

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

14 June 2011



MEMORANDUM

FOR : ATTY. ARTEMIO ADASA
Deputy Secretary General

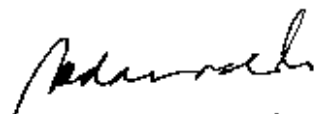
ATTENTION : ATTY. CESAR S. PAREJA
Executive Director, Plenary Affairs Office

SUBJECT : COMMITTEE REPORT NO. 1246

We are transmitting herewith six (6) copies of the Committee Report submitted by the Committee on Banks and Financial Intermediaries on House Bill No. 4867 entitled:

"AN ACT
STRENGTHENING THE INSURANCE INDUSTRY, FURTHER AMENDING FOR THE PURPOSE
PRESIDENTIAL DECREE NO. 612, OTHERWISE KNOWN AS THE INSURANCE CODE"

For your appropriate action.


ARLENE C. DADA-ARNALDO
Deputy Secretary General for Committee Affairs



Republic of the Philippines
House of Representatives
Quezon City

FIFTEENTH CONGRESS
First Regular Session

COMMITTEE REPORT NO. 1246

15 JUN 2011

Submitted by the Committee on Banks and Financial Intermediaries on _____

Re: House Bill No. 4867

Recommending its approval, in substitution of House Bills No. 1502, 3797, 2672 and 2988

Sponsors: Representatives Sergio A. F. Apostol and Guillermo A. Romarate Jr,

Mr. Speaker :

The Committee on Banks and Financial Intermediaries to which were referred:

House Bill No. 1502 introduced by Representative Angara, entitled: "AN ACT AMENDING PD NO. 612, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE CODE, AS AMENDED BY PD NOS. 1141, 1280, 1455, 1460, 1814 & 1981, AND BP 874, AND FOR OTHER PURPOSES,"

House Bill No. 3797, introduced by Representative Mandanas, entitled: "AN ACT AMENDING PD NO. 612, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE CODE, AS AMENDED BY PD NOS. 1141, 1280, 1455, 1460, 1814 & 1981, AND BP 874, AND FOR OTHER PURPOSES,"

House Bill No. 2672, introduced by Representative Haresco, Jr., entitled: "AN ACT AMENDING SECTION 385 OF PD NO. 1460, AS AMENDED BY PD 1455, OTHERWISE KNOWN AS THE INSURANCE CODE OF THE PHILIPPINES," and

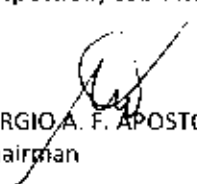
House Bill No. 2988, introduced by Representative Ejercito, entitled "AN ACT AMENDING SECTION 385 OF PD NO. 1460, AS AMENDED BY PD 1455, OTHERWISE KNOWN AS THE INSURANCE CODE OF THE PHILIPPINES"

has considered the same and recommends that the attached bill, entitled:

"AN ACT
STRENGTHENING THE INSURANCE INDUSTRY, FURTHER AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE
NO. 612, OTHERWISE KNOWN AS THE INSURANCE CODE"

be approved in substitution of House Bills No. 1502, 3797, 2672 and 2988 with Representatives Angara, Mandanas, Apostol, Romarate, Haresco, Ejercito, Cortuna, Villarosa, Pichay, Aggabao, Lico, Lapus, Villafuerte, and Ty as co-authors thereof.

Respectfully submitted,


SERGIO A. F. APOSTOL
Chairman

The HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES

FACT SHEET

House Bill No. **4867**

(Substitute bill to HB. No. 1502, 3797, 2672 and 2988)

AMENDMENTS TO THE INSURANCE CODE

Introduced by: REPRESENTATIVES ANGARA, MANDANAS, APOSTOL, ROMARTE, et. al.

*Committee Referral: COMMITTEE ON BANKS & FINANCIAL INTERMEDIARIES
Chairperson: REPRESENTATIVE SERGIO A. F. APOSTOL*

OBJECTIVE

To promote and develop a stronger national insurance industry.

KEY PROVISIONS

1. Expands the definition of "doing an insurance business" to include the practice of self-insurance by any person or entity extending life insurance or similar protection to its borrowers, depositors, clients or third parties.
2. Deems irrevocable the designation of a beneficiary designation in the event the insured does not change the beneficiary during his life time.
3. Allows premium payment by any government employee thru salary deduction.
4. Provides for regulations on "Microinsurance"
5. Increases minimum paid-up capital stock requirements for insurance companies.
6. Adopts international standards on solvency requirement.
7. Adds new forms of admitted assets such as mutual funds, real estate investment trusts, salary loans, unit investment trust funds and special deposit accounts and other assets which are deemed by the Commissioner to be readily realizable and available for the payment of losses and claims at values to be determined by him.
8. Grants the Commissioner the authority to make, amend, and rescind accounting rules and regulations, and define accounting, technical and trade terms in accordance with internationally accepted accounting standards.
9. Adds a new title on "Bancassurance."
10. Authorizes insurance companies to engage in trust business operations.
11. Grants the Commissioner the authority to register self-regulatory organizations whose operations are related to or connected to insurance

RELATED LAW: Presidential Decree No. 612, as amended.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. **4867**

1246

(In substitution of House Bills No. 1502, 3797, 2672 and 2988, per Committee Report No. _____)

Introduced by Representatives Angara, Mandanas, Apostol, Romarate, Haresco, Ejercito, Cortuna, Villarosa, Pichay, Aggabao, , Lico, Lapus, Villafuerte, and Ty

AN ACT

STRENGTHENING THE INSURANCE INDUSTRY, FURTHER AMENDING FOR THE PURPOSE
PRESIDENTIAL DECREE NO. 612, OTHERWISE KNOWN AS THE INSURANCE CODE

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

SECTION 1. Section 2, paragraph 2 (d) of the Insurance Code, as amended, is hereby
amended to read as follows

"(d) doing or proposing to do any business in substance equivalent to any of the foregoing
in a manner designed to evade the provisions of this Code, INCLUDING THE PRACTICE
OF SELF-INSURANCE BY ANY PERSON OR ENTITY EXTENDING LIFE INSURANCE OR
SIMILAR PROTECTION TO ITS BORROWERS, DEPOSITORS, CLIENTS OR THIRD PARTIES."

SEC. 2. Section 3 of the Insurance Code is hereby amended to read as follows:

"Sec. 3. Any contingent or unknown event, whether past or future, which may damnify a
person having an insurable interest, or create a liability against him, may be insured against, subject
to the provisions of this chapter.

"The consent of the ~~(husband)~~ SPOUSE is not necessary for the validity of an insurance policy
taken out by a married ~~(woman)~~ PERSON on ~~(her)~~ THEIR life or that of ~~(her)~~ THEIR children.

~~"[Any minor of the age of eighteen years or more, may, notwithstanding such minority,
contract for life, health and accident insurance, with any insurance company duly authorized to do
business in the Philippines, provided the insurance is taken on his own life and the beneficiary
appointed is the minor's estate or the minor's father, mother, husband, wife, child, brother or sister.~~

~~"The married woman or the minor herein allowed to take out an insurance policy may
exercise all the rights and privileges of an owner under a policy]."~~

1 "All rights, title and interest in the policy of insurance taken out by an original owner on the
2 life or health of ~~[a minor]~~ THE PERSON INSURED shall automatically vest in the ~~[minor]~~ LATTER upon
3 the death of the original owner, unless otherwise provided for in the policy."

4 SEC. 3. Section 6 of the Insurance Code is hereby amended to read as follows:

5 "Sec. 6. Every ~~[person]~~ CORPORATION, partnership, OR association, ~~[or corporation]~~ duly
6 authorized to transact insurance business as elsewhere provided in this code, may be an insurer."

7 SEC. 4. Section 11 of the the Insurance Code is hereby amended to read as follows:

8 "Sec. 11. The insured shall have the right to change the beneficiary he designated in the
9 policy, unless he has expressly waived this right in said policy.

10 "NOTWITHSTANDING THE FOREGOING, IN THE EVENT THE INSURED DOES NOT CHANGE THE
11 BENEFICIARY DURING HIS LIFETIME, THE DESIGNATION SHALL BE DEEMED IRREVOCABLE."

12 SEC. 5. Section 12 of the Insurance Code is hereby amended to read as follows:

13 "Sec. 12. The interest of a beneficiary in a life insurance policy shall be forfeited when the
14 beneficiary is the principal, accomplice, or accessory in willfully bringing about the death of the
15 insured; ~~[in which event, the nearest relative of the insured shall receive the proceeds of said~~
16 ~~insurance if not otherwise disqualified]~~. IN SUCH A CASE, THE SHARE FORFEITED SHALL PASS ON TO
17 THE OTHER BENEFICIARIES, UNLESS OTHERWISE DISQUALIFIED. IN THE ABSENCE OF OTHER
18 BENEFICIARIES, THE PROCEEDS SHALL BE PAID IN ACCORDANCE WITH THE POLICY CONTRACT. IF THE
19 POLICY CONTRACT IS SILENT, THE PROCEEDS SHALL BE PAID TO THE ESTATE OF THE INSURED."

20 SEC. 6. Section 50 of the Insurance Code is hereby amended to read as follows:

21 "Sec. 50. The policy shall be in printed form which may contain blank spaces; and any word,
22 phrase, clause, mark, sign, symbol, signature, number, or word necessary to complete the contract
23 of insurance shall be written on the blank spaces provided therein.

24 "Any rider, clause, warranty or endorsement purporting to be part of the contract of
25 insurance and which is pasted or attached to said policy is not binding on the insured, unless the
26 descriptive title or name of the rider, clause, warranty or endorsement is also mentioned and
27 written on the blank spaces provided in the policy.

28 "Unless applied for by the insured or owner, any rider, clause, warranty or endorsement
29 issued after the original policy shall be countersigned by the insured or owner, which
30 countersignature shall be taken as his agreement to the contents of such rider, clause, warranty or
31 endorsement.

32 ~~"[Group insurance and group annuity policies, however, may be typewritten and need not~~
33 ~~be in printed form.]"~~

34 SEC. 7. Section 60 of the Insurance Code is hereby amended to read as follows:

1 "Sec. 60. An open policy is one in which the value of the thing insured is not agreed upon,
2 ~~[but is left to be ascertained in case of loss]~~ AND THE AMOUNT OF THE INSURANCE MERELY
3 REPRESENTS THE INSURER'S MAXIMUM LIABILITY. THE VALUE OF SUCH THING INSURED SHALL BE
4 ASCERTAINED AT THE TIME OF THE LOSS."

5 SEC. 8. Section 64 of the Insurance Code is hereby amended to read as follows:

6 "Sec. 64. No policy of insurance other than life shall be cancelled by the insurer except upon
7 prior notice thereof to the insured, and no notice of cancellation shall be effective unless it is based
8 on the occurrence, after the effective date of the policy, of one or more of the following:

- 9 (a) non-payment of premium;
10 (b) conviction of a crime arising out of acts increasing the hazard insured against;
11 (c) discovery of fraud or material misrepresentation;
12 (d) discovery of willful or reckless acts or omissions increasing the hazard insured against;
13 (e) physical changes in the property insured which result in the property becoming
14 uninsurable;
15 (f) DISCOVERY OF OTHER INSURANCE COVERAGE THAT MAKES THE TOTAL INSURANCE IN
16 EXCESS OF THE VALUE OF THE PROPERTY INSURED; OR
17 [f](g) a determination by the Commissioner that the continuation of the policy would violate
18 or would place the insurer in violation of this Code."

19 SEC. 9. A new Section 78-A is hereby added to the Insurance Code, to read as follows:

20 "SEC. 78-A. EMPLOYEES OF THE REPUBLIC OF THE PHILIPPINES, INCLUDING ITS POLITICAL
21 SUBDIVISIONS AND INSTRUMENTALITIES, AND GOVERNMENT OWNED OR CONTROLLED
22 CORPORATIONS, MAY PAY THEIR INSURANCE PREMIUMS AND LOAN OBLIGATIONS THROUGH
23 SALARY DEDUCTION: PROVIDED, THAT THE TREASURER, CASHIER, PAYMASTER OR OFFICIAL OF THE
24 ENTITY EMPLOYING THE GOVERNMENT EMPLOYEE IS AUTHORIZED, NOTWITHSTANDING THE
25 PROVISIONS OF ANY EXISTING LAW, RULES AND REGULATIONS TO THE CONTRARY, TO MAKE
26 DEDUCTIONS FROM THE SALARY, WAGE OR INCOME OF THE LATTER PURSUANT TO THE
27 AGREEMENT BETWEEN THE INSURER AND THE GOVERNMENT EMPLOYEE AND TO REMIT SUCH
28 DEDUCTIONS TO THE INSURER CONCERNED, AND COLLECT SUCH REASONABLE FEE FOR ITS
29 SERVICES."

30 SEC. 10. Section 81 of the Insurance Code is hereby amended to read as follows:

31 "Sec. 81. A person insured is entitled to return of the premium when the contract is
32 voidable, AND SUBSEQUENTLY ANNULLED UNDER THE PROVISIONS OF THE CIVIL CODE; OR on
33 account of fraud or misrepresentation of the insurer, or of his agent; or on account of facts, the
34 existence of which the insured was ignorant OF without his fault; or when by any default of the
35 insured other than actual fraud, the insurer never incurred any liability under the policy.

1 "A PERSON INSURED IS NOT ENTITLED TO A RETURN OF PREMIUM IF THE POLICY IS
2 ANNULLED, RESCINDED OR IF A CLAIM IS DENIED BY REASON OF FRAUD."

3 SEC. 11. Section 82 of the Insurance Code is hereby amended to read as follows:

4 "Sec. 82. In case of an over-insurance by several insurers OTHER THAN LIFE, the insured is
5 entitled to a ratable return of the premium, proportioned to the amount by which the aggregate
6 sum insured in all the policies exceeds the insurable value of the thing at risk."

7 SEC. 12. A new Section 82-A is hereby added to Title 8, Chapter 1 of the Insurance Code, to
8 read as follows:

9 "SEC. 82-A. AN INSURER MAY CONTRACT AND ACCEPT PAYMENTS, IN ADDITION TO
10 REGULAR PREMIUM, FOR THE PURPOSE OF PAYING FUTURE PREMIUMS ON THE POLICY OR TO
11 INCREASE THE BENEFITS THEREOF"

12 SEC. 13. Section 88 of the Insurance Code is hereby amended to read as follows:

13 "Sec. 88. In case of loss upon an insurance against fire, an insurer is exonerated, if notice
14 thereof be not given to him by an insured, or some person entitled to the benefit of the insurance,
15 ~~[without unnecessary delay]~~ WITHIN THIRTY DAYS FROM OCCURRENCE OF THE LOSS. FOR OTHER
16 NON-LIFE INSURANCE, THE NOTICE OF LOSS SHALL BE SUBMITTED WITHIN ONE YEAR. IN CASE OF
17 DEATH, AN INSURER IS LIKEWISE EXONERATED IF NOTICE THEREOF BE NOT GIVEN THE INSURER
18 WITHOUT UNNECESSARY DELAY FROM DISCOVERY OF DEATH."

19 SEC. 14. Section 179 of the Insurance Code is hereby amended to read as follows:

20 "Sec. 179. Life insurance is insurance on human lives and insurance appertaining thereto or
21 connected therewith.

22 "EVERY CONTRACT OR UNDERTAKING FOR THE PAYMENTS OF ANNUITIES INCLUDING
23 CONTRACTS FOR THE PAYMENT OF LUMP SUMS UNDER A RETIREMENT PROGRAM WHERE A LIFE
24 INSURANCE COMPANY MANAGES OR ACTS AS A TRUSTEE FOR SUCH RETIREMENT PROGRAM SHALL
25 BE CONSIDERED A LIFE INSURANCE CONTRACT FOR PURPOSES OF THIS CODE."

26 SEC. 15. Section 180 of the Insurance Code is hereby amended to read as follows:

27 "Sec. 180. An insurance upon life may be made payable on the death of the person, or on
28 his surviving a specified period, or otherwise contingently on the continuance or cessation of life.
29 Every contract or pledge for the payment of endowments or annuities shall be considered a life
30 insurance contract for purpose of this Code.

31 "In the absence of a judicial guardian, the father, or in the latter's absence or incapacity, the
32 mother, or any minor, who is an insured or a beneficiary under a contract of life, health or accident
33 insurance, may exercise, in behalf of said minor, any right under the policy, without necessity of
34 court authority or the giving of a bond, where the interest of the minor in the particular act involved

35 ~~does not exceed [twenty thousand]~~ FIVE HUNDRED THOUSAND pesos OR IN SUCH AMOUNT AS

1 MAY BE DETERMINED BY THE COMMISSIONER. Such right may include, but shall not be limited to,
2 obtaining a policy loan, surrendering the policy, receiving the proceeds of the policy, and giving the
3 minor's consent to any transaction on the policy.

