

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

THIRTEENTH CONGRESS
First Regular Session

House Bill No. 3848

Introduced by

HON. LEOVIGILDO B. BANAAG (1st District, Agusan del Norte)

EXPLANATORY NOTE

The Employees Compensation Program (ECP) had been in place for the past 25 years. It has awarded a total of P15.52 Billion in benefits to 2,778,944 workers and their dependents for work-connected sickness or injury. There are important benefits that could have been enjoyed by workers more meaningfully had the program implementation not been fragmented as it presently is.

The fragmented implementation of the ECP by three agencies namely: the Employees' Compensation Commission (ECC) for policy formation and appealed cases disposition, and the Social Security System (SSS) and Government Service Insurance System (GSIS) for service delivery and State Insurance Fund (SIF) administration, has resulted into the following:

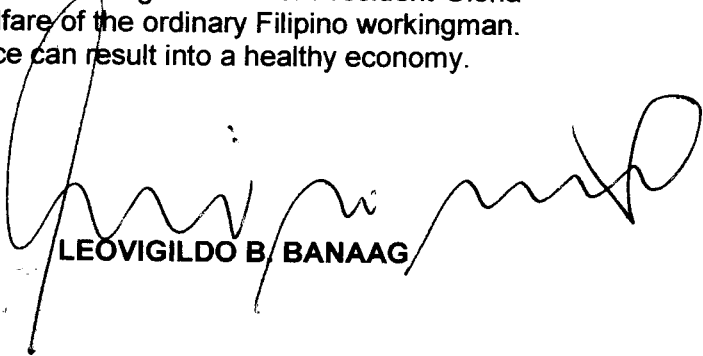
1. The disparity and inequity in the employment of ECP benefits between the public and private sector employees owing from the fact that ECP policy implementation is supplemented by the individual policies of both Systems which at most times are not in harmony with each other. For example, government workers are entitled to pay only P90.00 daily income benefits for temporary total disability whereas private sector employees enjoy a maximum of P200.00 per day. In case of death, a beneficiary of a government employee is entitled to only P3,000 funeral benefits as compared to P10,000 enjoyed by private sector employees. This is notwithstanding the fact that government sector contribution is higher at thirty pesos per employee compared to ten pesos per employee for the private sector;
2. The contrasting performance between the public sector State Insurance Fund managed by the GSIS and the private sector SIF managed by the SSS. It might interest the members of Congress to know that while the SSS-managed SIF has grown to its present level of P18.5 Billion, the public sector SIF managed by GSIS is on the red by about P2.5 Billion.
3. The delay in the processing of Employees' Compensation (EC) claims to the detriment of the poor suffering claimants. For instance, within the Systems, there are two, sometimes three levels of decision-making before the claim of the

worker is finally decided. Where the Systems' decision is adverse to the claimant, an appeal to the ECC which has no direct access to the records of the claimants can further prolong the decision-making. This undue delay in the processing of claims is not in consonance with the social legislation objectives of PD 626. More often than not, benefits, if granted, come at a time when it is no longer needed very much.

4. High administrative costs arising from the maintenance of three different and independent but duplicating bureaucratic structures diverting much needed resources to unnecessary operational concerns instead of to benefits payment or to increasing the benefit structures for work-connected sickness or injury.
5. Weak and ineffective program implementation because the two Systems have their primary mandates to pursue under their respective charters resulting into a lesser priority given to the ECP implementation at the field level.

It has also been observed that the present ECP as defined by PD 626 is focused mainly on benefits payment. It has overlooked the importance of work contingency prevention and the rehabilitation of occupationally disabled workers. The absence of meaningful work-contingency prevention initiatives has resulted into the increasing number of claims filed with both Systems over the years and consequently the increasing amount of benefits payment that eventually has overtaken the amount of contributions collected annually. This situation should not be allowed to continue because the absence of work contingency prevention initiatives can eventually compromise the integrity of the SIF no matter how much increases in employers' contributions the program may impose. The bill is proposing a comprehensive and integrated implementation of the ECP that will focus not only on benefits payment but more so on work contingency prevention and, in situations where workers would eventually suffer from work-connected sickness or injury, their rehabilitation into productive members of society.

