Pacific (IIAP), the Chartered Insurance Institute (CII) or a similar educational institution acceptable to the Commissioner.

d. He must have had no history of unprofessional conduct known to the Insurance Commissioner, other brokers and insurance companies.

2.2 The chief operating officer of a broker must be a Filipino citizen and must possess the above qualifications. However, an alien who has been appointed to and is occupying such position at the time of the effectivity of this Memorandum Circular may be allowed to continue holding such position, provided that he has a permanent resident status.

2.3 A broker which is a stock corporation may be issued separate licenses as an insurance and reinsurance broker, provided, however, that the corporation shall have separate soliciting officials, separate errors and omissions policies, and separate books of accounts for its insurance and reinsurance broking operations.

2.4 No official or employee of an insurance broker shall be licensed to act as an insurance agent variable contract agent, or general agent.

2.5 A license issued to any person, partnership, association or corporation to act as an 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.

3

Surety Bond and Errors and Omissions Policy

3.1 The applicant for an insurance broker's license must file with the application a bond in the amount of five hundred thousand pesos (P500,000.00) in favor of the people of the Republic of the Philippines and conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions under license. Said bond shall be executed by a company authorized to become surety upon official recognizances, stipulations, bonds or undertakings under Act No. 536, as amended by Act No. 2206, and shall be maintained in force while the broker is so licensed.

3.2 Upon approval of the application but before the issuance or renewal of an insurance or reinsurance broker's license, the applicant must file two errors and omissions insurance policies (professional liability or professional indemnity) issued separately by two insurance companies authorized to do business in the Philippines.