4 "IN THE ABSENCE OR IN CASE OF THE INCAPACITY OF THE FATHER OR MOTHER, THE
5 GRANDPARENT, THE ELDEST BROTHER OR SISTER AT LEAST EIGHTEEN YEARS OF AGE, OR ANY
6 RELATIVE WHO HAS ACTUAL CUSTODY OF THE MINOR INSURED OR BENEFICIARY, SHALL ACT AS A
7 GUARDIAN WITHOUT NEED OF A COURT ORDER OR JUDICIAL APPOINTMENT AS SUCH GUARDIAN,
8 AS LONG AS SUCH PERSON IS NOT OTHERWISE DISQUALIFIED OR INCAPACITATED. PAYMENT MADE
9 BY THE INSURER PURSUANT TO THIS SECTION SHALL RELIEVE SUCH INSURER OF ANY LIABILITY
10 UNDER THE CONTRACT"

11 SEC. 16. A new Title 6 on MICROINSURANCE and Section 183-A are hereby added in Chapter
12 II of the Insurance Code, to read as follows:

13 "TITLE 6

14 "MICROINSURANCE

15 "SEC. 183-A. THE TERM "MICROINSURANCE" SHALL MEAN AN ACTIVITY PROVIDING
16 SPECIFIC INSURANCE THAT MEETS THE NEEDS OF THE LOW-INCOME SECTOR FOR RISK PROTECTION
17 AND RELIEF AGAINST DISTRESS, MISFORTUNE AND OTHER CONTINGENT EVENTS. THIS SHALL
18 INCLUDE ALL FORMS OF INSURANCE WITH THE FOLLOWING FEATURES: A) PREMIUMS,
19 CONTRIBUTIONS, FEES OR CHARGES ARE COLLECTED/DEDUCTED PRIOR TO THE OCCURRENCE OF
20 THE CONTINGENT EVENT; AND B) GUARANTEED BENEFITS ARE PROVIDED UPON OCCURRENCE OF
21 THE CONTINGENT EVENT.

22 "NO INSURANCE COMPANY SHALL ENGAGE IN THE BUSINESS OF MICROINSURANCE UNLESS
23 IT POSSESSES ALL THE REQUIREMENTS AS MAY BE PRESCRIBED BY THE COMMISSIONER. THE
24 COMMISSIONER SHALL ISSUE SUCH RULES AND REGULATIONS GOVERNING MICROINSURANCE."

25 SEC. 17. Section 184 of the Insurance Code is hereby amended to read as follows:

26 "Sec. 184. For purposes of this Code, the term "insurer" or "insurance company" shall include
27 all ~~(individuals)~~ partnerships, associations, COOPERATIVES or corporations, including government-
28 owned or controlled corporations or entities, engaged as principals in the insurance business,
29 excepting mutual benefit associations. Unless the context otherwise requires, the terms shall also
30 include professional reinsurers defined in section two hundred eighty. "Domestic company" shall
31 include companies formed, organized or existing under the laws of the Philippines. "Foreign
32 company" when used without limitation shall include companies formed, organized, or existing
33 under any laws other than those of the Philippines."

34 SEC. 18. Section 185 of the Insurance Code is hereby amended to read as follows:

1 "Sec. 185. ~~[Corporations formed or organized to save any person or persons or other~~
2 ~~corporations harmless from loss, damage, or liability arising from any unknown or future or~~
3 ~~contingent event, or to indemnify or to compensate any person or persons or other corporations for~~
4 ~~any such loss, damage, or liability, or to guarantee the performance of or compliance with~~
5 ~~contractual obligations or the payment of debt of others shall be known as "insurance~~
6 ~~corporations.]"~~

7 "The provisions of the Corporation [Law] CODE, AS AMENDED, shall apply to all insurance
8 corporations now or hereafter engaged in business in the Philippines insofar as they do not conflict
9 with the provisions of this chapter."

10 SEC. 19. Section 186 of the Insurance Code is hereby amended to read as follows:

11 "Sec. 186. No [person] CORPORATION, partnership, or association of persons shall transact
12 any insurance business in the Philippines except as agent of a [person or] corporation, PARTNERSHIP
13 OR ASSOCIATION authorized to do the business of insurance in the Philippines, unless possessed of
14 the capital and assets required of an insurance corporation doing the same kind of business in the
15 Philippines and invested in the same manner; ~~nor~~ OR unless the Commissioner shall have granted
16 ~~[to him or them]~~ a certificate to the effect that ~~[he or they]~~ IT ~~[have]~~ HAS complied with all the
17 provisions of ~~[law which an insurance corporation doing business in the Philippines is required to~~
18 ~~observe]~~ THIS CODE.

19 "Every ~~[person, partnership, or association]~~ ENTITY receiving any such certificate of
20 authority shall be subject to the insurance AND OTHER APPLICABLE laws of the Philippines and to the
21 jurisdiction and supervision of the Commissioner ~~[in the same manner as if an insurance corporation~~
22 ~~authorized by the laws of the Philippines to engage in the business of insurance specified in the~~
23 ~~certificate]."~~

24 SEC. 20. Section 187 of the Insurance Code is hereby amended to read as follows:

25 "Sec. 187. No insurance company shall transact any insurance business in the Philippines
26 until after it shall have obtained a certificate of authority for that purpose from the Commissioner
27 upon application therefor and payment by the company concerned of the fees hereinafter
28 prescribed.

29 "The Commissioner may refuse to issue a certificate of authority to any insurance company
30 if, in his judgment, such refusal will best promote the interest of the people of this country. No such
31 certificate of authority shall be granted to any such company until the Commissioner shall have
32 satisfied himself by such examination as he may make and such evidence as he may require that
33 such company is qualified by the laws of the Philippines to transact business therein, that the grant
34 of such authority appears to be justified in the light of economic requirements, and that the
35 direction and administration, as well as the integrity and responsibility of the organizers and

1 administrators, the financial organization and the amount of capital, ~~[notwithstanding the provisions~~
2 ~~of section one hundred eighty eight,]~~ reasonably assure the safety of the interests of the
3 policyholders and the public.

4 "In order to maintain the quality of the management of the insurance companies and afford
5 better protection to policyholders and the public in general, any person of good moral character,
6 unquestioned integrity and recognized competence may be elected or appointed director or officer
7 of insurance companies IN ACCORDANCE WITH THE PERTINENT PROVISIONS CONTAINED IN THE
8 CORPORATE GOVERNANCE CIRCULARS PRESCRIBED BY THE COMMISSIONER. IN ADDITION HERETO,
9 the Commissioner shall prescribe the qualifications of DIRECTORS, ~~[the]~~ executive officers and other
10 key officials of insurance companies for purposes of this section.

11 "No person shall concurrently be a director and/or officer of an insurance company and an
12 adjustment company.

13 ~~"[Incumbent directors and/or officers affected by the above provisions are hereby allowed~~
14 ~~to hold on to their positions until the end of their terms or two years from the effectivity of this~~
15 ~~decree, whichever is shorter.]~~

16 "Before issuing such certificate of authority, the commissioner must be satisfied that the
17 name of the company is not that of any other known company transacting a similar business in the
18 Philippines, or a name so similar as to be calculated to mislead the public, THE COMMISSIONER MAY
19 ISSUE RULES AND REGULATIONS ON THE USE OF CORPORATE NAMES OF INSURANCE COMPANIES
20 AND OTHER SUPERVISED PERSONS OR ENTITIES.

21 ~~"[Such certificate of authority shall expire on the last day of June of each year and shall be~~
22 ~~renewed annually if the company is continuing to comply with the provisions of this Code or the~~
23 ~~circulars, instructions, rulings or decisions of the Commissioner.]~~ Every company receiving any such
24 certificates of authority shall be subject to the provisions of this Code and other related laws and to
25 the jurisdiction and supervision of the Commissioner.

26 "No insurance company may be authorized to transact in the Philippines the business of life
27 and non-life insurance concurrently unless specifically authorized to do so BY THE COMMISSIONER:
28 *Provided, That the terms "life" and "non-life" insurance shall be deemed to include health, accident*
29 *and disability insurance.*

30 "No insurance company shall have equity in an adjustment company and neither shall an
31 adjustment company have an equity in an insurance company.

32 ~~"[Insurance companies and adjustment companies presently affected by the above provision~~
33 ~~shall have two years from the effectivity of this Decree within which to divest of their stockholdings.]~~

34 "NO INSURANCE COMPANY ISSUED WITH A VALID CERTIFICATE OF AUTHORITY TO
35 TRANSACT INSURANCE BUSINESS ANYWHERE IN THE PHILIPPINES BY THE INSURANCE

1 COMMISSIONER, SHALL BE BARRED, PREVENTED, OR DISENFRANCHISED FROM ISSUING ANY
2 INSURANCE POLICY OR FROM TRANSACTING ANY INSURANCE BUSINESS WITHIN THE SCOPE OR
3 COVERAGE OF ITS CERTIFICATE OF AUTHORITY, ANYWHERE IN THE PHILIPPINES, BY ANY LOCAL
4 GOVERNMENT UNIT OR AUTHORITY, FOR WHATEVER GUISE OR REASON WHATSOEVER, INCLUDING
5 UNDER ANY KIND OF ORDINANCE, ACCREDITATION SYSTEM, OR SCHEME. ANY LOCAL ORDINANCE
6 OR LOCAL GOVERNMENT UNIT REGULATORY ISSUANCE IMPOSING SUCH RESTRICTION OR
7 DISENFRANCHISEMENT ON ANY INSURANCE COMPANY SHALL BE DEEMED NULL AND VOID AB
8 INITIO."

9 SEC. 21. Section 188 of the Insurance Code is hereby amended to read as follows:

10 "Sec. 188. Except as provided in section two hundred eighty-one, no NEW domestic LIFE OR
11 NON-LIFE insurance company shall, in a stock corporation, engage in business in the Philippines
12 unless possessed of a paid-up capital stock equal to at least five HUNDRED million pesos: *Provided*,
13 That a domestic insurance company already doing business in the Philippines [~~with a paid-up capital~~
14 ~~stock which is less than five million pesos shall have a paid-up capital stock of at least three million~~
15 ~~pesos by December thirty-one, nineteen hundred seventy-eight, four million pesos by December~~
16 ~~thirty-one, nineteen hundred seventy-nine and five million pesos by December thirty-one, nineteen~~
17 ~~hundred eighty. *Provided, further, that the Secretary of Finance may, upon recommendation of the*~~
18 ~~*Insurance Commissioner, increase such minimum paid-up capital stock requirement, under such*~~
19 ~~*terms and conditions as he may impose, to an amount which, in his opinion, would reasonably*~~
20 ~~*assure the safety of the interests of the policyholders and the public*~~] SHALL HAVE A PAID-UP
21 CAPITAL BY DECEMBER 31, 2012, OF ONE HUNDRED SEVENTY FIVE MILLION PESOS FOR AN
22 INSURANCE COMPANY WITH LESS THAN FORTY PERCENT (40%) FOREIGN EQUITY, OF THREE
23 HUNDRED FIFTY MILLION PESOS FOR AN INSURANCE COMPANY WITH FORTY PERCENT (40%) BUT
24 LESS THAN SIXTY PERCENT (60%) FOREIGN EQUITY, AND FIVE HUNDRED MILLION PESOS FOR AN
25 INSURANCE COMPANY WITH AT LEAST SIXTY PERCENT (60%) FOREIGN EQUITY: *PROVIDED FURTHER*,
26 THAT THE PRESENT RULES OR DEPARTMENT ORDERS ON CAPITALIZATION SHALL CONTINUE TO
27 APPLY PRIOR TO THE EFFECTIVE DATE OF INCREASE UNDER THIS SECTION.

28 "The Commissioner may, as a pre-licensing requirement of a new insurance company, in
29 addition to the paid-up capital stock, require the stockholders to pay in cash to the company in
30 proportion to their subscription interests a contributed surplus fund of not less than one ONE
31 HUNDRED million pesos [~~in the case of a life insurance company, or not less than five hundred~~
32 ~~thousand pesos, in the case of an insurance company other than life~~]. He may also require such
33 company to submit to him a business plan showing the company's estimated receipts and
34 disbursements, as well as the basis therefor, for the next succeeding three years.

1 "If organized as a mutual company, in lieu of such capital stock, it must have available cash
2 assets of at least ONE HUNDRED SEVENTY FIVE MILLION PESOS AS OF DECEMBER 31, 2012 above all
3 liabilities for losses reported, expenses, taxes, legal reserve, and reinsurance of all outstanding risks,
4 and the contributed surplus fund equal to the amounts required of stock corporations. A stock
5 insurance company doing business in the Philippines may, subject to the pertinent law and
6 regulations which now ~~[are of]~~ OR hereafter may be in force, alter its organization and transform
7 itself into a mutual insurance company.

8 "THE SECRETARY OF FINANCE MAY, UPON RECOMMENDATION OF THE COMMISSIONER,
9 INCREASE SUCH MINIMUM PAID-UP CAPITAL STOCK OR CASH ASSETS REQUIREMENT UNDER SUCH
10 TERMS AND CONDITIONS AS HE MAY IMPOSE, TO AN AMOUNT WHICH, IN HIS OPINION, WOULD
11 REASONABLY ASSURE THE SAFETY OF THE INTERESTS OF THE POLICYHOLDERS AND THE PUBLIC.
12 THE MINIMUM PAID-UP CAPITAL REQUIREMENT MUST REMAIN UNIMPAIRED FOR THE
13 CONTINUANCE OF THE LICENSE. THE COMMISSIONER MAY REQUIRE THE ADOPTION OF THE RISK-
14 BASED CAPITAL APPROACH AND OTHER INTERNATIONALLY ACCEPTED FORMS OR CAPITAL
15 FRAMEWORK."

16 SEC. 22. Section 191 of the Insurance Code is hereby amended to read as follows:

17 "Sec. 191. No insurance company organized or existing under the government or laws other
18 than those of the Philippines shall engage in business in the Philippines unless possessed of ~~[paid-up]~~
19 unimpaired capital or assets and reserve OF NOT LESS THAN FIVE HUNDRED MILLION PESOS, ~~[not~~
20 ~~less than that herein required of domestic insurance companies,]~~ nor until it shall have deposited
21 with the Commissioner for the benefit and security of the policyholders and creditors of such
22 company in the Philippines, securities satisfactory to the Commissioner consisting of good securities
23 of the Philippines, including new issues of stock of "registered enterprises", as this term is defined in
24 ~~[Republic Act No. 5186, otherwise known as the Investment Incentives Act,]~~ OMNIBUS INVESTMENTS
25 CODE as amended, to the actual market value of not less than THE AMOUNT HEREIN REQUIRED ~~[the~~
26 ~~minimum paid-up capital required of domestic insurance companies]~~: *Provided*, That at least fifty
27 ~~perCENT centum~~ of such securities shall consist of bonds or other evidences of debt of the
28 Government of the Philippines, its political subdivisions and instrumentalities, or of government-
29 owned or controlled corporations and entities, including the ~~[Central Bank]~~ BANGKO SENTRAL NG
30 PILIPINA: *PROVIDED FURTHER*, THAT the total investment of a foreign insurance company in any
31 registered enterprise shall not exceed twenty per centum of the net worth of said foreign insurance
32 company nor twenty *per cent* of the capital of the registered enterprise, unless previously authorized
33 in writing by the Commissioner.

34 "THE COMMISSIONER MAY, AS A PRE-LICENSING REQUIREMENT OF A NEW BRANCH OFFICE
35 OF A FOREIGN INSURANCE COMPANY, IN ADDITION TO THE REQUIRED ASSET OR NET WORTH,

1 REQUIRE THE COMPANY TO HAVE AN ADDITIONAL SURPLUS FUND OF NOT LESS THAN ONE
2 HUNDRED MILLION PESOS.

3 "For purposes of this Code, the net worth of a foreign insurance company shall refer only to
4 its net worth in the Philippines."

5 SEC. 23. Section 192 of the Insurance Code is hereby amended to read as follows:

6 "Sec. 192. The Commissioner shall hold the securities, deposited as aforesaid REQUIRED IN
7 THE IMMEDIATELY PRECEDING SECTION, for the benefit and security of all the policyholders AND
8 CREDITORS of the company depositing the same: [~~but shall~~] PROVIDED, THAT THE COMMISSIONER
9 MAY as long as the company is solvent, permit the company to collect the interest or dividends on
10 the securities so deposited, and, from time to time, with his assent, to withdraw any of such
11 securities, upon depositing with said Commissioner other like securities, the market value of which
12 shall be equal to the market value of such as may be withdrawn. In the event of any company
13 ceasing to do business in the Philippines the securities deposited as aforesaid shall be returned upon
14 the [~~company's making application therefor and proving to the satisfaction of the Commissioner~~]
15 COMPANY UPON THE COMMISSIONER'S WRITTEN APPROVAL AND ONLY AFTER THE COMPANY HAS
16 DULY PROVEN IN ITS APPLICATION THEREFOR that it has no further liability WHATSOEVER under any
17 of its policies NOR TO ANY OF ITS CREDITORS in the Philippines.