Finally, this bill will put into action the overwhelming concern of President Gloria Macapagal Arroyo and this Congress on the welfare of the ordinary Filipino workingman. This bill is but recognition that a healthy workforce can result into a healthy economy.



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AN ACT

ESTABLISHING THE WORKERS' COMPENSATION PROGRAM, THE WORK CONTINGENCY INSURANCE FUND, THE PHILIPPINE WORKERS' COMPENSATION AUTHORITY AND DEFINING ITS POWERS AND FUNCTIONS AND AMENDING FOR THIS PURPOSE ARTICLES 166 TO 208-A OF TITLE 2 BOOK IV OF PRESIDENTIAL DECREE NO. 442, AS AMENDED OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES AND APPROPRIATING FUNDS THEREFOR.

Be it enacted by the Senate and House of Representatives in Congress assembled:

SECTION 1. Short Title. This Act shall be known as the "Workers' Compensation Act of 2005".

CHAPTER I
DECLARATION OF PRINCIPLES

SECTION 2. Basic Principles. The State affirms labor as primary social economic force. It shall protect the rights of the workers and promote their welfare. Toward this end, the State shall establish a tax-exempt Workers' Compensation Program which shall:

1. Build and sustain among workers and employers a culture of safe and healthy work environment in order to minimize the incidence of work contingencies;
2. Ensure prompt and adequate compensation for workers and their dependents in the event of work contingencies; and
3. Provide occupationally disabled workers with rehabilitation services to enable them to become productive members of society.

For this purpose, the Workers' Compensation Program is hereby established.

CHAPTER II DEFINITIONS

SECTION 3. Definition of Terms. The Authority shall have the following powers and functions:

1. "Authority" means the Philippine Workers' Compensation Authority.
2. "Beneficiary" means the legitimate spouse, the legitimate, legitimated, legally adopted children, and illegitimate children, who shall be the primary beneficiaries; in their absence, the dependent parents or, subject to the restrictions imposed on dependent children, the legitimate or illegitimate descendants who are secondary beneficiaries.
3. "Board" means the Board of Trustees of the Philippine Workers' Compensation Authority.
4. "Compensation" means all benefit payments made under this Act.
5. "Contribution" means the amount remitted or to be remitted by an employer to the Work Contingency Insurance Fund for each employee under his/her employ.
6. "Dependent" means the legitimate, legitimated, legally adopted or illegitimate child who is unmarried, not gainfully employed, and not over twenty-one (21) years of age, or over twenty-one (21) years of age provided he/she is incapacitated and incapable of self-support due to physical or mental defect which is congenital or acquired during minority the legitimate spouse living with the worker; and the parents of said worker wholly dependent upon him/her for regular support.
7. "Disability" means loss of substantial reduction of earning power due to an injury or a disease arising out of and in the course of employment.
8. "Employer" means any person, natural or juridical, domestic or foreign, who carries on in the Philippines any trade, business, industry, undertaking or activity of any kind and uses services of another person who is under his/her orders as regards the employment, including the national government, its political subdivisions, agencies, or instrumentalities and Government-Owned and Controlled Corporations.
9. "Fund" means the Work Contingency Insurance Fund
10. "GSIS" means the Government Service Insurance System
11. "Occupationally Disabled Worker" or ODW refers to a worker whose usual work capability and earning capacity has been affected by his/her work-connected disease or injury.
12. "SSS" means the Social Security System.

13. "System" means the GSIS or SSS, as the case may be.
14. "Work Contingency" refers to any disease, injury, or death arising out of employment.
15. "Worker" refers to any person employed by a private or government entity and who is a member of the System.
16. "Working Life" means the normal productive life of the worker, until the compulsory age of retirement.

CHAPTER III THE WORKERS' COMPENSATION PROGRAM

A. COVERAGE

SECTION 4. Coverage.

- a) Coverage in the Program shall be compulsory upon all employers and their workers.
- b) Compulsory coverage of the employer shall take effect on the first day of its business operation, and that of the worker, on the first day of employment.
- c) The Authority may consider coverage of Overseas Filipino Workers (OFWs) and workers in the informal sector subject to regulations as it may prescribe.

SECTION 5. Registration. The registration of an employer and his/her workers with the SSS or GSIS shall be automatic registration in the Program. Their respective membership numbers provided by the Systems shall be the same numbers that will be used under this Act.

B. BENEFITS B.1 LOSS-OF-INCOME BENEFIT

SECTION 6. Loss-Of-Income Benefit. Under such regulations as the Authority may approve, any worker who sustains a work-related injury or contracts a work-connected disease resulting into loss of income due to his/her inability to work shall, for each day of inability to work, be paid a loss-of-income benefit. The amount for loss-of-income benefit shall be fixed by the Authority.

The payment of the loss-of-income benefit shall be for the duration of the inability of the worker to work but shall not extend beyond the working life of the worker. It shall be suspended or terminated if he/she:

1. Fails to present himself/ herself for periodic medical and physical examination as may be required by the Authority;
2. Recovers from his/her disease or injury; or
3. Gets gainfully employed.

B.2 BENEFIT FOR LOSS OR LOSS OF USE OF BODY PART

SECTION 7. Lump Sum Benefit. Under such regulations as the Authority may approve, any worker who contracts a work-connected disease or sustains a work-connected injury resulting in permanent loss or loss of use of body part shall be paid a lump sum benefit in an amount fixed by the Authority in accordance with the prevailing international standards as defined by the International Labor Organization (ILO) or similar bodies; *Provided*, that the following loss or loss of use of body parts shall not entitle the worker to a lump sum benefit but only to a loss-of-income benefit for the duration of his/her working life:

1. Complete loss of sight of both eyes;
2. Loss of two limbs at or above the ankle or wrist;
3. Permanent complete paralysis of two limbs;
4. Brain injury resulting in incurable imbecility or insanity; and
5. Such other cases as may be determined by the Authority.

B.3 MEDICAL AND ALLIED BENEFITS

SECTION 8. Medical and Allied Benefits. Upon due notice to the Authority, a worker who suffers from a work-connected disease or injury shall be provided with medical benefits and prosthetic devices as the nature of his/her disease or injury may require subject to the expense limitation as may be prescribed by the Authority; *Provided*, that the worker submits himself/ herself to a medical examination as may be required by the Authority; *Provided, further*, that payment of benefits shall be suspended if the worker unreasonably refuses to submit himself/ herself to the medical examination.

B.4 CAREER'S ALLOWANCE

SECTION 9. Career's Allowance. In cases where the worker's incapacity resulting from a work connected injury or disease is of such magnitude as determined by the Authority that he/she must have the constant help of another person, the worker shall for the duration of his/her disability but not to exceed his/her working life, be entitled to a Career's allowance.

B.5 DEATH BENEFITS

SECTION 10. Death. Under such regulations as it may approve, the Authority shall pay to the primary beneficiaries upon the death of the covered worker the underlying cause of which is work-connected disease or injury an amount equivalent to his/her loss-of-income benefit for the remainder of his/her working life, plus ten percent (10%), thereof for each dependent child, but not exceeding five, beginning with the youngest and without substitution; *Provided*, that is she/he has no primary beneficiary, the Authority shall pay to his/her beneficiaries the loss-of-income benefit.

A funeral benefit in an amount as may be determined by the Authority shall also be paid upon the death of a covered worker due to a work-connected disease or injury.

B.6 PROVISIONS COMMON TO ALL BENEFITS

SECTION 11. Relationship and Dependency. All questions of relationship and dependency shall be determined at the time of the covered worker's contingency. If the Authority in good faith pays loss-of-income benefit to a dependent who is inferior in right to another dependent or with whom another dependent is entitled to share, such payment shall discharge the Authority from liability, unless and until such other dependent notifies the Authority of his/her claim proof to the payments.

In case of doubt as to the respective rights of rival claimants, the Authority is hereby empowered to determine as to whom payments should be made in accordance with such regulations as the Authority may approve. If the money is payable to a minor or incompetent, payment shall be made by the Authority to the surviving parent or legal guardian.

SECTION 12. Second Injuries/ Disease. If a worker receiving loss-of-income benefit suffers another work-connected disease, the worker shall be entitled to an additional medical and other allied benefits necessary for the treatment of the second work-connected disease subject to the cost limitation as may be prescribed by the Authority.

SECTION 13. Earned Benefits.