18 SEC. 24. Title 2 of Chapter III of the Insurance Code is hereby amended to read as follows:

19 "Title 2. [~~MARGIN OF INSOLVENCY~~] SOLVENCY"

20 SEC. 25. Section 194 of the Insurance Code is hereby amended to read as follows:

21 "Sec. 194. An insurance company doing business in the Philippines shall at all times maintain
22 THE PRESCRIBED SOLVENCY REQUIREMENT WHICH SHALL BE BASED ON INTERNATIONALLY
23 ACCEPTED SOLVENCY FRAMEWORKS [~~margin of solvency which shall be an excess of the value of its~~
24 ~~admitted assets exclusive of its paid up capital, in the case of a domestic company, or an excess of~~
25 ~~the value of its admitted assets in the Philippines, exclusive of its security deposits, in the case of a~~
26 ~~foreign company, over the amount of its liabilities, unearned premium and reinsurance reserves in~~
27 ~~the Philippines of at least two per mille of the total amount of its insurance in force as of the~~
28 ~~preceding calendar year on all policies, except term insurance, in the case of a life insurance~~
29 ~~company, or of at least ten per centum of the total amount of its net premium written during the~~
30 ~~preceding calendar year, in the case of a company other than a life insurance company: Provided,~~
31 ~~That in either case, such margin shall in no event be less than five hundred thousand pesos: and~~
32 ~~Provided, further, That the term "paid up capital" shall not include contributed surplus and capital~~
33 ~~paid in excess of par value. Such assets, liabilities and reserves shall exclude assets, liabilities and~~
34 ~~reserves included in separate accounts established in accordance with section two hundred thirty-~~

35 ~~seven~~). IN THE DETERMINATION OF COMPLIANCE WITH THE SOLVENCY REQUIREMENT, THE ASSETS,

1 LIABILITIES AND RESERVES OF THE INSURANCE COMPANY INCLUDED IN THE SEPARATE VARIABLE
2 ACCOUNTS ESTABLISHED IN ACCORDANCE WITH SECTION TWO HUNDRED THIRTY SEVEN SHALL BE
3 EXCLUDED. Whenever the AFOREMENTIONED SOLVENCY REQUIREMENT ~~[margin]~~ be found to be
4 less than that herein required to be maintained, the Commissioner shall forthwith direct the
5 company to make good any such deficiency by cash, to be contributed by all stockholders of record
6 in proportion to their respective interest, and paid to the treasurer of the company, within fifteen
7 days from receipt of the order: *Provided*, That the company in the interim shall not be permitted to
8 take any new risk of any kind or character unless and until it make good any such deficiency:
9 *Provided, further*, That a stockholder who aside from paying the contribution due from him, pays the
10 contribution due from the another stockholder by reason of the failure or refusal of the latter to do
11 so, shall have a lien on the certificates of stock of the insurance company concerned appearing in its
12 books in the name of the defaulting stockholder on the date of default, as well as on any interest[s]
13 or dividend[s] that have accrued or will accrue to the said certificates of stock, until the
14 corresponding payment or reimbursement is made by the defaulting stockholder."

15 SEC. 26. Section 195 of the Insurance Code is hereby amended to read as follows:

16 "Sec. 195. No domestic insurance corporation shall declare or distribute any dividend on its
17 outstanding stocks except from profits attested in a sworn statement to the Commissioner by the
18 president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

19 (a) The entire paid-up capital stock;

20 ~~[(b) The margin of solvency required by section one hundred ninety-four]~~

21 ~~[(c)]~~ (b) In the case of life insurance corporation, the legal reserve fund required by section
22 two hundred eleven;

23 ~~[(d)]~~ (c) In the case of corporations other than life, the legal reserve fund required by section
24 two hundred thirteen;

25 ~~[(e)]~~ (d) A sum sufficient to pay all net losses reported, or in the course of settlement, and all
26 liabilities for expenses and taxes.

27 "Any dividend declared or distributed under the preceding paragraph shall be reported to
28 the Commissioner within thirty days after such declaration or distribution.

29 "If the Commissioner finds that any such corporation has declared or distributed any such
30 dividend in violation of this section, he may order such corporation to cease and desist from doing
31 business until the amount of such dividend or the portion thereof in excess of the amount allowed
32 under this section has been restored to said corporation."

33 SEC. 27. Section 196 of the Insurance Code is hereby amended to read as follows:

1 "Sec. 196. In any determination of the financial condition of any insurance company doing
2 business in the Philippines, there shall be allowed and admitted as assets only such assets owned by
3 the insurance company concerned which consist of:

4 x x x

5 10. MUTUAL FUNDS, REAL ESTATE INVESTMENT TRUSTS, SALARY LOANS, UNIT
6 INVESTMENT TRUST FUNDS AND SPECIAL DEPOSIT ACCOUNTS, SUBJECT TO THE
7 CONDITIONS AS MAY BE PROVIDED FOR BY THE COMMISSIONER.

8 [10]11. Other assets, not inconsistent with the provisions of paragraphs 1 to [9] 10 hereof,
9 which are deemed by the Commissioner to be readily realizable and available for the
10 payment of losses and claims at values to be determined by him."

11 SEC. 28. Section 198 of the Insurance Code hereby amended to read as follows:

12 "Sec. 198. A LIFE INSURANCE COMPANY MAY LEND TO ANY OF ITS POLICYHOLDERS UPON
13 THE SECURITY OF THE VALUE OF ITS POLICY SUCH SUM AS MAY BE DETERMINED PURSUANT TO THE
14 PROVISIONS OF THE POLICY.

15 "No insurance company shall loan any of its money or deposits to any person, corporation or
16 association, except upon THE SECURITY OF ANY OF THE FOLLOWING: ~~[first mortgage or deeds of~~
17 ~~trust of unencumbered, improved or unimproved real estate, including condominiums, in cities and~~
18 ~~centers of population of municipalities in the Philippines when the amount of such loan is not in~~
19 ~~excess of seventy per centum of the market value of such real estate; or upon the security of first~~
20 ~~mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural lands in~~
21 ~~the Philippines when the amount of such loan is not in excess of forty per centum of the market~~
22 ~~value of such land; or upon the purchase money mortgages or like securities received by it upon the~~
23 ~~sale or exchange of real property acquired pursuant to sections two hundred and two hundred two;~~
24 ~~or upon bonds or other evidences of debt of the Government of the Philippines or its political~~
25 ~~subdivisions authorized by law to issue bonds, or upon bonds or other evidences of debt of~~
26 ~~government-owned or controlled corporations and instrumentalities including the Central Bank or~~
27 ~~upon obligations issued or guaranteed by the International Bank for Reconstruction and~~
28 ~~Development; or upon stocks, bonds or other evidences of debt as are specified in section two~~
29 ~~hundred.]~~

30 "[A life insurance company, however, may lend to any of its policyholders upon the security
31 of the value of its policy such sum as may be determined pursuant to the provisions of the policy.]

32 "[Loans granted upon the security of real estate for a period longer than five years shall be
33 amortized in monthly, quarterly, semi-annual or annual installments; Provided, That no such loans
34 shall have a maturity in excess of twenty years.]

1 ~~"[The phrase "improved real estate" used above is hereby defined to mean land with~~
2 ~~permanent building or buildings erected or being erected thereon. Except as otherwise approved by~~
3 ~~the Commissioner, in case the building or buildings on land do not belong to the owner of the latter,~~
4 ~~no loan shall be granted on the security of the real estate in question unless both the owner of the~~
5 ~~building or buildings and the owner of the land sign the deed of mortgage, and unless the owner of~~
6 ~~the land is the Government of the Philippines or one of its political subdivisions, in which event the~~
7 ~~owner is not required to sign the deed of mortgage.]~~

- 8 a) FIRST MORTGAGE OR DEEDS OF TRUST OF REGISTERED, UNENCUMBERED, IMPROVED
9 OR UNIMPROVED REAL ESTATE, INCLUDING CONDOMINIUMS, IN CITIES AND CENTERS
10 OF POPULATION OF MUNICIPALITIES IN THE PHILIPPINES;
- 11 b) FIRST MORTGAGES OR DEEDS OF TRUST OF ACTUALLY CULTIVATED, IMPROVED AND
12 UNENCUMBERED AGRICULTURAL LANDS IN THE PHILIPPINES;
- 13 c) PURCHASE MONEY MORTGAGES, LEASE PURCHASE AGREEMENTS OR SIMILAR
14 SECURITIES EXECUTED OR RECEIVED BY IT ON ACCOUNT OF THE SALE OR EXCHANGE
15 OF REAL PROPERTY ACQUIRED PURSUANT TO SECTIONS TWO HUNDRED FOUR AND
16 TWO HUNDRED TWO;
- 17 d) BONDS OR OTHER EVIDENCES OF INDEBTEDNESS ISSUED OR GUARANTEED BY THE
18 GOVERNMENT OF THE PHILIPPINES OR ITS POLITICAL SUBDIVISIONS AUTHORIZED BY
19 LAW TO INCUR SUCH OBLIGATIONS OR ISSUE SUCH GUARANTEES OR OF
20 GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS AND INSTRUMENTALITIES
21 INCLUDING THE BANGKO SENTRAL NG PILIPINAS;
- 22 e) OBLIGATIONS ISSUED OR GUARANTEED BY UNIVERSAL BANKS, COMMERCIAL BANKS,
23 AND OFFSHORE BANKING UNITS, DULY REGISTERED WITH THE BANGKO SENTRAL NG
24 PILIPINAS;
- 25 f) OBLIGATIONS ISSUED OR GUARANTEED BY FOREIGN BANKS OR CORPORATIONS, EACH
26 OF WHICH SHALL HAVE TOTAL NET WORTH OF AT LEAST ONE BILLION UNITED STATES
27 DOLLARS, AS SHOWN IN THEIR FINANCIAL STATEMENTS AS OF THE IMMEDIATELY
28 PRECEDING FISCAL YEAR;
- 29 g) ASSIGNMENTS OF MONETARY INSTRUMENTS SUCH AS CASH DEPOSITS, PROMISSORY
30 NOTES, DEPOSIT CERTIFICATES OR OTHER SIMILAR INSTRUMENTS OF UNIVERSAL
31 BANKS, COMMERCIAL BANKS, INVESTMENTS HOUSES OR OTHER FINANCIAL
32 INTERMEDIARIES DULY REGISTERED WITH THE BANGKO SENTRAL NG PILIPINAS;
- 33 h) PLEDGES OF SHARES OF STOCK, BONDS OR OTHER EVIDENCES OF INDEBTEDNESS
34 SPECIFIED IN SECTION TWO HUNDRED;

i) CHATTEL MORTGAGES OVER EQUIPMENT NOT MORE THAN THREE (3) YEARS OLD;
AND

j) SUCH OTHER SECURITY AS MAY BE APPROVED BY THE COMMISSIONER.

"THE LOANS PROVIDED IN THE PRECEDING SUBSECTION SHALL BE SUBJECT TO THE
FOLLOWING CONDITIONS:

a) THE AMOUNT OF LOAN SECURED BY REAL ESTATE MORTGAGE OVER A NON-
AGRICULTURAL LAND SHALL NOT EXCEED SEVENTY PERCENT (70%) OF ITS APPRAISED
VALUE, AND IN THE CASE OF A LOAN SECURED BY A REAL ESTATE MORTGAGE OVER
AN AGRICULTURAL LAND, THE AMOUNT OF LOAN SHALL NOT EXCEED FORTY PER
CENT (40%) OF ITS MARKET VALUE: PROVIDED THAT, IN NO CASE SHALL SUCH LOAN
HAVE A MATURITY PERIOD IN EXCESS OF TWENTY YEARS;

b) UNLESS APPROVED BY THE COMMISSION, NO LOAN MAY BE GRANTED UPON THE
SECURITY OF A MORTGAGE ON IMPROVED REAL ESTATE IF THE IMPROVEMENTS
THEREON DO NOT BELONG TO THE OWNER OF THE LAND AND THE OWNER OF THE
IMPROVEMENTS DOES NOT SIGN THE DEED OF MORTGAGE. HOWEVER, IF THE
OWNER OF THE LAND IS THE GOVERNMENT OF THE PHILIPPINES OR ANY OF ITS
POLITICAL SUBDIVISIONS AND A LONG TERM LEASE HAS BEEN EXECUTED IN FAVOR OF
THE OWNER OF THE IMPROVEMENTS, THE OWNER OF THE LAND NEED NOT BE A
PARTY TO THE DEED OF MORTGAGE. THE EXPIRATION DATE OF THE LEASE SHALL
NOT, HOWEVER, PRECEDE THE MATURITY OF THE LOAN. THE PHRASE "IMPROVED
REAL ESTATE" AS USED HEREIN SHALL MEAN LAND WITH PERMANENT BUILDING OR
BUILDINGS ERECTED THEREON;

c) PURCHASE MONEY MORTGAGE, LEASE-AGREEMENTS OR SIMILAR SECURITIES
RECEIVED ON THE SALE OF REAL ESTATE PROPERTY SHALL NOT EXCEED ONE
HUNDRED PERCENT (100%) OF THE SELLING PRICE OF SAID PROPERTY, OR ONE
HUNDRED PER CENT (100%) OF ITS MARKET VALUE AT THE TIME OF ITS DISPOSITION,
WHICHEVER AMOUNT IS LOWER. HOWEVER, IN NO CASE SHALL SUCH MORTGAGE OR
AGREEMENT HAVE A MATURITY PERIOD OF TWENTY-FIVE YEARS;

d) LOANS SECURED BY SHARES OF STOCK OF SOLVENT CORPORATIONS SHALL NOT
EXCEED FIFTY PERCENT (50%) OF 1) THE WEIGHTED AVERAGE MARKET PRICE FOR THE
THIRTY (30) DAYS PRECEDING THE APPROVAL OF THE LOAN FOR SHARES LISTED IN
THE STOCK EXCHANGE; AND 2) THE BOOK VALUE OF SUCH SHARES FOR A LISTED
SHARES;

e) LOANS SECURED BY THE CHATTEL MORTGAGES OVER EQUIPMENT SHALL NOT EXCEED

SEVENTY-FIVE PERCENT (75%) OF THE MARKET VALUE OF SAID EQUIPMENT."

SEC. 29. Section 199 of the Insurance Code hereby amended to read as follows:

"Sec. 199. No loan by any insurance company on the security of real estate shall be made unless the title to such real estate shall have first been registered in accordance with the existing Land Registration Act, ~~[or shall be a title real duly registered,]~~ or ~~[have]~~ HAS been previously registered under the provisions of the existing Mortgage Law AND THE LIEN OR INTEREST OF THE INSURANCE COMPANY AS MORTGAGEE HAS BEEN REGISTERED."

SEC. 30. Section 200 of the Insurance Code is hereby amended to read as follows:

"Sec. 200. (1) An insurance company may purchase, hold, own and convey such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the company, and such real or personal property as may have been purchased by it at sales under pledges, mortgages or deeds of trust for its benefit on account of money loaned by it; and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the company ~~[to them: Provided, however, That any real estate purchased by an insurance company]~~ in payment or by reason of any loan made by ~~[it]~~ THE COMPANY IN PAYMENT OR BY REASON OF ANY LOAN MADE BY IT shall be sold by the company within twenty years after the title thereto has been vested in it.

"(2) An insurance company may purchase, hold, own and convey real and personal property as follows:

- (a) The lot with building thereon in which the company conducts and carries on its business.
- (b) Bonds or other evidences of ~~[debt]~~ INDEBTEDNESS of the Government of the Philippines or its political subdivisions authorized by law to issue bonds at the reasonable market value thereof.
- (c) Bonds or other evidences of debt of the government-owned or controlled corporations and entities, including the ~~[Central Bank]~~ BANGKO SENTRAL NG PILIPINAS.
- (d) Bonds, debentures or other evidences of indebtedness of any solvent corporation[s] or institution created or existing under the laws of the Philippines: *Provided, however,* That the issuing, assuming or guaranteeing entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any three including the last two of the five fiscal years next preceding the date of acquisition by such insurance company of such bonds, debentures, or other evidences of indebtedness, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges, as hereinafter defined, shall have been not less than one

1 and one-quarter times the total of its fixed charges for such year; and *Provided,*
2 *further,* That no life insurance company shall invest in or loan upon the obligations of
3 any one institution in the kinds permitted under this sub-section an amount in excess
4 of twenty-five per centum of the total admitted assets of such insurer as of December
5 thirty-first next preceding the date of such investment.

6 As used in this sub-section the term "*net earnings available for fixed charges*" shall
7 mean net income after deducting operating and maintenance expenses, taxes other
8 than income taxes, depreciation and depletion; but excluding extraordinary non-
9 recurring items of income or expense appearing in the regular financial statement of
10 the issuing, assuming or guaranteeing institution. The term "*fixed charges*" shall
11 include interest on funded and unfunded debt, amortization of debt discount, and
12 rentals for leased properties.

- 13 (e) Preferred or guaranteed stocks of any solvent corporation or institution created or
14 existing under the laws of the Philippines: *Provided, [however, That the issuing,*
15 ~~assuming or guaranteeing entity or its predecessors has paid regular dividends upon~~
16 ~~its preferred or guaranteed stocks for a period of at least three years next preceding~~
17 ~~the date of investment in such preferred or guaranteed stock: *Provided, further,*~~ That
18 if the stocks are guaranteed, the amount of stocks so guaranteed is not excess of fifty
19 per centum of the amount of the preferred or common stocks, as the case may be, of
20 the guaranteeing corporation: and *Provided, finally,* That no life insurance company
21 shall invest in or loan upon obligations of any one institution in the kinds permitted
22 under this sub-section an amount in excess of ten per centum of the total admitted
23 assets of such insurer as of December thirty-first next preceding the date of such
24 investment.