- a) A worker who is receiving loss-of-income benefits shall not be deprived of his/her right to receive earned benefits such as allowances for holidays, vacation leaves and any benefit granted under the collective bargaining or other agreements with the employer during the period that he/she is enjoying loss-of-income benefit.
- b) Except as otherwise provided, no contract, regulation or device whatsoever operate to deprive the worker or his/her dependents of any part of the income benefits and medical or related services granted. Existing medical services being provided by the employer shall be maintained and continued to be enjoyed by the workers.
- c) Benefits shall not be transferable nor liable to tax, attachment, garnishment, levy or seizure by or under any legal process whatsoever, either before or after receipt by the person or persons entitled thereto, except to pay any debt of the worker to the Fund.

SECTION 14. Prescriptive Period. No claim for compensation shall be given due course unless said claim is filed with the Authority within three (3) years from the time the work-connected disease or injury happened.

SECTION 15. Prohibition. No agent, attorney, or other person pursuing or in-charge of the preparation or filing of any claim for benefit shall demand or charge for his/her services any fee and any stipulation to the contrary shall be null and void. The retention or deduction of any amount from any benefit granted for the payment of fees such services is prohibited. Violation of this Article shall be punished by a fine of not less than Five Hundred Pesos nor more than Five Thousand Pesos, or

imprisonment for not less than six (6) months but not more than one (1) year, or both, at the discretion of the court.

C. REHABILITATION OF OCCUPATIONALLY-DISABLED WORKERS

SECTION 16. Rehabilitation Services.

- a) The Authority shall establish a continuing program designed to meet the individual needs of an occupationally-disabled worker to restore his/her earning capability. In this regard, the Authority may maintain or avail of the services of specialized private and public rehabilitation facilities or centers that can provide the necessary assistance that respond to the needs of occupationally-disabled workers.
- b) Arrangements for placement of vocationally/ technically trained occupationally-disabled workers shall be an integral part of the rehabilitation program. As an incentive to employers, the Authority may enter into agreements to share in the payment of wages of re-employed occupationally-disabled workers subject to the conditions it may provide.

D. WORK CONTINGENCY PREVENTION

SECTION 17. Work Contingency Prevention. The Authority shall establish a continuing program that will increase awareness among employers and their employees on the importance of work contingency prevention. It shall ensure that an appropriate culture of occupational health and safety is developed among them and the general public as well in order that the occurrence of occupational diseases or injuries is minimized, if not completely prevented. It shall undertake continuing studies and researches and develop and implement an information, education, communication and training programs in the field of work contingency prevention.

SECTION 18. Employer's Responsibility on Work Contingency Prevention. All employers shall install and maintain safety devices and shall put in place all necessary precautionary measures and safeguards for the prevention of work accidents and occupational diseases. Any employer who fails to comply to the Authority a penalty equivalent to fifty percent (50%) of the benefits payable to the worker who suffers from an accident or contracts an occupational disease at the workplace. In the case of employers who were previously assessed by the Authority a higher rate of contribution because of the high frequency of work accidents or occupational diseases, the penalty shall be one hundred percent (100%) of the benefits payable to the worker who suffers from an accident or occupational disease at the workplace.

CHAPTER IV

THE WORK CONTINGENCY INSURANCE FUND

A. THE FUND

SECTION 19. Work Contingency Insurance Fund. There is hereby created a Work Contingency Insurance Fund hereinafter referred to as the Fund which shall be under the direct administration of the Philippine Workers' Compensation Authority. The fund shall consist of:

1. Contributions remitted by employers at rates prescribed by the Authority pursuant to Chapter V of this Act;
2. The current balances of the State Insurance Fund collected and administered by the SSS and the GSIS under PD 626, as amended, including arrearages of the government with the GSIS and of private employers with SSS for the said Fund;
3. Subsequent appropriations pursuant to Articles 20 (b) and 34 of this Act;
4. Donations and grants-in-aide; and
5. All accruals thereof including investment earnings.

The Fund shall be used for the payment of the compensation and other benefits to all qualified beneficiaries for work-connected disease, injury or death and for work-contingency prevention programs and rehabilitation services programs for occupationally-disabled workers and for other purposes necessary and authorized under this Act.

SECTION 20. Management and Investment of Fund.

- a) The use, disposition, disbursements, administration and management of the Fund including any subsidy, grant or donation received for Program operations shall be governed by resolution of the Board provided that:
 1. All funds under the management and control of the Authority shall be subjected to all rules and regulations applicable to all public funds; and
 2. The Authority may disburse each year not more than twelve percent (12%) of the contributions and investment earnings collected for its operational expenses.
- b) A portion of the Fund that is not needed to meet the current obligations may be invested under such terms and conditions and rules and regulations as may be prescribed by the Authority; *Provided*, that investments shall satisfy the requirements of liquidity, safety, security, and yield in order to ensure the actuarial solvency of the Fund.

SECTION 21. Government Guarantee. The Republic of the Philippines guarantees the benefits under this Act and accepts general responsibility for the solvency of the Fund. In any case of deficiency, the same shall be covered by supplemental appropriations from the national government.

SECTION 22. Liabilities.

- a) The Fund shall be liable for the compensation due to the worker or his/her dependents, except when the disability or death is occasioned by the worker's intoxication, willful intent to injure or kill himself/ herself or another, notorious negligence, or otherwise provided for under this Act.
- b) Unless otherwise provided, the liability of the Fund under this Act shall be exclusive and in place of the liabilities of the employer to the worker or his/her dependents with respect to work-connected disease, injury or death. The payment of compensation under this Act shall not bar the recovery of benefits, which the worker may be entitled to under other laws.
- c) When the disability or death is caused by circumstances creating a legal liability against a Third Party, the worker or the dependents in this case or his/her death shall be paid by the Authority under this Act. In case the benefit is paid under this Act, the Authority shall be subrogated to the rights of the worker or the dependents in case of his/her death in accordance with the law.

Where the authority recovers from such Third Party damages in excess of those paid or allowed under this Act, such excess shall be delivered to the worker or his/her dependents, after deducting the cost of proceedings and expenses of the Authority.

B. CONTRIBUTION

SECTION 23. Employer's Contribution. Under such regulations as the Authority may prescribe, beginning as of the last day of the month when a worker's compulsory coverage takes effect and every month thereafter during his/her employment, the employer shall remit to the Authority a contribution equivalent to one percent (1%) of the worker's monthly salaries or wages, or such amount as may be fixed by the Authority after due consideration of the liquidity of the Fund.

Remittance of employer's contributions to the Authority shall be made within the first five (5) days of each month following the month for which they are applicable. If deemed expedient and advisable by the Authority, the collection and remittance of contribution may be made quarterly or semi-annually in advance, *Provided*, that upon separation of a worker, any contribution paid in advance but not due shall be credited or refunded to his/her employer.

The rate of contribution shall be reviewed periodically subject to the limitations herein provided and may be revised based on actuarial studies.

Contributions under this Act shall be paid in their entirety by the employer and any contract or device for the deduction of any portion thereof from the wages or salaries of the workers shall be null and void.

When a covered worker dies during employment, or is separated from employment, his/her employer's obligation to pay the monthly contribution arising from that employment shall cease on the last day of the month of contingency.

When a covered employee becomes disabled during employment and is unable to work, his/her employer's obligation to pay the monthly contribution arising from that employment shall be suspended during such months that he/she is not receiving salary or wages.

SECTION 24. Default.

- a) Any employer who defaults in the payment of such contributions or refuses or neglects to pay the same after they become due and payable shall be liable to a surcharge of three percent (3%) for every month of default in addition to the contributions, both of which shall be collected by the Authority or its duly authorized representative in the same manner as taxes are made collectible under the National Internal Revenue Code, as amended.

The remittance by the employer of the contributions to the Authority shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.

- b) Failure or refusal of the employer to pay or remit the contributions herein prescribed shall not prejudice the right of the employee or his dependents to the benefits under this Act. If the sickness, injury, disability or death occurs before the Authority receives any report of the name of his employee, the employer shall be liable to the Authority for the lump sum equivalent to the benefits to which such employee or his dependents may be entitled.

CHAPTER V THE PHILIPPINE WORKERS' COMPENSATION AUTHORITY

SECTION 25. The Philippine Workers' Compensation Authority. The Philippine Workers' Compensation Authority (PWCA) is hereby established to implement the Workers' Compensation Program. The Authority shall have the status and category of a government financial institution.

The Authority shall be exempted from the payment of taxes, fees, charges, levy, customs or import duty, and no law hereafter enacted shall apply to the Authority unless it is provided therein that the same is applicable by expressly stating its name.