- 25 (f) Common stocks of any solvent corporation or institution created or existing under the
26 laws of the Philippines ~~[upon which regular dividends shall have been paid for the~~
27 ~~three years next preceding the purchase of such stock]: *Provided, however,*~~ That no life
28 insurance company shall invest in or loan upon the obligations of any one corporation
29 or institution in the kinds permitted under this sub-section an amount in excess of ten
30 per centum of the total admitted assets of such insurer as of December thirty-first
31 next preceding the date of such investment.

- 32 (g) SECURITIES ISSUED BY A "REGISTERED ENTERPRISE", AS THIS TERM IS DEFINED IN
33 REPUBLIC ACT NO. 5186, OTHERWISE KNOWN AS THE INVESTMENT INCENTIVES ACT,
34 AS AMENDED, PROVIDED THAT THE TOTAL INVESTMENT OF A DOMESTIC NON-LIFE
35 INSURANCE COMPANY IN ANY REGISTERED ENTERPRISE SHALL NOT EXCEED TWENTY

1 PERCENT (20%) OF THE NET WORTH OF SAID INSURANCE COMPANY AS SHOWN BY
2 ITS AFORESAID FINANCIAL STATEMENT UNLESS PREVIOUSLY AUTHORIZED BY THE
3 COMMISSIONER.

4 [g](h) Certificates, notes and other obligations issued by the trustees or receivers of any
5 institution created or existing under the laws of the Philippines which, or the assets
6 of which, are being administered under the direction of any court having jurisdiction;
7 *Provided, however,* That such certificates, notes or other obligations are adequately
8 secured as to principal and interests.

9 [h](i) equipment trust obligations or certificates which are adequately secured or other
10 adequately secured instruments evidencing an interest in equipment wholly or in part
11 within the Philippines: *Provided, however,* That there is a right to receive determined
12 portions of rental, purchase or other fixed obligatory payments for the use or
13 purchase of such equipment.

14 [i](j) Any obligation of any corporation or institution created or existing under the laws of
15 the Philippines which is, on the date of acquisition by the insurer, adequately
16 secured and has qualities and characteristics wherein the speculative elements are
17 not predominant.

18 [j](k) SUCH OTHER SECURITIES AS MAY BE APPROVED BY THE COMMISSIONER.

19 "(3) Any domestic insurer which has outstanding insurance, annuity or reinsurance contracts
20 in currencies other than the national currency of the Philippines may invest in, or otherwise acquire
21 or loan upon securities and investments in such currency which are substantially of the same kinds,
22 classes and investment grades as those eligible for investment under the foregoing subdivisions of
23 this section; but the aggregate amount of such investment and of such cash in such currency which is
24 at anytime held by such insurer shall not exceed one and one-half times the amount of its reserves
25 and other obligations under such contracts or the amount which such insurer is required by the law
26 of any country or possession outside the Republic of the Philippines to be invest in such country or
27 possession, whichever shall be greater."

28 SEC. 31. Section 201 of the Insurance Code is hereby amended to read as follows:

29 "Sec. 201. An insurance company may (1) invest in equities of other financial institutions,
30 and (2) engage in the buying and selling of short-term debt instruments: *Provided,* That any or all of
31 such investments shall be with the prior approval of the Commissioner. INSURANCE COMPANIES
32 MAY, HOWEVER, INVEST IN LISTED EQUITIES OF OTHER FINANCIAL INSTITUTIONS WITHOUT NEED
33 OF PRIOR APPROVAL BY THE COMMISSIONER.

34 SEC. 32 Section 202 of the Insurance Code is hereby amended to read as follows:

35 "Sec. 202. Any life insurance company may:

1 (a) Acquire or construct housing projects and, in connection with any such project, may
2 acquire land or any interest therein by purchase, lease or otherwise, or use land
3 acquired pursuant to any other provision of this Code. Such company may thereafter
4 own, maintain, manage, collect or receive income from, or sell and convey, any land or
5 interest therein so acquired and any improvements thereon. The aggregate book value
6 of the investments of any such company in all such projects shall not exceed at the
7 time of such investments twenty-five per centum of the total admitted assets of such
8 company on the thirty-first day of December next preceding; *PROVIDED, THAT THE*
9 *FUNDS OF THE COMPANY FOR THE PAYMENT OF PENDING CLAIMS AND OBLIGATIONS*
10 *SHALL NOT BE USED FOR SUCH INVESTMENTS;*

11 (b) Acquire real property, other than property to be used primarily for providing housing
12 and property for accommodation of its own business, as an investment for the
13 production of income, or may acquire real property to be improved or developed for
14 such investment purpose pursuant to a program therefor, subject to the condition
15 that the cost of each parcel of real property so acquired under the authority of this
16 paragraph (b), including the estimated cost to the company of the improvement or
17 development thereof, when added to the book value of all other real property held by
18 [its] IT pursuant to this paragraph (b), shall not exceed twenty-five *per centum* of its
19 admitted assets as of the thirty-first day of December next preceding."

20 SEC. 33 Section 208 of the Insurance Code is hereby amended to read as follows:

21 "Sec. 208. (1) All bonds or other evidences of indebtedness having a fixed term and rate of
22 interest and held by any life insurance company authorized to do business in this country, if amply
23 secured and if not in default as to principal or interest, shall be valued ~~[as follows: if purchased at~~
24 ~~par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so~~
25 ~~as to bring the value to par at maturity and so as to yield in the meantime the effective rate of~~
26 ~~interest at which the purchase was made, or in the discretion of the Commissioner, on the basis of~~
27 ~~the method of calculation commonly known as the pro rata method. In applying the foregoing rule~~
28 ~~the purchase price shall in no case be taken at a higher figure than the actual market value at the~~
29 ~~time of acquisition.]~~ BASED ON THEIR AMORTIZED COST USING THE EFFECTIVE INTEREST METHOD
30 LESS IMPAIRMENT AND UNRECOVERABLE AMOUNT BASED ON APPROPRIATE MEASUREMENT
31 METHODS WHICH ARE GENERALLY ACCEPTED IN THE INDUSTRY AND ACCEPTED BY THE
32 COMMISSIONER. The Commissioner shall have the power to determine the eligibility of any such
33 investment[s] for valuation on the basis of amortization, and may by regulation prescribe or limit the
34 classes of securities so eligible for amortization. All bonds or other evidences of indebtedness which
35 in the judgment of the Commissioner are not amply secured shall not be eligible for amortization

1 and shall be valued in accordance with paragraph two. The Commissioner may, if he finds that the
2 interest of policy holders so permit or require, by official regulation permit or require any class or
3 classes of insurers, other than life insurance companies, authorized to do business in this country, to
4 value their bonds or other evidences of indebtedness in accordance with the foregoing rule.

5 "(2) The investments of all insurers authorized to do business in this country, except
6 securities subject to amortization and except as otherwise provided in this chapter, shall be valued,
7 in the discretion of the Commissioner, at their market value [~~or at their appraised value, or at prices~~
8 ~~determined by him as~~] AT THEIR AMORTIZED COST USING EFFECTIVE INTEREST METHOD LESS
9 IMPAIRMENT AND UNRECOVERABLE AMOUNT OR AT VALUATION representing their fair market
10 value. If the Commissioner finds that in view of the character of investments of any insurer
11 authorized to do business in this country it would be prudent for such insurer to establish a special
12 reserve for possible losses or fluctuations in the values of its investments, he may require such
13 insurer to establish such reserve, reasonable in amount, AND INCLUDE A REPORT THEREON [~~and~~
14 ~~may require that such reserve be maintained and reported~~] in any statement or report of the
15 financial condition of such insurer. The Commissioner may, in connection with any examination or
16 required financial statement of an authorized insurer, require such insurer to furnish him complete
17 financial statements and audited report of the financial condition of any corporation of which the
18 securities are owned wholly or partly by such insurer and may cause an examination to be made of
19 any subsidiary or affiliate of such insurer AS APPROPRIATE TO SPECIFIC INVESTMENTS AS PROVIDED
20 IN APPROPRIATE CIRCULARS ISSUED BY THE COMMISSIONER.

21 "(3) THE STOCK OF AN INSURANCE COMPANY SHALL BE VALUED AS FOLLOWS: A) LISTED
22 STOCKS SHALL BE VALUED AT MARKET VALUE AND PERIODICALLY ADJUSTED TO REFLECT MARKET
23 CHANGES THROUGH A SPECIAL VALUATION ACCOUNT TO REFLECT THEIR REALIZABLE VALUE
24 WHEN SOLD; B) UNLISTED STOCKS SHALL BE VALUED AT BOOK VALUE BASED ON THE LATEST
25 UNQUALIFIED AUDITED FINANCIAL STATEMENTS OF THE COMPANY WHICH ISSUED SUCH STOCKS;
26 AND C) STOCKS OF A CORPORATION UNDER THE CONTROL OF THE INSURER SHALL BE VALUED
27 USING THE EQUITY METHOD WHICH IS THE COST PLUS OR MINUS THE SHARE OF THE
28 CONTROLLING COMPANY IN THE EARNINGS OR LOSSES OF THE CONTROLLED COMPANY AFTER
29 ACQUISITION OF SUCH STOCKS.

30 "[3] (4) The stock of an insurance company shall be valued at the lesser of its market value
31 or its book value as shown by its last approved [~~annual statement~~] AUDITED FINANCIAL
32 STATEMENT or the last report on examination, whichever is more recent. The book value of a
33 share of common stock of an insurance company shall be ascertained by dividing (a) the amount of
34 its capital and surplus less the value of all of its preferred stock, if any, outstanding, by (b) the
35 number of shares of its common stock issued and outstanding.

Notwithstanding the foregoing provisions, an insurer may, at its option, value its holdings of stock in a subsidiary insurance company in an amount not less than acquisition cost if such acquisition cost is less than the value determined as hereinbefore provided

"[4] (5) Real estate required by foreclosure or by deed in lieu thereof, in the absence of a recent appraisal deemed by the Commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan at the date of such foreclosure or deed, together with any taxes and expenses paid or incurred by such insurer at such time in connection with such acquisition, and the cost of additions or improvements thereafter paid by such insurer and any amount or amounts thereafter paid by such insurer on any assessments levied for improvements in connection with the property.

[5] (6) Purchase money mortgages received on dispositions of real property held pursuant to section two hundred two shall be valued in an amount equivalent to ninety per centum of the value of such real property. Purchase money mortgages received on disposition of real property otherwise held shall be valued in an amount not exceeding ninety per centum of the value of such real property as determined by an appraisal made by an appraiser at or about the time of disposition of such real property.

"[6] (7) The stock of a subsidiary of an insurer shall be valued on the basis of the greater of (i) the value of only such subsidiary of the assets of such subsidiary as would constitute lawful investments for the insurer if acquired or held directly by the insurer or (ii) such other value determined pursuant to standards and cumulative limitations, contained in a regulation to be promulgated by the Commissioner.

"[7] (8) Notwithstanding any provision contained in this section or elsewhere in this chapter, if the Commissioner find that the interests of policyholders so permit or require, he may permit or require any class or classes of insurers authorized to do business in this country to value their investments or any class or classes thereof as of any date heretofore or hereafter in accordance with any applicable valuation or method."

SEC. 34. Section 210 of the Insurance Code is hereby amended to read as follows:

"Sec. 210. Every life insurance company, doing business in the Philippines, shall annually make a valuation of all policies, additions thereto, unpaid dividends, and all other obligations outstanding on the thirty-first day of December of the preceding year. All such valuations shall be made ~~[upon the net premium basis,]~~ according to the standard adopted by the company, AS PRESCRIBED BY THE COMMISSIONER IN ACCORDANCE WITH INTERNATIONALLY ACCEPTED ACTUARIAL STANDARDS, which standards shall be stated in its annual report.

"Such standard of valuation ~~[whether of the net level premium, full preliminary term, any modified preliminary term, or select and ultimate reserve basis,]~~ shall be according to a standard

1 table of mortality with interest at not more than six per centum compound interest. When the
2 preliminary term basis is used, the term insurance shall be limited to the first policy year.

3 "The results of such valuations shall be reported to the Commissioner on or before the
4 thirtieth day of April of each year accompanied by a sworn statement of the company's actuary
5 certifying to the figures and stating upon what mortality table it is based, upon what rate of interest
6 the valuation is made, and the methods used in arriving at the result obtained."

7 SEC. 35. Section 213 of the Insurance Code is hereby amended to read as follows:

8 "Sec. 213. Every insurance company, other than life, shall maintain a reserve for unearned
9 premiums on its policies in force, which shall be charged as a liability in any determination of its
10 financial condition. Such reserve shall be ~~[equal to forty per centum of the gross premiums, less~~
11 ~~returns and cancellations, received on policies or risks having not more than a year to run, and pro~~
12 ~~rata on all gross premiums received on policies or risks having more than a year to run: Provided,~~
13 ~~That for marine cargo risks the reserve shall be equal to forty per centum of the premiums written in~~
14 ~~the policies upon yearly risks, and the full amount of the premiums written during the last two~~
15 ~~months of the calendar year upon all other marine risks not terminated.] CALCULATED BASED ON~~
16 ~~THE TWENTY FOURTH (24th) METHOD. "~~

17 SEC. 36. Section 215 of the Insurance Code is hereby amended to read as follows:

18 "Sec. 215. No insurance company other than life, whether foreign or domestic, shall retain
19 any risk on any one subject of insurance in an amount exceeding twenty per centum of its net worth.
20 For purposes of this section, the term "*subject of insurance*" shall include all properties or risks
21 insured by the same insurer that customarily are considered by non-life company underwriters to be
22 subject to loss or damage from the same occurrence of any hazard insured against.

23 "Reinsurance ceded as authorized under the succeeding title shall be deducted in
24 determining the risk retained. As to surety risk, deduction shall also be made of the amount assumed
25 by any other company authorized to transact surety business and the value of any security
26 mortgage, pledged, or held subject to the surety's control and for the surety's protection.

27 "THE COMMISSIONER MAY ISSUE REGULATIONS PROVIDING FOR A MAXIMUM LIMIT ON
28 THE OVER-ALL RETAINED RISKS OF INSURERS TO SERVE AS A CATASTROPHE LOSS LIMIT MEASURE,
29 AS WELL AS TO PRESCRIBE A MANDATORY CATASTROPHE COVER REQUIREMENT FOR THE SAME."

30 SEC. 37. Section 220 of the Insurance Code is hereby amended to read as follows:

31 "Sec. 220. Every insurance company authorized to do business in the Philippines shall report
32 to the Commissioner on forms prescribed by him the particulars of reinsurance treaties ~~[as of the~~
33 ~~first day of January of the year following the approval of this Code and shall thereafter similarly~~
34 ~~report to the Commissioner particulars of]~~ OR any new treaties or changes in existing treaties

35 - WITHIN THREE (3) MONTHS FROM THEIR EFFECTIVITY."

SEC. 38. Section 225 of the Insurance Code is hereby amended to read as follows:

"Sec. 225. Within thirty days after ~~[receipt of the annual statement approved by the Commissioner]~~ THE APPROVAL OF THE BOARD OF DIRECTORS, every insurance company doing business in the Philippines shall publish in ~~[two]~~ A newspaper~~[s]~~ of general circulation ~~[in the City of Manila, one published in English and one in Pilipino, a full synopsis of]~~ its annual AUDITED financial statement showing fully the conditions of its business, and setting forth its resources and liabilities IN ACCORDANCE WITH SUCH FORM PRESCRIBED BY THE COMMISSIONER."

SEC. 39. A new Section 225-A is hereby added in Title 8 of Chapter III of the Code, as follows:

"SEC. 225-A. THE COMMISSIONER SHALL HAVE THE AUTHORITY TO MAKE, AMEND, AND RESCIND SUCH ACCOUNTING RULES AND REGULATIONS AS MAY BE NECESSARY TO CARRY OUT THE PROVISIONS OF THIS CODE, AND DEFINE ACCOUNTING, TECHNICAL AND TRADE TERMS USED IN THIS CODE: PROVIDED THAT SUCH SHALL BE IN ACCORDANCE WITH INTERNATIONALLY ACCEPTED ACCOUNTING STANDARDS. AMONG OTHER THINGS, THE COMMISSIONER MAY PRESCRIBE THE FORM OR FORMS IN WHICH REQUIRED INFORMATION SHALL BE SET FORTH, THE ITEMS OR DETAILS TO BE SHOWN IN THE BALANCE SHEET AND INCOME STATEMENT, AND THE METHODS TO BE FOLLOWED IN THE PREPARATION OF ACCOUNTS, APPRAISAL OR VALUATION OF ASSETS AND LIABILITIES, DETERMINATION OF RECURRING AND NONRECURRING INCOME, DIFFERENTIATION OF INVESTMENT AND OPERATING INCOME, AND IN THE PREPARATION, WHERE THE COMMISSIONER DEEMS IT NECESSARY OR DESIRABLE, OF CONSOLIDATED BALANCE SHEETS OR INCOME ACCOUNTS OF ANY PERSON DIRECTLY OR INDIRECTLY CONTROLLING OR CONTROLLED BY THE INSURANCE COMPANY."