Any donation, bequest, subsidy or financial aid which may be made to the Authority shall constitute as allowable deduction from the income of the donor for income tax purposes and shall be exempted from donor's tax, subject to such conditions as provided in the National Internal Revenue Code, as amended.

SECTION 26. Powers and Functions. The Authority, as the implementing agency for the Workers Compensation Program, shall have the following powers and functions:

1. To issue rules and regulations necessary for the effective implementation of the Program;

2. To assess, review from time to time, fix and adjust the rate of contributions from all employers, collect the same and manage the Fund; *Provided*, that the Authority may assess higher rates of contributions for employers whose records show a high frequency of work accidents or occupational diseases;
3. To settle any claim or dispute arising from this Act with respect to coverage, entitlement to benefits, collection and payment of contributions and penalties thereon, or any other matter related thereto including the power to administer oath and affirmation and to issue subpoena;
4. To undertake the necessary actuarial studies and calculations concerning increases in benefits and the financial stability of the Fund, the rationalization of the loss-of-income benefits and other benefits for occupational diseases, injury or death; *Provided*, that the Authority may upgrade the benefits and add new ones so long as the actuarial stability of the Fund shall at all times be ensured;
5. To organize its office, fix the compensation of and appoint its personnel who shall be exempted from the provisions of R.A.6758, develop and implement programs as may be necessary to promote the welfare and interest of its employees; and adopt its annual budget of expenditures chargeable against the twelve percent (12%) operational expenses provided for in Article 20 (a) (2) hereof;
6. To sue and be sued in Court;
7. To acquire, utilize, dispose of property which may be necessary or expedient for the attainment of the purposes of this Act;
8. To enter into agreements or contracts for the proper, efficient and stable administration of the Program;
9. To receive and accept grants, donations and other forms of financial assistance from any natural or juridical person, whether domestic or foreign, or from any international organization;
10. To submit annually a report to the President of the Philippines covering its operations, particularly the status of the finances and other activities in the administration and enforcement of the Program during the preceding year, including information and recommendations on policies for the improvement of the Program ;
11. To perform such other acts as it may deem appropriate for the attainment of the purposes and proper enforcement of the provisions of this Act.

SECTION 27. The Board of Trustees. The corporate powers and functions of the Authority shall be vested in and exercised by the Board of Trustees composed of the Secretary of Labor and Employment as Ex-Officio Chairperson, the President of the Authority as Ex-Officio Vice-Chairperson and the Insurance Commissioner as Ex-Officio Members and four (4) other members to be appointed by the President of the Philippines, two (2) of whom shall represent the labor sector, one (1) coming from the Public Sector and another one (1) from the Private Sector, and two (2) representing the Employers' Group.

The four (4) appointive members shall be chosen from among the nominees of workers and employers organizations.

The appointed members shall hold office for six (6) years, or until their successors are duly appointed and qualified. Any vacancy in the Board other than through the expiration of the term shall be filled in the manner in which the original

appointment was made and the appointee shall serve only the unexpired term of his/her predecessor. The members of the Board shall receive a per diem of at least Two Thousand Five Hundred Pesos (Php2,500.00) for each Board Meeting actually attended by them but not to exceed Ten Thousand Pesos (Php10,000.00) a month and reasonable transportation and representation allowances as may be fixed by the Board.

SECTION 28. Powers and Functions of the Board of Trustees. The Board of Trustees shall have the following power and functions:

1. To formulate the policies and guidelines and develop programs to effectively carry out the purposes of this Act;
2. To adopt, amend and rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act;
3. To approve the annual operating budget of the Authority as recommended by its President;
4. To approve the organizational and administrative structures and the compensation schedule of the personnel of the Authority and to appoint its senior officials;
5. To approve and adopt guidelines affecting investments, settlement of claims, disposition of acquired assets and increased benefits to workers;
6. The provision of any law to the contrary notwithstanding, to compromise or release, in whole or in part, any claim or to settle any liability to the Authority, regardless of the amount involved, under such terms and conditions as it may impose for the best interest of the Authority;
7. To review on appeal any dispute arising under this Act with respect to coverage, benefits, contributions and penalties thereon or any matter related thereto; and
8. To do and perform any and all acts necessary, proper and incidental to the attainment of the purposes and objectives of this Act.