SEC. 40. Paragraphs (g) and (i) of Section 228 of the Code are hereby amended as follows:

"Sec. 228. xxx

(g) A provision that the insurer will issue to the policyholder for delivery to each person insured ~~[an individual certificate setting forth]~~ a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights set forth in paragraphs (h), (i) and (j) following;

xxx

(i) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates and who has been so insured for five years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance subject to the same limitations as set forth in paragraph (h), except that the group policy may provide that the amount of such individual policy shall not exceed ~~[the smaller of (a)]~~ the amount of the person's life

1 insurance protection ceasing [less the amount of any life insurance for what he is or
2 becomes eligible under any group policy issued or reinstated by the same or another
3 reinsurer within thirty days after such termination, and (b) two thousand pesos];

4 xxx

5 SEC. 41. A new Section 244-A is hereby added in Title 11 of Chapter III of the Code, as
6 follows:

7 "SEC. 244-A. IT SHALL BE UNLAWFUL FOR ANY PERSON OR ENTITY TO KNOWINGLY
8 PRESENT OR CAUSE TO BE PRESENTED ANY FRAUDULENT CLAIM OR DOCUMENT FOR THE PAYMENT
9 OF A LOSS UNDER A CONTRACT OF INSURANCE. ANY PERSON WHO VIOLATES THIS SECTION SHALL
10 BE HELD LIABLE UNDER THE APPLICABLE PROVISIONS OF THE REVISED PENAL CODE."

11 SEC. 42. A new Section 246-A is hereby added in Title 12 of Chapter III of the Code, as
12 follows:

13 "NO EXTERNAL AUDITOR OR AUDITING FIRM SHALL BE ENGAGED BY SUPERVISED PERSONS
14 OR ENTITIES UNLESS IT HAS BEEN ISSUED AN ACCREDITATION CERTIFICATE BY THE COMMISSIONER.
15 THE ACCREDITATION CERTIFICATE SHALL BE VALID UNTIL JUNE 30 OF THE THIRD YEAR FROM
16 ISSUANCE UNLESS IT IS REVOKED OR SUSPENDED. THE COMMISSIONER SHALL ISSUE RULES AND
17 REGULATIONS TO GOVERN THE ACCREDITATION OF THE EXTERNAL AUDITOR AND THE REVOCATION
18 OR SUSPENSION OF THE ACCREDITATION."

19 SEC. 43. Section 248 of the Code is hereby amended by adding a new paragraph to read as
20 follows:

21 "NO INSURANCE COMPANY, LIFE OR NON-LIFE, OR ANY PROFESSIONAL REINSURER,
22 ORDERED TO BE LIQUIDATED BY THE COMMISSIONER UNDER THE PROVISIONS HEREUNDER MAY BE
23 REHABILITATED OR AUTHORIZED TO TRANSACT A NEW, INSURANCE OR REINSURANCE BUSINESS, AS
24 THE CASE MAY BE."

25 SEC. 44. Section 250 of the Insurance Code is hereby deleted.

26 "~~Sec. 250. In case of liquidation of an insurance company, after payment of the cost of the~~
27 ~~proceedings, including reasonable expenses and fees incurred in the liquidation to be allowed by the~~
28 ~~Court, the Commissioner shall pay all allowed claims against such company, under order of the~~
29 ~~Court, in accordance with their legal priority.]"~~

30 SEC. 45. Paragraphs (4) and (8) of Section 271 of the Insurance Code are hereby amended
31 to read as follows:

32 "Sec. 271. xxx

33 "(4) The presence in person or by proxy of five per cent of the members entitled to vote at
34 any meeting shall constitute a quorum for the transaction of business, INCLUDING THE

1 AMENDMENT OF THE ARTICLES OF INCORPORATION AND/OR THE BY-LAWS unless otherwise
2 provided by the by-laws.

3 “(5) Each such member shall have one vote at any meeting of members regardless of the
4 number of policies or the amount of insurance that such member holds and regardless of whether
5 such policies are policies of life insurance, or of health and accident insurance, or both. Any member
6 entitled to vote shall have the right to do so either in person or by an agent or agents authorized by
7 a written proxy executed by such person or his duly authorized agent and filed with the secretary of
8 such insurer.

9 xxx

10 “(8) All insurers mutualized under the provisions of this chapter shall be subject to all other
11 applicable provisions of this Code [~~and of the Corporation Law~~]. THE PROVISIONS OF THE
12 CORPORATION CODE SHALL APPLY IN A SUPPLETORY MANNER.”

13 SEC. 46. A new Section 272-A is hereby added in Title 17 of Chapter III of the Code, as
14 follows:

15 “SEC. 272-A. A DOMESTIC MUTUAL LIFE INSURANCE COMPANY DOING BUSINESS IN THE
16 PHILIPPINES MAY CONVERT ITSELF INTO AN INCORPORATED STOCK LIFE INSURANCE COMPANY BY
17 DEMUTUALIZATION. TO THAT END, IT MAY PROVIDE AND CARRY OUT A PLAN FOR THE CONVERSION
18 BY COMPLYING WITH THE REQUIREMENTS OF THIS TITLE.

19 “THE CONVERSION OF A DOMESTIC MUTUAL LIFE INSURANCE COMPANY TO AN
20 INCORPORATED STOCK LIFE INSURANCE COMPANY SHALL BE CARRIED OUT PURSUANT TO A
21 CONVERSION PLAN DULY APPROVED BY THE COMMISSIONER.

22 “THE COMMISSIONER SHALL PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE
23 DEEMED NECESSARY TO CARRY OUT THE PROVISIONS OF THIS TITLE.

24 “ALL CONVERTED INSURERS UNDER THE PROVISIONS OF THIS TITLE SHALL BE SUBJECT TO
25 ALL OTHER APPLICABLE PROVISIONS OF THIS CODE. THE PROVISIONS OF THE CORPORATION CODE
26 SHALL APPLY IN A SUPPLETORY MANNER.

27 SEC. 47. Section 274 of the Insurance Code is hereby amended to read as follows:

28 “Sec. 274. The Commissioner shall publish the application for withdrawal [~~daily for a period~~
29 ~~of one week in two~~] ONCE A WEEK FOR THREE CONSECUTIVE WEEKS IN A newspaper[s] of general
30 circulation [~~in the City of Manila, one in English and the other in Pilipino~~]. The expenses of such
31 publication shall be paid by the insurance company filing such application.

32 SEC. 48. Section 280 of the Insurance Code hereby amended to read as follows:

33 “Sec. 280. Except as otherwise provided in this Code, no [person,] partnership, association
34 or corporation shall transact any business in the Philippines as a professional reinsurer until it shall
35 have obtained a certificate of authority for that purpose from the Commissioner upon the

1 application therefor and payment by such ~~[person, partnership, association or corporation]~~ ENTITY
2 of the fees hereinafter prescribed. As used in this Code, the term "professional reinsurer" shall mean
3 any ~~[person, partnership, association or corporation]~~ ENTITY that transacts solely and exclusively
4 reinsurance business in the Philippines.

5 "The Commissioner may refuse to issue a certificate of authority to any such ~~[person,~~
6 ~~partnership, association or corporation]~~ ENTITY ~~[if, in his judgment,]~~ WHEN such refusal will best
7 promote public interest. No such certificate of authority shall be granted to any such ~~[person,~~
8 ~~partnership, association or corporation]~~ ENTITY unless and until the Commissioner ~~[shall have]~~ IS
9 satisfied ~~[himself]~~ by such examination ~~[as he may make]~~ and such evidence as ~~[he]~~ may BE
10 required that such ~~[person, partnership, association or corporation]~~ ENTITY is qualified by the laws
11 of the Philippines to transact business therein as a professional reinsurer.

12 "Before issuing such certificate of authority, ~~[of]~~ the Commissioner must be satisfied that the
13 name of the applicant is not that of any other known company transacting insurance or reinsurance
14 business in the Philippines, or a name so similar as to be calculated to mislead the public.

15 ~~"[Such certificate of authority shall expire on the last day of June of each year and shall be~~
16 ~~renewed annually if such person, partnership, association, or corporation is continuing to comply~~
17 ~~with provisions of this Code, or the circulars, instructions, rulings, or decisions of the Commissioner~~
18 ~~and such other pertinent law, rules and regulations.] SUCH CERTIFICATE OF AUTHORITY SHALL~~
19 EXPIRE ON THE LAST DAY OF JUNE THE THIRD YEAR FOLLOWING ITS ISSUANCE UNLESS IT IS
20 RENEWED.

21 "Every ~~[such person, partnership, association or corporation]~~ ENTITY receiving such
22 certificate of authority shall be subject to the provisions of this Code and other related laws, and to
23 the jurisdiction and supervision of the Commissioner."

24 SEC. 49. Section 281 of the Insurance Code is hereby amended to read as follows:

25 "Sec. 281. Any ~~[person,]~~ partnership, association or corporation authorized to transact
26 solely reinsurance business must have a ~~[paid-up capital stock]~~ CAPITALIZATION of at least ~~[ten~~
27 ~~million]~~ TWO BILLION pesos PAID IN CASH ~~[twenty-five per centum]~~ of which AT LEAST FIFTY PER
28 CENT (50%) IS PAID-UP AND THE REMAINING PORTION THEREOF IS CONTRIBUTED SURPLUS, WHICH
29 IN NO CASE SHALL BE LESS THAN FOUR HUNDRED MILLION PESOS OR SUCH CAPITALIZATION AS
30 MAY BE DETERMINED BY THE SECRETARY OF FINANCE, UPON THE RECOMMENDATION OF THE
31 COMMISSIONER; PROVIDED, THAT TWENTY-FIVE PER CENT (25%) OF THE PAID-UP CAPITAL must be
32 invested in securities satisfactory to the Commissioner, consisting of bonds or other evidences of
33 debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of
34 government-owned or controlled corporations and entities, including the ~~[Central Bank of the~~
35 ~~Philippines]~~ BANGKO SENTRAL NG PILIPINAS, and deposited with the Commissioner, and the

1 remaining seventy-five *per centum* in such other securities as may be allowed and permitted by the
2 Commissioner, which securities shall at all times be maintained free from any lien or encumbrance:
3 *Provided, THAT THE AFORESAID CAPITAL REQUIREMENT IS WITHOUT PREJUDICE TO OTHER*
4 *REQUIREMENTS TO BE IMPOSED UNDER ANY RISK-BASED CAPITAL METHOD THAT MAY BE ADOPTED*
5 *BY THE COMMISSIONER [That reinsurers already doing business as such in the Philippines shall*
6 *comply with the requirement of this section by increasing their respective capital as herein provided*
7 *not later than December thirty-one, nineteen hundred eighty]: Provided, Further* FINALLY, That the
8 provisions of this chapter applicable to insurance companies shall so far as practicable be likewise
9 applicable to professional reinsurers."

10 SEC. 50. Section 299 of the Insurance Code is hereby amended to read as follows:

11 "Sec. 299. No insurance company doing business in the Philippines, nor any agent thereof,
12 shall pay any commission or other compensation to any person for services in obtaining insurance,
13 unless such person shall have first procured from the Commissioner a license to act as an insurance
14 agent of such company or as an insurance broker as hereinafter provided.

15 "No person shall act as an insurance agent or as an insurance broker in the solicitation or
16 procurement of applications for insurance, or receive for services in obtaining insurance, any
17 commission or other compensation from any insurance company doing business in the Philippines,
18 or any agent thereof, without first procuring a license to act from the Commissioner, which must be
19 renewed ~~[annually on the first day of January, or within six months]~~ EVERY THREE (3) YEARS
20 thereafter. Such license shall be issued by the Commissioner only upon the written application of the
21 person desiring it, such application if for a license to act as insurance agent, being approved ~~[and~~
22 ~~countersigned]~~ OR ENDORSED by the company such person desires to represent, and shall be upon a
23 form prescribed by the Commissioner giving such information as he may require, and upon payment
24 of the corresponding fee hereinafter prescribed. The Commissioner shall satisfy himself as to
25 competence and trustworthiness of the applicant and shall have the right to refuse to issue or renew
26 and to suspend or revoke any such license in his discretion. ~~[No such license shall be valid after the~~
27 ~~thirtieth day of June of the year following its issuance unless it is renewed.]~~ THE LICENSE SHALL
28 EXPIRE AFTER THE THIRTIETH DAY OF JUNE OF THE THIRD YEAR FOLLOWING THE DATE OF ISSUANCE
29 UNLESS IT IS RENEWED."

30 SEC. 51. Section 300 of the Insurance Code is hereby amended to read as follows:

31 "Sec. 300. Any person who for compensation solicits or obtains insurance on behalf of any
32 insurance company or transmits for a person other than himself an application for a policy or
33 contract of insurance to or from such company or offers or assumes to act in the negotiating of such
34 insurance shall be an insurance agent within the intent of this section and shall thereby become
35 liable to all the duties, requirements, liabilities and penalties to which an insurance agent is subject.

1 "AN INSURANCE AGENT IS AN INDEPENDENT CONTRACTOR AND NOT AN EMPLOYEE OF THE
2 COMPANY REPRESENTED. "INSURANCE AGENT" INCLUDES AN AGENCY LEADER, AGENCY MANAGER,
3 OR THEIR EQUIVALENT.

4 "SINCE THE INSURANCE INDUSTRY IS IMBUED WITH PUBLIC INTEREST, THE INSURANCE
5 COMPANIES UPON APPROVAL OF THE COMMISSION MAY EXERCISE WIDE LATITUDE IN SUPERVISING
6 THE ACTIVITIES OF THEIR INSURANCE AGENTS TO ENSURE THE PROTECTION OF THE INSURING
7 PUBLIC."

8 SEC. 52. Section 303 of the Insurance Code is hereby amended to read as follows:

9 "Sec. 303. The Commissioner shall, in order to determine the competence of every applicant
10 to have the kind of license applied for, require such applicant to submit to a written examination and
11 to pass the same to the satisfaction of the Commissioner. [~~Such examination shall be held at such~~
12 ~~times and places as the Commissioner shall from time to time determine.~~] THE COMMISSIONER MAY
13 DELEGATE OR AUTHORIZE THE ADMINISTRATION OF THE EXAMINATION TO AN INDEPENDENT
14 ORGANIZATION, SUBJECT TO SUCH CONDITIONS THAT THE COMMISSIONER MAY PROVIDE."

15 SEC. 53. Section 306 of the Insurance Code is hereby amended to read as follows:

16 "Sec. 306. The premium, or any portion thereof, which an insurance agent or insurance
17 broker collects from an insured and which is to be paid to an insurance company because of the
18 assumption of liability through the issuance of policies or contracts of insurance, shall be held by the
19 agent or broker in a fiduciary capacity and shall not be misappropriated or converted to his own use
20 or illegally withheld by the agent or broker.

21 "Any insurance company which delivers to an insurance agent or insurance broker a policy
22 or contract of insurance shall be deemed to have authorized such agent or broker to receive on its
23 behalf payment of any premium which is due on such policy or contract of insurance at the time of
24 its issuance or delivery or which becomes due thereon.

25 "IN ORDER TO ENSURE FAITHFUL PERFORMANCE BY THE INSURANCE AGENT OR INSURANCE
26 BROKER OF THESE FIDUCIARY RESPONSIBILITIES, THE INSURANCE COMMISSIONER SHALL PRESCRIBE
27 THE MINIMUM TERMS AND CONDITIONS ON SUCH MATTERS IN THE STANDARD AGENCY OR
28 BROKERS AGREEMENT BETWEEN THE AGENTS AND/OR THE BROKER WITH THE INSURANCE
29 COMPANIES."

30 SEC. 54. Section 309 of the Insurance Code is hereby amended to read as follows:

31 "Sec. 309. Except as otherwise provided by law or treaty, it shall be unlawful for any person,
32 partnership, association or corporation in the Philippines, for himself or itself, or for some other
33 person, partnership, association or corporation, either to procure, receive or forward applications of
34 insurance in, or to issue or to deliver or accept policies or contracts of insurance of or for, any
35 insurance company or companies not authorized to transact business in the Philippines, covering

1 risks, life or nonlife, situated in the Philippines; and any such person, partnership, association or
2 corporation violating the provisions of this section shall be deemed guilty of a penal offense, and
3 upon conviction thereof, shall for each such offense be punished by a fine of ~~[ten]~~ TWO HUNDRED
4 FIFTY thousand pesos, or imprisonment of six months, or both at the discretion of the court:
5 *Provided, That the provisions of this section shall not apply to reinsurance."*

6 SEC. 55. Section 315 of the Insurance Code hereby amended to read as follows:

7 "Sec. 315. The application for a certificate of registration as resident agent filed with the
8 Commissioner must be accompanied with ~~[:]~~ ~~{a}~~ a copy of the power of attorney, duly notarized and
9 authenticated by the Philippine Consul in the place where such foreign insurer or broker is
10 domiciled, empowering the applicant to act as resident agent and to receive notices, summons and
11 legal processes for and in behalf of such foreign insurer or broker in connection with any action or
12 legal proceeding against such foreign insurer or broker ~~[- and (b) a copy of the corresponding~~
13 ~~certificate issued by the Board of Investments as required under Section 4 of Republic Act No. 5455,~~
14 ~~if such foreign insurer or broker is not otherwise exempt from such requirement]."~~

15 SEC. 56. Section 317 of the Insurance Code hereby amended to read as follows:

16 "Sec. 317. A certificate of registration issued to a resident agent shall expire on the thirtieth
17 day of June of the THIRD year following its issuance unless it is renewed.

18 "The Commissioner may, after due notice and hearing, recall or cancel the certificate of
19 registration issued to a resident agent for violation of any existing law, rule or regulation, or any
20 provision of this Code."

21 SEC. 57. Section 322 of the Insurance Code hereby amended to read as follows:

22 "Sec. 322. No certificate of registration issued to an underwriter shall be valid after the
23 thirtieth day of June of the THIRD year following its issuance unless it is renewed.

24 The Commissioner may, after due notice and hearing, also suspend or cancel such certificate
25 for violation of existing laws, rules and regulations or of any provisions of this Code."

26 SEC. 58. Section 328 of the Insurance Code is hereby amended to read as follows:

27 "Sec. 328. ~~[Every]~~ ANY adjuster's license issued hereunder shall be valid until after the
28 thirtieth day of June of the THIRD year following the issuance of such license unless it is renewed."

29 SEC. 59. Section 336 of the Insurance Code hereby amended to read as follows:

30 "Sec. 336. Any person may be officially accredited by the Commissioner to act as ~~[any]~~ AN
31 actuary in any life insurance company or in any mutual benefit association authorized to do business
32 in the Philippines upon application therefor and the payment of the corresponding fee hereinafter
33 prescribed: *Provided, That:* (1) he is a fellow of good standing of the Actuarial Society of the
34 Philippines at the time of his appointment and remains in such good standing during the tenure of

35 his engagement; or (2) in the case of one who is not a fellow of the Actuarial Society of the

Philippines, he meets all the requirements of the said Society for accreditation as a fellow of the Society, and has been given permission by the pertinent government authorities in the Philippines to render services in the Philippines, in the event that he is not a citizen of the Philippines.

"THE REGISTRATION OF THE ACTUARY SHALL BE SUSPENDED OR REVOKED BY THE COMMISSIONER ON THE FOLLOWING GROUNDS:

- a) FAILURE TO ADEQUATELY PERFORM REQUIRED FUNCTIONS AND DUTIES UNDER THIS CODE;
- b) FAILURE TO DISCLOSE CONFLICT OF INTEREST;
- c) FAILURE TO COMPLY WITH THE CODE OF CONDUCT OF THE ACTUARIAL SOCIETY OF THE PHILIPPINES; OR
- d) SUCH OTHER GROUNDS THAT MAY BE DETERMINED BY THE COMMISSIONER.

"NO ACTUARY ENGAGED BY A LIFE INSURANCE COMPANY SHALL BE AT THE SAME TIME A STOCKHOLDER OR A DIRECTOR OF THE BOARD, CHIEF EXECUTIVE OFFICER OR CHIEF FINANCIAL OFFICER OF THE COMPANY OR HOLD ANY POSITION THAT THE COMMISSIONER MAY DETERMINE TO HAVE AN INHERENT CONFLICT OF INTEREST TO THE POSITION OF AN ACTUARY

"No certificate of registration issued under this title shall be valid after the thirtieth day of June of the THIRD year following its issuance unless it is renewed. "

SEC. 60. A new Title 6-A on EXTERNAL AUDITORS and a new Section 338-A are hereby added in Chapter IV of the Code, to read as follows:

"EXTERNAL AUDITORS

Sec. 338-A. NO EXTERNAL AUDITOR SHALL BE ENGAGED BY SUPERVISED PERSONS OR ENTITIES UNLESS IT HAS BEEN ISSUED AN ACCREDITATION CERTIFICATE BY THE COMMISSIONER. THE ACCREDITATION CERTIFICATE SHALL BE VALID UNTIL JUNE 30 OF THE THIRD YEAR FROM ISSUANCE UNLESS IT IS REVOKED OR SUSPENDED. THE COMMISSIONER SHALL ISSUE RULES AND REGULATIONS TO GOVERN THE ACCREDITATION OF THE EXTERNAL AUDITOR AND THE REVOCATION OR SUSPENSION OF THE ACCREDITATION."

SEC. 61. Section 363 of the Insurance Code is hereby amended to read as follows:

Sec. 363. If the Commissioner, after notice and hearing, finds that any insurance company, rating organization, agent, broker or other person has violated any of the provisions of this title, it shall order the payment of a fine not to exceed ~~[five hundred]~~ TWENTY-FIVE THOUSAND pesos for each such offense, and shall immediately SUSPEND OR revoke the license issued to such insurance company, rating organization, agent, or broker. The issuance, procurement or negotiation of a single policy or contract of insurance shall be deemed a separate offense."

SEC. 62. A new Section 364-A is hereby added in Title 8 of Chapter IV of the Code, as follows:

1 "SEC. 364-A. THE COMMISSIONER, IN CONSULTATION WITH THE DULY ACCREDITED
2 ASSOCIATIONS REPRESENTING THE INSURANCE INDUSTRY, SHALL ADOPT AND PROMULGATE A
3 CODE OF CONDUCT TO PROMOTE INTEGRITY, HONESTY AND ETHICAL BUSINESS PRACTICES AMONG
4 INSURANCE AGENTS, DISTRIBUTORS AND OTHER INTERMEDIARIES."

5 SEC. 63. A new Title 9 on BANCASSURANCE and Sections 364-B to 364-D are hereby added
6 in Chapter IV of the Code, to read as follows:

7 "TITLE 9

8 "BANCASSURANCE

9 "SEC. 364-B. THE TERM "BANCASSURANCE" SHALL MEAN THE PRESENTATION AND SALE TO
10 BANK CUSTOMERS BY AN INSURANCE COMPANY OF ITS INSURANCE PRODUCTS WITHIN OR OUTSIDE
11 THE PREMISES OF THE HEAD OFFICE OF SUCH BANK DULY LICENSED BY THE BANGKO SENTRAL NG
12 PILIPINAS OR ANY OF ITS BRANCHES UNDER SUCH RULES AND REGULATIONS WHICH THE
13 COMMISSIONER MAY PROMULGATE. TO ENGAGE IN BANCASSURANCE, THE BANK IS NOT
14 REQUIRED TO HAVE EQUITY OWNERSHIP OF THE INSURANCE COMPANY. NO INSURANCE COMPANY
15 SHALL ENGAGE IN THE BUSINESS OF BANCASSURANCE UNLESS IT POSSESSES ALL THE
16 REQUIREMENTS AS MAY BE PRESCRIBED BY THE COMMISSIONER.

17 "NO INSURANCE PRODUCT UNDER THIS SECTION, WHETHER LIFE OR NON-LIFE, SHALL BE
18 ISSUED OR DELIVERED UNLESS IN THE FORM PREVIOUSLY APPROVED BY THE COMMISSIONER.

19 "SEC. 364-C. PERSONNEL TASKED TO PRESENT AND SELL INSURANCE PRODUCTS WITHIN
20 THE BANK PREMISES SHALL BE DULY LICENSED BY THE COMMISSIONER AND SHALL BE SUBJECT TO
21 THE RULES AND REGULATIONS OF THIS ACT.

22 "SEC. 364-D. THE COMMISSIONER, IN COORDINATION WITH THE BANGKO SENTRAL NG
23 PILIPINAS, SHALL PROMULGATE RULES AND REGULATIONS TO EFFECTIVELY SUPERVISE THE
24 BUSINESS OF BANCASSURANCE."

25 SEC. 64. Section 391 of the Insurance Code is hereby amended to read as follows:

26 "Sec. 391. A mutual benefit association, before it may transact as such, must first secure a
27 license from the Commissioner. The application for such license shall be filed with the Commissioner
28 together with certified true copies of the articles of incorporation or the constitution and by-laws of
29 the association, and all amendments thereto, and such other documents or testimonies as the
30 Commissioner may require.

31 "No license shall be granted to a mutual benefit association until the Commissioner shall
32 have been satisfied by such examination as may make and such evidence as he may require that the
33 association is qualified under existing laws to operate and transact business as such. The
34 Commissioner may refuse to issue a license to any mutual benefit association if, in his judgment,
35 such refusal will best promote the interest of the members of such association and of the people of

1 this country. Any license issued shall expire on the last day of June of the THIRD year following its
2 issuance and, upon proper application, may be renewed if the association is continuing to comply
3 with existing laws, rules and regulations, orders, instructions, rulings and decisions of the
4 Commissioner. Every association receiving any such license shall be subject to the supervision of the
5 Commissioner: *Provided*, That no such license shall be granted to any such association if such
6 association has no actuary.

7 ~~"[All mutual benefit association existing and licensed as such under the provisions of Article~~
8 ~~Eight, Chapter Forty One of the Revised Administrative Code, as amended by Act No. 3612, shall,~~
9 ~~upon effectivity of this Code, surrender their respective licenses to the Commissioner and apply for~~
10 ~~new licenses under the provisions of this code if they still desire to continue operating as such~~
11 ~~mutual benefit associations.]"~~

12 SEC. 65. Section 408 of the Insurance Code is hereby amended to read as follows:

13 "Sec. 408. To secure the enforcement of any provision under this Title, the Commissioner
14 may issue such rules, rulings, instructions, orders and circulars [~~subject to the approval of the~~
15 ~~Secretary of Finance~~].

16 SEC. 66. Section 408 of the Insurance Code is hereby amended to read as follows:

17 "Sec. 413. All trustees shall, before entering in the performance of the duties of their trust,
18 obtain a certificate of registration from the Commissioner. THE REGISTRATION SHALL EXPIRE ON
19 JUNE 30 OF THE THIRD YEAR FOLLOWING ITS ISSUANCE UNLESS IT IS RENEWED.

20 ~~"[Trustees who are already discharging the duties of their trust on the date this Code~~
21 ~~becomes effective may continue as such, subject to the provisions of this Code.]~~

22 "All provisions of this Code governing mutual benefit associations and such other provisions
23 herein, whenever practicable and necessary, shall be applicable to trusts for charitable uses."

24 SEC. 67. A new Section 413-A is hereby added in Title 2 of Chapter VII of the Code, as
25 follows:

26 "SEC. 413-A. THE TREASURER OF A CHARITABLE TRUST SHALL FILE A FIDELITY BOND IN THE
27 AMOUNT COMMENSURATE WITH THE VALUE OF THE TRUST PROPERTY IN HIS CUSTODY, AS MAY BE
28 DETERMINED BY THE COMMISSIONER."

29 Sec. 68. A new Chapter VII-A on Trust Business in General and Sections 413-B to 413-E are
30 hereby added to the Code to read as follows:

31 "CHAPTER VII-A

32 TRUST BUSINESS IN GENERAL

33 "SEC. 413-B. A LIFE INSURANCE COMPANY DULY AUTHORIZED BY THE COMMISSIONER MAY
34 ENGAGE IN TRUST BUSINESS, PROVIDED THAT THE SAME SHALL BE RELATED TO, INHERENT IN OR IN
35 FURTHERANCE OF ITS INSURANCE BUSINESS. SUCH TRUST BUSINESS SHALL INCLUDE BUT NOT BE

1 LIMITED TO THE MANAGEMENT AND CUSTODY OF RETIREMENT FUNDS UNDER REPUBLIC ACT NO.
2 4917, ESCROW FUNDS, PRE-NEED FUNDS, PERSONAL EQUITY AND RETIREMENT ACCOUNT (PERA)
3 FUNDS, AND SUCH OTHER ASSETS AS MAY BE PRESCRIBED BY THE INSURANCE COMMISSION.

4 "OTHER TRUST BUSINESSES NOT OTHERWISE INCLUDED IN THE FOREGOING PARAGRAPH
5 MAY BE PURSUED BY THE INSURANCE COMPANY PROVIDED A LICENSE TO THAT EFFECT WILL BE
6 SECURED FROM THE BANGKO SENTRAL NG PILIPINAS.

7 "ASSETS UNDER TRUST MANAGEMENT SHALL REPRESENT ALL FUNDS, PROPERTIES AND
8 SECURITIES WHICH, THE INSURANCE COMPANY ACTING AS TRUSTEE, SHALL MANAGE, ADMINISTER,
9 HOLD AND TAKE CUSTODY FOR THE BENEFIT OF OTHERS. IN THE PERFORMANCE OF ITS TRUST
10 BUSINESS, SUCH ASSETS SHALL BE KEPT SEPARATE AND DISTINCT FROM THE GENERAL BUSINESS OF
11 THE INSURANCE COMPANY.

12 "THE INVESTMENT OF FUNDS HELD IN TRUST BY THE INSURANCE COMPANIES UNDER THIS
13 SECTION SHALL BE SUBJECT TO THE SAME REQUIREMENTS APPLICABLE TO THE INVESTMENT OF THE
14 ASSETS OF LIFE INSURANCE COMPANIES, AS PROVIDED FOR UNDER THIS CODE.

15 "THE COMMISSIONER SHALL PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE
16 NECESSARY TO REGULATE THE CONDUCT OF TRUST BUSINESS BY INSURANCE COMPANIES.

17 "SEC. 413-C. A TRUST ENTITY SHALL ADMINISTER PROPERTY UNDER ITS CUSTODY WITH THE
18 DILIGENCE THAT A PRUDENT MAN WOULD EXERCISE IN THE CONDUCT OF AN ENTERPRISE OF A LIKE
19 CHARACTER AND WITH SIMILAR AIMS. NO TRUST ENTITY SHALL, FOR THE ACCOUNT OF THE
20 TRUSTOR OR THE BENEFICIARY OF THE TRUST, PURCHASE OR ACQUIRE PROPERTY FROM, OR SELL,
21 TRANSFER, ASSIGN OR LEND MONEY OR PROPERTY TO, OR PURCHASE DEBT INSTRUMENTS OF ANY
22 OF THE DEPARTMENTS, DIRECTORS, OFFICERS, STOCKHOLDERS, OR EMPLOYEES OF THE TRUST
23 ENTITY, RELATIVES WITHIN THE FIRST DEGREE OF CONSANGUINITY OR AFFINITY, OR THE RELATED
24 INTERESTS, OF SUCH DIRECTORS, OFFICERS AND STOCKHOLDERS, UNLESS PRIOR TO THE
25 TRANSACTION, SUCH TRANSACTION IS SPECIFICALLY AUTHORIZED BY THE TRUSTOR AND THE
26 RELATIONSHIP BETWEEN THE TRUSTEE AND THE OTHER PARTY INVOLVED IN THE TRANSACTION IS
27 FULLY DISCLOSED TO THE TRUSTOR OR BENEFICIARY OF THE TRUST. THE INSURANCE COMMISSION
28 SHALL PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE NECESSARY TO REGULATE THE
29 CONDUCT OF TRUST BUSINESS BY INSURANCE COMPANIES.

30 "SEC. 413-D. THE TRUST BUSINESS AND ALL FUNDS, PROPERTIES OR SECURITIES RECEIVED
31 BY ANY TRUST ENTITY AS EXECUTOR, ADMINISTRATOR, TRUSTEE, RECEIVER, OR DEPOSITARY SHALL
32 BE KEPT SEPARATE AND DISTINCT FROM THE GENERAL BUSINESS OF THE INSURANCE COMPANY, OR
33 ALLIED INSURANCE COMPANY INCLUDING ALL OTHER FUNDS, PROPERTIES, AND ASSETS OF SUCH
34 TRUST ENTITY. THE ACCOUNTS OF ALL SUCH FUNDS, PROPERTIES, OR SECURITIES SHALL LIKEWISE

1 BE KEPT SEPARATE AND DISTINCT FROM THE ACCOUNTS OF THE GENERAL BUSINESS OF THE TRUST
2 ENTITY.

3 "SEC. 413-E. NO ASSETS HELD BY A TRUST ENTITY IN ITS CAPACITY AS TRUSTEE SHALL BE
4 SUBJECT TO ANY CLAIM OTHER THAN THOSE OF THE PARTIES INTERESTED IN THE SPECIFIC TRUSTS."

5 SEC. 69. A new Chapter VII-B on REGISTRATION, RESPONSIBILITIES AND OVERSIGHT OF SELF-
6 REGULATORY ORGANIZATIONS and Sections 413-F to 413-K are hereby added to the Code to read as
7 follows:

8 "CHAPTER VII-B

9 REGISTRATION, RESPONSIBILITIES AND OVERSIGHT OF SELF-REGULATORY ORGANIZATIONS

10 "SEC. 413-F. THE COMMISSIONER SHALL HAVE THE POWER TO REGISTER AS A SELF-
11 REGULATORY ORGANIZATION, OR OTHERWISE GRANT LICENSES, AND TO REGULATE, SUPERVISE,
12 EXAMINE, SUSPEND OR OTHERWISE DISCONTINUE, AS A CONDITION FOR THE OPERATION OF
13 ORGANIZATIONS WHOSE OPERATIONS ARE RELATED TO OR CONNECTED WITH THE INSURANCE
14 MARKET SUCH AS BUT NOT LIMITED TO ASSOCIATIONS OF INSURANCE COMPANIES, WHETHER LIFE
15 OR NON-LIFE, REINSURERS, ACTUARIES, AGENTS, BROKERS, DEALERS, MUTUAL BENEFIT
16 ASSOCIATIONS, TRUSTS, RATING AGENCIES, AND OTHER PERSONS REGULATED BY THE
17 COMMISSIONER, WHICH ARE ENGAGED IN THE BUSINESS REGULATED BY THIS CODE.