SECTION 29. The President and Other Senior Officials of the Authority.

1. The President of the Authority. The President of the Philippines shall appoint the President of the Authority, hereinafter referred to as the President. The President shall be a career official and shall not be removed from office except for cause in accordance with existing laws.

The President shall advise the Board and shall carry out its policies and decisions. In addition, he/she shall have the following duties and functions:

- a) To act as the Chief Executive Officer of the Authority;
 - b) To appoint the lower level personnel of the Authority;
 - c) To remove, suspend or otherwise discipline the officials and employees of the Authority in accordance with existing Civil Service rules and regulations; and
 - d) To perform other duties as may be assigned to him/her by the Board.
2. Other Senior Officials of the Authority. The President shall be assisted by two (2) Senior Vice-Presidents who shall be appointed by the Board: One (1) for Operations; and one (1) for Fund Management. The Senior Vice-President for Fund Management must have actuarial experience.

SECTION 30. Regional and Field Offices. The Authority shall establish regional and field offices in provinces or chartered cities, or wherever it is deemed necessary, to bring its services closer to the workers.

The field offices shall have original and exclusive jurisdiction to settle any dispute arising from this Act with respect to coverage, entitlement to benefits, collection and payment of contributions and penalties thereon, or any other matter related thereto, subject to appeal to the Board.

CHAPTER VI RECORDS, REPORTS AND PENAL PROVISIONS

SECTION 31. Record of Disease, Injury or Death. All employers shall maintain a record of their employees' sickness, injuries or death and upon the request of the Authority shall provide the same to support any or all claims for benefits under this Act which may be filed by the workers.

Any employer who unreasonably withholds material information relative to sickness, injury or death of a worker shall be held liable for fifty percent (50%) of the benefits to which the worker may be found to be entitled, the payment of which shall accrue to the Fund.

In case of payment of benefits for any claim which is later determined to be fraudulent and the employer is found to be a party to the fraud, such employer shall reimburse to the Authority the full amount of the compensation paid.

SECTION 32. Penal Provisions. (a) Where the violations consist of failure or refusal to remit contribution to the Authority, the penalty shall be a fine of not less than Five Hundred Pesos (Php500.00) but not more than One Thousand Pesos (Php1,000.00) multiplied by the total number of employees employed by the firm and imprisonment of not less than one (1) year. If the offender is a head of a government agency, political subdivision, government owned or controlled corporation, or state college or university, he/she shall suffer the additional penalty of absolute perpetual disqualification from holding public office and from holding any profession or calling licensed by the government.

(b) Any person found to have participated directly or indirectly in the commission of fraud, collusion, falsification, or misrepresentation in any transaction with the Authority whether for him/her or for some other persons, shall suffer the penalties provided for in the Revised Penal Code or In other special penal laws.

CHAPTER VII TRANSITORY PROVISIONS

SECTION 33. Settlement of EC Claims. All employees' compensation claims which accrued prior to the effectivity of this Act, shall be filed with the Social Security system (SSS) and the Government Service Insurance System (GSIS) for claims in the private and government sectors, respectively, and shall be processed, determined and settled in accordance with the implementing rules and regulations

provided for in P.D.626, as amended, and such laws, rules and regulations existing at the time of their accrual. Claims pending before the Systems as of the effectivity date of this Act shall be processed and settled in accordance with laws, rules and regulations existing at the time their cause of action accrued. Claims for contingencies that accrued upon the effectivity of this Act shall be processed in accordance with this Act.

All cases pending before the Employees' Compensation Commission established under P.D.626, as amended, on the date of effectivity of this Act shall be transferred to and processed by the Authority. On employees' compensation cases on appeal with the Court of Appeals and the Supreme Court as of the date of effectivity of this Act, the Authority shall continue as respondent thereof until its final resolution.

All cases pending before the Employees' Compensation Commission, which accrued before the effectivity of this Act, shall be processed and adjudicated by the Authority in accordance with the law, rules and procedure existing prior to the effectivity of this Act.

SECTION 34. Transfer of the State Insurance Fund Administered by the SSS and the GSIS. The State Insurance Fund being administered by the SSS and the GSIS shall be transferred to the Authority within three (3) years from the effectivity of this Act. The SSS and GSIS shall, however, continue to perform the processing of EC claims until such time that such functions are assumed by the Authority in accordance with Article 51 of this Act.