18 "THE COMMISSIONER MAY PRESCRIBE RULES AND REGULATIONS WHICH ARE NECESSARY
19 OR APPROPRIATE IN THE PUBLIC INTEREST OR FOR THE PROTECTION OF INVESTORS TO GOVERN
20 SELF-REGULATORY ORGANIZATIONS AND OTHER ORGANIZATIONS LICENSED OR REGULATED
21 PURSUANT TO THE AUTHORITY GRANTED HEREUNDER, INCLUDING BUT NOT LIMITED TO THE
22 REQUIREMENT OF COOPERATION WITHIN AND AMONG ALL PARTICIPANTS IN THE INSURANCE
23 MARKET TO ENSURE TRANSPARENCY AND FACILITATE EXCHANGE OF INFORMATION.

24 "SEC. 413-G. AN ASSOCIATION CANNOT BE REGISTERED AS A SELF-REGULATORY
25 ORGANIZATION UNLESS THE COMMISSIONER DETERMINES THAT:

26 a) THE ASSOCIATION IS SO ORGANIZED AND HAS THE CAPACITY TO BE ABLE TO CARRY
27 OUT THE PURPOSES OF THIS CODE AND TO COMPLY WITH, AND TO ENFORCE
28 COMPLIANCE BY ITS MEMBERS AND PERSONS ASSOCIATED WITH ITS MEMBERS, WITH
29 THE PROVISIONS OF THIS CODE, THE RULES AND REGULATIONS THEREUNDER, AND
30 THE RULES OF THE ASSOCIATION.

31 b) THE RULES OF THE ASSOCIATION, NOTWITHSTANDING ANYTHING IN THE
32 CORPORATION CODE TO THE CONTRARY, PROVIDE THE FOLLOWING:

33 (i) QUALIFICATIONS AND THE DISQUALIFICATIONS ON MEMBERSHIP OF THE
34 ASSOCIATION;

- (ii) A FAIR REPRESENTATION OF ITS MEMBERS TO SERVE ON THE BOARD OF DIRECTORS OF THE ASSOCIATION AND IN THE ADMINISTRATION OF ITS AFFAIRS, AND THAT ANY NATURAL PERSON ASSOCIATED WITH A JURIDICAL ENTITY THAT IS A MEMBER SHALL ALSO BE DEEMED TO BE A MEMBER FOR THIS PURPOSE;
- (iii) THE PRESIDENT OF THE ASSOCIATION AND AT LEAST 2 INDEPENDENT DIRECTORS AS MEMBERS THE BOARD OF DIRECTORS OF THE ASSOCIATION;
- (iv) EQUITABLE ALLOCATION OF REASONABLE DUES, FEES, AND OTHER CHARGES AMONG MEMBERS AND OTHER PERSONS USING ANY FACILITY OR SYSTEM WHICH THE ASSOCIATION OPERATES OR CONTROLS;
- (v) TO PROTECT THE INSURING PUBLIC, THE PREVENTION OF FRAUDULENT AND MANIPULATIVE ACTS AND PRACTICES TO PROTECT THE INSURING PUBLIC AND THE PROMOTION OF JUST AND EQUITABLE PRINCIPLES OF BUSINESS;
- (vi) IMEMBERS AND PERSONS ASSOCIATED WITH ITS MEMBERS SUBJECT TO DISCIPLINE FOR VIOLATION OF ANY PROVISION OF THIS CODE, THE RULES OR REGULATIONS THEREUNDER, OR THE RULES OF THE ASSOCIATION;
- (vii) FAIR PROCEDURE FOR THE DISCIPLINING OF MEMBERS AND PERSONS ASSOCIATED WITH MEMBERS;
- (viii) THE PROHIBITION OR LIMITATION OF ACCESS TO SERVICES OFFERED BY THE ASSOCIATION OR A MEMBER THEREOF.

"SEC. 413-H. A SELF-REGULATORY ORGANIZATION MAY EXAMINE AND VERIFY THE QUALIFICATIONS OF AN APPLICANT TO BECOME A MEMBER IN ACCORDANCE WITH PROCEDURES ESTABLISHED BY THE RULES OF THE ASSOCIATION.

"A SELF-REGULATORY ORGANIZATION SHALL DENY MEMBERSHIP OR CONDITION THE MEMBERSHIP OF AN ENTITY, IF IT DOES NOT MEET THE STANDARDS OF FINANCIAL RESPONSIBILITY, OPERATIONAL CAPABILITY, TRAINING, EXPERIENCE, OR COMPETENCE THAT ARE PRESCRIBED BY THE RULES OF THE ASSOCIATION; OR HAS ENGAGED, AND THERE IS A REASONABLE LIKELIHOOD IT WILL AGAIN ENGAGE, IN ACTS OR PRACTICES INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF FAIR TRADE.

"A SELF-REGULATORY ORGANIZATION MAY DENY MEMBERSHIP TO AN ENTITY NOT ENGAGED IN A TYPE OF BUSINESS IN WHICH THE RULES OF THE ASSOCIATION REQUIRE MEMBERS TO BE ENGAGED.

"SEC 413-I. UPON THE FILING OF AN APPLICATION FOR REGISTRATION AS A SELF-REGULATORY ORGANIZATION UNDER THIS TITLE, THE COMMISSIONER SHALL HAVE NINETY (90) DAYS WITHIN WHICH TO EITHER GRANT REGISTRATION OR INSTITUTE A PROCEEDING TO

DETERMINE WHETHER REGISTRATION SHOULD BE DENIED. IN THE EVENT PROCEEDINGS ARE

1 INSTITUTED, THE COMMISSIONER SHALL HAVE TWO HUNDRED SEVENTY (270) DAYS WITHIN WHICH
2 TO CONCLUDE SUCH PROCEEDINGS AT WHICH TIME IT SHALL, BY ORDER, GRANT OR DENY SUCH
3 REGISTRATION.

4 "SEC. 413-J. EVERY SELF-REGULATORY ORGANIZATION SHALL COMPLY WITH THE
5 PROVISIONS OF THIS CODE, THE RULES AND REGULATIONS THEREUNDER, AND ITS OWN RULES, AND
6 ENFORCE COMPLIANCE THEREWITH BY ITS MEMBERS, PERSONS ASSOCIATED WITH ITS MEMBERS
7 OR ITS PARTICIPANTS, NOTWITHSTANDING ANY PROVISION OF THE CORPORATION CODE TO THE
8 CONTRARY.

9 "SEC. 413-K. EACH SELF-REGULATORY ORGANIZATION SHALL SUBMIT TO THE
10 COMMISSIONER FOR PRIOR APPROVAL ANY PROPOSED RULE OR AMENDMENT THERETO,
11 TOGETHER WITH A CONCISE STATEMENT OF THE REASON AND EFFECT OF THE PROPOSED
12 AMENDMENT.

13 "WITHIN SIXTY (60) DAYS AFTER SUBMISSION OF A PROPOSED AMENDMENT, THE
14 COMMISSIONER SHALL, BY ORDER, APPROVE THE PROPOSED AMENDMENT. OTHERWISE, THE SAME
15 MAY BE MADE EFFECTIVE BY THE SELF-REGULATORY ORGANIZATION.

16 "IN THE EVENT OF AN EMERGENCY REQUIRING ACTION FOR THE PROTECTION OF THE
17 INSURING PUBLIC, A SELF-REGULATORY ORGANIZATION MAY PUT A PROPOSED AMENDMENT INTO
18 EFFECT SUMMARILY: PROVIDED, HOWEVER, THAT A COPY OF THE SAME SHALL BE IMMEDIATELY
19 SUBMITTED TO THE COMMISSIONER.

20 "THE COMMISSIONER IS FURTHER AUTHORIZED, IF AFTER MAKING APPROPRIATE REQUEST
21 IN WRITING TO A SELF-REGULATORY ORGANIZATION THAT SUCH ORGANIZATION EFFECT ON ITS
22 OWN BEHALF SPECIFIED CHANGES IN ITS RULES AND PRACTICES AND, AFTER DUE NOTICE AND
23 HEARING IT DETERMINES THAT SUCH CHANGES HAVE NOT BEEN EFFECTED, AND THAT SUCH
24 CHANGES ARE NECESSARY, BY RULE OR REGULATION OR BY ORDER, MAY ALTER, ABROGATE OR
25 SUPPLEMENT THE RULES OF SUCH SELF-REGULATORY ORGANIZATION IN SO FAR AS NECESSARY OR
26 APPROPRIATE TO EFFECT SUCH CHANGES IN RESPECT OF SUCH MATTERS AS:

- 27 a) SAFEGUARDS IN RESPECT OF THE FINANCIAL RESPONSIBILITY OF MEMBERS AND
28 ADEQUATE PROVISION AGAINST THE EVASION OF FINANCIAL RESPONSIBILITY
29 THROUGH THE USE OF CORPORATE FORMS OR SPECIAL PARTNERSHIPS;
- 30 b) THE SUPERVISION OF MARKET PRACTICES;
- 31 c) THE MANNER, METHOD, AND PLACE OF SOLICITING BUSINESS;
- 32 d) THE FIXING OF REASONABLE RATES OF FEES, INTEREST, LISTING AND OTHER CHARGES,
33 BUT NOT RATES OF COMMISSION; AND SELF-REGULATORY ORGANIZATION
- 34 e) THE SUPERVISION, AUDITING AND DISCIPLINING OF MEMBERS.

1 "IN ADDITION TO THE GENERAL POWERS OF THE COMMISSIONER OVER THE ENTITIES
2 UNDER SUPERVISION, THE COMMISSIONER, AFTER DUE NOTICE AND HEARING, IS AUTHORIZED, IN
3 THE PUBLIC INTEREST AND TO PROTECT THE INSURING PUBLIC:

- 4 a) TO SUSPEND FOR A PERIOD NOT EXCEEDING TWELVE (12) MONTHS OR TO REVOKE
5 THE REGISTRATION OF A SELF-REGULATORY ORGANIZATION, OR TO CENSURE OR
6 IMPOSE LIMITATIONS ON THE ACTIVITIES, FUNCTIONS, AND OPERATIONS OF SUCH
7 SELF-REGULATORY ORGANIZATION, IF THE COMMISSION FINDS THAT SUCH A SELF-
8 REGULATORY ORGANIZATION HAS WILLFULLY VIOLATED OR IS UNABLE TO COMPLY
9 WITH ANY PROVISION OF THIS CODE OR OF THE RULES AND REGULATIONS
10 THEREUNDER, OR ITS OWN RULES, OR HAS FAILED TO ENFORCE COMPLIANCE
11 THEREWITH BY A MEMBER OF, PERSON ASSOCIATED WITH A MEMBER, OR A
12 PARTICIPANT IN SUCH SELF-REGULATORY ORGANIZATION;
- 13 b) TO EXPEL FROM A SELF-REGULATORY ORGANIZATION ANY MEMBER THEREOF OR ANY
14 PARTICIPANT THEREIN WHO IS FOUND TO HAVE WILLFULLY VIOLATED ANY PROVISION
15 OF THIS CODE OR SUSPEND FOR A PERIOD NOT EXCEEDING TWELVE (12) MONTHS
16 FOR VIOLATION OF ANY PROVISION OF THIS CODE OR ANY OTHER LAWS
17 ADMINISTERED BY THE COMMISSION, OR THE RULES AND REGULATIONS
18 THEREUNDER, OR EFFECTED, DIRECTLY OR INDIRECTLY, ANY TRANSACTION FOR ANY
19 PERSON WHO, SUCH MEMBER OR PARTICIPANT HAD REASON TO BELIEVE, WAS
20 VIOLATING IN RESPECT OF SUCH TRANSACTION ANY OF SUCH PROVISIONS; AND
- 21 c) TO REMOVE FROM OFFICE OR CENSURE ANY OFFICER OR DIRECTOR OF A SELF-
22 REGULATORY ORGANIZATION IF IT FINDS THAT SUCH OFFICER OR DIRECTOR HAS
23 VIOLATED ANY PROVISION OF THIS CODE, ANY OTHER LAW ADMINISTERED BY THE
24 COMMISSIONER, THE RULES OR REGULATIONS THEREUNDER AND THE RULES OF SUCH
25 SELF-REGULATORY ORGANIZATION, OR HAS ABUSED HIS AUTHORITY, OR WITHOUT
26 REASONABLE JUSTIFICATION OR EXCUSE HAS FAILED TO ENFORCE COMPLIANCE WITH
27 ANY OF SUCH PROVISIONS.

28 "SEC. 413-L (1) A SELF-REGULATORY ORGANIZATION IS AUTHORIZED TO DISCIPLINE A
29 MEMBER OF OR PARTICIPANT IN SUCH SELF-REGULATORY ORGANIZATION, OR ANY PERSON
30 ASSOCIATED WITH A MEMBER, INCLUDING SUSPENDING OR EXPELLING SUCH MEMBER OR
31 PARTICIPANT, OR SUSPENDING OR BARRING SUCH PERSON FROM BEING ASSOCIATED WITH A
32 MEMBER, IF ENGAGED IN ACTS OR PRACTICES INCONSISTENT WITH JUST AND EQUITABLE
33 PRINCIPLES OF FAIRNESS OR IN WILLFUL VIOLATION OF ANY PROVISION OF THE CODE, ANY OTHER
34 LAW ADMINISTERED BY THE COMMISSION, THE RULES OR REGULATIONS THEREUNDER, OR THE
35 RULES OF THE SELF-REGULATORY ORGANIZATION IN ANY DISCIPLINARY PROCEEDING BY A SELF-

1 REGULATORY ORGANIZATION (OTHER THAN A SUMMARY PROCEEDING PURSUANT TO PARAGRAPH
2 (2) OF THIS SECTION) THE SELF-REGULATORY ORGANIZATION SHALL BRING SPECIFIC CHARGES,
3 PROVIDE NOTICE TO THE PERSON CHARGED, AFFORD THE PERSON CHARGED WITH AN
4 OPPORTUNITY TO DEFEND AGAINST THE CHARGES, AND KEEP A RECORD OF THE PROCEEDINGS. A
5 DETERMINATION TO IMPOSE A DISCIPLINARY SANCTION SHALL BE SUPPORTED BY A WRITTEN
6 STATEMENT OF THE OFFENSE, A SUMMARY OF THE EVIDENCE PRESENTED AND A STATEMENT OF
7 THE SANCTION IMPOSED.

8 "(2) A SELF-REGULATORY ORGANIZATION MAY SUMMARILY: (I) SUSPEND A MEMBER,
9 PARTICIPANT OR PERSON ASSOCIATED WITH A MEMBER WHO HAS BEEN OR IS EXPELLED OR
10 SUSPENDED FROM ANY OTHER SELF-REGULATORY ORGANIZATION; OR (II) SUSPEND A MEMBER
11 WHO THE SELF-REGULATORY ORGANIZATION FINDS TO BE IN SUCH FINANCIAL OR OPERATING
12 DIFFICULTY THAT THE MEMBER OR PARTICIPANT CANNOT BE PERMITTED TO CONTINUE TO DO
13 BUSINESS AS A MEMBER WITH SAFETY TO INVESTORS, CREDITORS, OTHER MEMBERS, PARTICIPANTS
14 OR THE SELF-REGULATORY ORGANIZATION: *PROVIDED*, THAT THE SELF-REGULATORY
15 ORGANIZATION IMMEDIATELY NOTIFIES THE COMMISSION OF THE ACTION TAKEN. ANY PERSON
16 AGGRIEVED BY A SUMMARY ACTION PURSUANT TO THIS PARAGRAPH SHALL BE PROMPTLY
17 AFFORDED AN OPPORTUNITY FOR A HEARING BY THE ASSOCIATION IN ACCORDANCE WITH THE
18 PRECEDING PARAGRAPH. THE COMMISSIONER, BY ORDER, MAY STAY A SUMMARY ACTION ON HIS
19 OWN OR UPON APPLICATION BY ANY PERSON AGGRIEVED THEREBY, IF THE COMMISSIONER
20 DETERMINES SUMMARILY OR AFTER DUE NOTICE AND HEARING (WHICH HEARING MAY CONSIST
21 SOLELY OF THE SUBMISSION OF AFFIDAVITS OR PRESENTATION OF ORAL ARGUMENTS) THAT A STAY
22 IS CONSISTENT WITH THE PUBLIC INTEREST AND THE PROTECTION OF THE INSURING PUBLIC.