The Authority shall, by appropriate Memorandum of Agreements, entrust to the SSS and the GSIS payment of benefits under this Act while the Authority is in the process of organizing and instituting its operations.

During the same period and for such period of time it may fix, the Authority may likewise continue the arrangement with the SSS and GSIS for the collection and recording of its contributions, provided such collections and accruals thereto are deposited in the name and account of the Authority.

SECTION 35. Supplemental Appropriations for the State Insurance Fund. Considering the negative status of the present public sector State Insurance Fund and to achieve equity in the assignment of benefits payment, the amount of Three Billion Pesos (Php3 Billion) is hereby appropriated from the funds not otherwise appropriated and added to the present private sector State Insurance Fund to constitute the single Work Contingency Insurance Fund that shall be under the administration of the Authority upon the effective of this Act.

SECTION 36. Transfer of the Employees' Compensation Functions of the GSIS and the SSS to the Authority. The functions, assets, equipment, records, and operating procedures of the Employees' Compensation operations of the SSS and the GSIS shall be transferred to the Authority within one (1) year from the effectivity of this Act. The personnel of the Systems who are performing Employees' Compensation functions shall be given preference in the hiring of the Authority's personnel especially in the field offices.

SECTION 37. Termination of the Employees' Compensation Commission and State Insurance Fund under P.D.626. The Employees' Compensation Commission (ECC) shall be, as is hereby, abolished and all officials and personnel thereof shall be transferred to and mandatorily absorbed by the Authority without demotion in rank, and/or diminution of salaries and fringe benefits; *Provided* that the Authority may develop an attractive retirement package for ECC employees who may wish to avail of early retirement with benefits comparable or similar to those granted to employees of other government financial institutions which undertook similar reorganization.

The functions, assets, equipment, records, and operating procedures of the ECC are likewise transferred to the Authority.

However, the term of office for incumbent members of the Board of Commissioners of the ECC shall be deemed expired upon effectivity of this Act.

SECTION 38. The Occupational Safety and Health Center. The Occupational Safety and Health Center (OSHC) created under Executive Order No.307, dated November 4, 1987, as the research arm of the ECC on occupational safety and health shall be, as is hereby, abolished and its officials and personnel transferred to and absorbed by the Authority without demotion in rank, and/or diminution of salaries and fringe benefits; *Provided*, that the Authority may develop an attractive retirement package for OSHC employees who may wish to avail of early retirement with benefits comparable or similar to those granted to employees of other government financial institutions which undertook similar reorganization.

The functions, assets, equipment, records, and operating procedures of the OSHC are likewise transferred to the Authority.

SECTION 39. Funding Requirements. Such amount as may be necessary to cover the initial operational expenses of the Authority, including the salaries of incumbent personnel for the current budget year, shall be taken from the remaining unexpended appropriations of the ECC, OSHC and the employees' compensation operations of the SSS and GSIS for the calendar year, as duly approved by the Department of Budget and Management (DBM), which shall be advanced in their remaining entirety by the SSS and the GSIS; *Provided*, that where the remaining unexpended appropriations of the ECC, the OSHC and the employees' compensation operations of the SSS and GSIS for the calendar year would not be sufficient to finance the operations of the Authority for the remaining months of the fiscal year, the Authority may appropriate such amount as may be necessary to meet expected expenditures out of the twelve percent (12%) annual loading fund of the State Insurance Fund.

SECTION 40. Implementing Rules and Regulations. Within one hundred and twenty (120) days from the completion of the appointments of its members, the Board of Trustees shall formulate, approve and publish in the official gazette or in at least two (2) national newspapers of general circulation the implementing rules and regulations of this Act.

SECTION 41. Amendatory Clause. Title II, Book IV of P.D.No.442, as amended by P.D.626, as amended, is hereby amended. All other laws, executive

orders, administrative rules and regulations or parts thereof which are inconsistent with the provisions of this Act are accordingly amended, modified or repealed.

SECTION 42. Separability Clause. If any portion of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions not affected thereby

SECTION 43. Effectivity Clause. This Act shall take effect upon its approval and publication in at least two (2) national newspapers of general circulation.

Approved,