23 "(3) A SELF-REGULATORY ORGANIZATION SHALL PROMPTLY NOTIFY THE COMMISSION OF
24 ANY DISCIPLINARY SANCTION ON ANY MEMBER THEREOF OR PARTICIPANT THEREIN, ANY DENIAL OF
25 MEMBERSHIP OR PARTICIPATION IN SUCH ORGANIZATION, OR THE IMPOSITION OF ANY
26 DISCIPLINARY SANCTION ON A PERSON ASSOCIATED WITH A MEMBER OR A BAR OF SUCH PERSON
27 FROM BECOMING SO ASSOCIATED. WITHIN THIRTY (30) DAYS AFTER SUCH NOTICE, ANY AGGRIEVED
28 PERSON MAY APPEAL TO THE COMMISSIONER FROM, OR THE COMMISSIONER ON ITS OWN
29 MOTION WITHIN SUCH PERIOD, MAY INSTITUTE REVIEW OF, THE DECISION OF THE SELF-
30 REGULATORY ORGANIZATION, AT THE CONCLUSION OF WHICH, AFTER DUE NOTICE AND HEARING
31 (WHICH MAY CONSIST SOLELY OF REVIEW OF THE RECORD BEFORE THE SELF-REGULATORY
32 ORGANIZATION), THE COMMISSIONER SHALL AFFIRM, MODIFY OR SET ASIDE THE SANCTION. IN
33 SUCH PROCEEDING, THE COMMISSIONER SHALL DETERMINE WHETHER THE AGGRIEVED PERSON
34 HAS ENGAGED OR OMITTED TO ENGAGE IN THE ACTS AND PRACTICES AS FOUND BY THE SELF-

35 REGULATORY ORGANIZATION, WHETHER SUCH ACTS AND PRACTICES CONSTITUTE WILLFUL

1 VIOLATIONS OF THIS CODE, ANY OTHER LAW ADMINISTERED BY THE COMMISSION, THE RULES OR
2 REGULATIONS THEREUNDER, OR THE RULES OF THE SELF-REGULATORY ORGANIZATION AS
3 SPECIFIED BY SUCH ORGANIZATION, WHETHER SUCH PROVISIONS WERE APPLIED IN A MANNER
4 CONSISTENT WITH THE PURPOSES OF THIS CODE, AND WHETHER, WITH DUE REGARD FOR THE
5 PUBLIC INTEREST AND THE PROTECTION OF INVESTORS THE SANCTION IS EXCESSIVE OR
6 OPPRESSIVE."

7 SEC. 70. Section 414 of the Insurance Code hereby amended to read as follows:

8 "Sec. 414. THE INSURANCE COMMISSIONER SHALL BE APPOINTED BY THE PRESIDENT OF THE
9 REPUBLIC OF THE PHILIPPINES FOR A TERM OF SIX (6) YEARS WITHOUT REAPPOINTMENT AND WHO
10 SHALL SERVE AS SUCH UNTIL THE SUCCESSOR SHALL HAVE BEEN APPOINTED AND QUALIFIED. IF THE
11 INSURANCE COMMISSIONER IS REMOVED BEFORE THE EXPIRATION OF HIS TERM OF OFFICE, THE
12 REASON FOR THE REMOVAL MUST BE PUBLISHED.

13 "The Insurance Commissioner shall have the duty to see that all laws relating to insurance,
14 insurance companies and other insurance matters, mutual benefit associations, and trusts for
15 charitable uses are faithfully executed and to perform the duties imposed upon him by this Code,
16 and shall, notwithstanding any existing laws to the contrary, have sole and exclusive authority to
17 regulate the issuance and sale of variable contracts as defined in section two hundred thirty-two
18 HEREOF and to provide for the licensing of persons selling such contracts, and to issue such
19 reasonable rules and regulations governing the same.

20 "The Commissioner may issue such rulings, instructions, circulars, orders and decision as [he]
21 may BE deemed necessary to secure the enforcement of the provisions of this Code, TO ENSURE THE
22 EFFICIENT REGULATION OF THE INSURANCE INDUSTRY IN ACCORDANCE WITH GLOBAL BEST
23 PRACTICES AND TO PROTECT THE INSURING PUBLIC [~~subject to the approval of the Secretary of~~
24 ~~Finance~~]. Except as otherwise specified, decisions made by the Commissioner shall be appealable to
25 the Secretary of Finance.

26 IN ADDITION TO THE FOREGOING, THE COMMISSIONER SHALL HAVE THE FOLLOWING
27 POWERS AND FUNCTIONS:

- 28 a) FORMULATE POLICIES AND RECOMMENDATIONS ON ISSUES CONCERNING THE
29 INSURANCE INDUSTRY, ADVISE CONGRESS AND OTHER GOVERNMENT AGENCIES ON
30 ALL ASPECTS OF THE INSURANCE INDUSTRY AND PROPOSE LEGISLATION AND
31 AMENDMENTS THERETO;
32 b) APPROVE, REJECT, SUSPEND OR REVOKE LICENSES OR CERTIFICATES OF
33 REGISTRATIONS PROVIDED FOR BY THIS CODE;
34 c) IMPOSE SANCTIONS FOR THE VIOLATION OF LAWS AND THE RULES, REGULATIONS
35 AND ORDERS ISSUED PURSUANT THERETO;

- 1 d) PREPARE, APPROVE, AMEND OR REPEAL RULES, REGULATIONS AND ORDER, AND
2 ISSUE OPINIONS AND PROVIDE GUIDANCE ON AND SUPERVISE COMPLIANCE WITH
3 SUCH RULES, REGULATIONS AND ORDERS;
- 4 e) ENLIST THE AID AND SUPPORT OF, AND/OR DEPUTIZE ANY AND ALL ENFORCEMENT
5 AGENCIES OF THE GOVERNMENT IN THE IMPLEMENTATION OF ITS POWERS AND
6 FUNCTIONS UNDER THIS CODE;
- 7 f) ISSUE CEASE AND DESIST ORDERS TO PREVENT FRAUD OR INJURY TO THE INSURING
8 PUBLIC;
- 9 g) PUNISH FOR CONTEMPT OF THE COMMISSIONER, BOTH DIRECT AND INDIRECT, IN
10 ACCORDANCE WITH THE PERTINENT PROVISIONS OF AND PENALTIES PRESCRIBED BY
11 THE RULES OF COURT;
- 12 h) COMPEL THE OFFICERS OF ANY REGISTERED INSURANCE CORPORATION OR
13 ASSOCIATION TO CALL MEETINGS OF STOCKHOLDERS OR MEMBERS THEREOF UNDER
14 ITS SUPERVISION;
- 15 i) ISSUE SUBPOENA DUCES TECUM AND SUMMON WITNESSES TO APPEAR IN ANY
16 PROCEEDING OF THE COMMISSION AND IN APPROPRIATE CASES, ORDER THE
17 EXAMINATION, SEARCH AND SEIZURE OF ALL DOCUMENTS, PAPERS, FILES AND
18 RECORDS, TAX RETURNS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR PERSON
19 UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER DISPOSITION OF THE
20 CASES BEFORE IT, SUBJECT TO THE PROVISION OF EXISTING LAWS;
- 21 j) SUSPEND OR REVOKE, AFTER PROPER NOTICE AND HEARING THE LICENSE OR
22 CERTIFICATE OF AUTHORITY OF ANY ENTITY OR PERSON UNDER ITS REGULATION,
23 UPON ANY OF THE GROUNDS PROVIDED BY LAW;
- 24 k) CONDUCT AN EXAMINATION TO DETERMINE COMPLIANCE WITH LAWS AND
25 REGULATIONS IF THE CIRCUMSTANCES SO WARRANT AS DETERMINED BY
26 APPROPRIATE RULES AND REGULATIONS;
- 27 l) INVESTIGATE NOT OFTENER THAN ONCE A YEAR FROM THE LAST DATE OF
28 EXAMINATION TO DETERMINE WHETHER AN INSTITUTION IS CONDUCTING ITS
29 BUSINESS ON A SAFE AND SOUND BASIS: PROVIDED, THAT, THE
30 DEFICIENCIES/IRREGULARITIES FOUND BY OR DISCOVERED BY AN AUDIT SHALL BE
31 IMMEDIATELY ADDRESSED;
- 32 m) INQUIRE INTO THE SOLVENCY AND LIQUIDITY OF THE INSTITUTIONS UNDER ITS
33 SUPERVISION AND ENFORCE PROMPT CORRECTIVE ACTION;

- 1 n) TO RETAIN AND UTILIZE, IN ADDITION TO ITS ANNUAL BUDGET, ALL FEES, CHARGES
2 AND OTHER INCOME DERIVED FROM THE REGULATION OF INSURANCE COMPANIES
3 AND OTHER SUPERVISED PERSONS OR ENTITIES;
4 o) TO FIX AND ASSESS FEES, CHARGES AND PENALTIES AS THE COMMISSIONER MAY FIND
5 REASONABLE IN THE EXERCISE OF REGULATION; AND
6 p) EXERCISE SUCH OTHER POWERS AS MAY BE PROVIDED BY LAW AS WELL AS THOSE
7 WHICH MAY BE IMPLIED FROM, OR WHICH ARE NECESSARY OR INCIDENTAL TO THE
8 THE EXPRESS POWERS GRANTED THE COMMISSION TO ACHIEVE THE OBJECTIVES AND
9 PURPOSES OF THIS LAW.

10 "EXCEPT FOR GROSS NEGLIGENCE OR MISCONDUCT, THE COMMISSIONER, DEPUTY
11 COMMISSIONER, OFFICERS OR EMPLOYEES OF THE COMMISSION SHALL BE EXEMPT FROM, AND
12 SHALL NOT BE HELD LIABLE FOR, ANY ACTION OR SUIT IN CONNECTION WITH OR RELATED TO THE
13 PERFORMANCE OF THEIR DUTIES AND FUNCTIONS AS PROVIDED FOR IN THIS ACT, THE INSURANCE
14 CODE OF 1978, AS AMENDED, CIRCULARS OR RULES AND REGULATIONS PROMULGATED BY THE
15 COMMISSION OR OTHER APPLICABLE LAWS AND PERTINENT RULES AND REGULATIONS. THE
16 COMMISSION SHALL INDEMNIFY THE COMMISSIONER, DEPUTY COMMISSIONER, OFFICERS OR
17 EMPLOYEES OF THE COMMISSION PERFORMING SUCH DUTIES AND FUNCTIONS, FOR ALL COSTS
18 AND EXPENSES REASONABLY INCURRED IN CONNECTION WITH ANY CIVIL OR CRIMINAL ACTION,
19 SUITS OR PROCEEDINGS TO WHICH THEY MAY BE MADE A PARTY TO BY REASON OF THEIR
20 PERFORMANCE OF SUCH DUTIES AND FUNCTIONS, UNLESS THEY ARE FINALLY ADJUDGED IN SUCH
21 ACTIONS, SUITS OR PROCEEDINGS TO BE LIABLE FOR GROSS NEGLIGENCE OR MISCONDUCT.

22 "THE COSTS AND EXPENSES INCURRED IN DEFENDING THE AFOREMENTIONED ACTION, SUIT
23 OR PROCEEDING MAY BE PAID BY THE COMMISSIONER IN ADVANCE OF THE FINAL DISPOSITION OF
24 SUCH ACTION, SUIT OR PROCEEDING UPON RECEIPT OF AN UNDERTAKING BY OR ON BEHALF OF THE
25 COMMISSIONER, DEPUTY COMMISSIONER, OFFICERS OR EMPLOYEES TO REPAY THE AMOUNT
26 ADVANCED SHOULD IT ULTIMATELY BE DETERMINED BY THE COMMISSION THAT THE PERSON
27 ENTITLED TO BE INDEMNIFIED AS PROVIDED IN THIS SECTION."

28 SEC. 71. Section 415 of the Insurance Code is hereby amended to read as follows:

29 "Sec. 415. In addition to the administrative sanctions provided elsewhere in this Code, the
30 Insurance Commissioner is hereby authorized, at his discretion, to impose upon the insurance
31 companies, their directors and/or officers and/or agents, for any willful failure or refusal to comply
32 with, or violation of any provision of this Code, or any order, instruction, regulation, or ruling of the
33 Insurance Commissioner, or any commission or irregularities, and/or conducting business in an
34 unsafe or unsound manner as may be determined by the Insurance Commissioner, the following:

(a) fines OF not LESS THAN FIVE THOUSAND PESOS AND NOT MORE THAN TWO HUNDRED THOUSAND PESOS [~~in excess of five hundred pesos a day~~]; and

(b) suspension, or after due hearing, removal of directors and/or officers and/or agents.

SEC. 72. Section 416, first paragraph, of the Insurance Code is hereby amended to read as follows:

"Sec. 416. The Commissioner shall have the power to adjudicate claims and complaints involving any loss, damage or liability for which an insurer may be answerable under any kind of policy or contract of insurance, or for which such insurer may be liable under a contract of suretyship, or for which a reinsurer may be sued under any contract of reinsurance it may have entered into; or for which a mutual benefit association may be held liable under the membership certificates it has issued to its members, where the amount of any such loss, damage or liability, excluding interest, cost and attorney's fees, being claimed or sued upon any kind of insurance, bond, reinsurance contract, or membership certificate does not exceed in any single claim one [~~hundred thousand~~] MILLION pesos.

x x x

SEC. 73. Section 408 of the Insurance Code is hereby amended to read as follows:

"Sec. 419. Any person, company or corporation subject to the supervision and control of the Commissioner who violates any provision of this Code, for which no penalty is provided, shall be deemed guilty of a penal offense, and upon conviction be punished by a fine not exceeding ~~ten~~ TWO HUNDRED thousand pesos or imprisonment of six months, or both, at the discretion of the court.

If the offense is committed by a company or corporation, the officers, directors, or other persons responsible for its operation, management, or administration, unless it can be proved that they have taken no part in the commission of the offense, shall likewise be guilty of a penal offense, and upon conviction be punished by a fine not exceeding ~~ten~~ TWO HUNDRED thousand pesos or imprisonment of six months, or both, at the discretion of the court."

SEC 74. This Act shall take effect upon approval.

Approved,

20110613



Committee on Banks and Financial Intermediaries
House of Representatives

MINUTES OF THE 22 MARCH 2011 MEETING

Ramon V. Mitra Jr. Bldg., Conference Room 14
Batasan Pambansa Complex, Quezon City

Honorable Sergio Apostol, Chairman, presiding.

Members Present:

Honorable Luis R. Villafuerte
Honorable Guillermo A. Romarate, Jr.
Honorable Julieta R. Cortuna
Honorable Isidro Lico
Honorable Ma. Amelita Calimbas – Villarosa
Honorable Jeci A. Lapus
Honorable Philip A. Pichay
Honorable Georgidi B. Aggabao
Honorable Monique Yazmin Lagdameo
Honorable Agapito H. Guanlao
Honorable Carlos Padilla
Honorable Karlo Alexei B. Nograles
Honorable Wilfrido Mark Enverga
Honorable Dante Antonio Tinio

Resource Persons:

Atty. Juan De Zuniga, Deputy Governor, Bangko Sentral ng Pilipinas (BSP)
Atty. Corazon Guerreo, Assistant Governor, BSP
Atty. Chuchi Fonacier, Director, BSP
Ms. Cristina Orbeta, Executive Vice President and Officer-in-Charge, Philippine Deposit Insurance Corporation (PDIC)
Atty. Romeo Mendoza Jr., General Counsel, PDIC
Ms. Sandra Diaz, SVP, PDIC
Atty. Perfecto Yasay Jr., Vice-Chairman, Banco Filipino
Mr. Teodoro Arcenas, President, Banco Filipino
Mr. Maxy S. Abad, Executive Vice President, Banco Filipino

Committee Secretary: Atty Ramon Federizon

- AGENDA:**
1. TWG Report on Insurance Code Amendments
 2. Hearing on the closure of Banco Filipino

Call to Order

The meeting was called to order at 9:45 am. On motion, the calling of the roll was dispensed with.

Approval of the TWG report on the Insurance Code amendments

The committee approved the substitute bill on the amendments to the Insurance Code as presented by Representative Romarate, head of the technical working group on the insurance code amendments.

Hearing on the closure of Banco Filipino

BSP officials led by its general counsel Deputy Governor Juan De Zuniga briefed the committee on the closure of Banco Filipino. He said the Monetary Board denied the application of the bank for emergency loans to cover heavy withdrawals and placed the bank under receivership because the bank did not meet the conditions and requirements prescribed under Section 84 of RA 7653 (New Central Bank Act). These are: 1) solvency of the bank; 2) sufficiency of collaterals; and 3) vote of at least 5 MB members.

Atty. Zuniga disclosed that the bank had a negative realizable value of P8.4 billion as of 30 September 2010 regular examination. The examination report showed the following major findings:

1. Negative capital adequacy ratio (CAR) - 142%
2. High past due loans ration - 91%
3. DOSRI loans Of P2.2 billion are all past due (54%) of total loan portfolio
4. Chronic reserve deficiencies
5. Past due borrowings from the BSP - P4.4 billion
6. average annual operating loss of P2.8 billion (2007-2009)
7. high cost deposits: Interest rate on deposit ranges from 6% to 13.9% vs. market rate of 1 - 2%.

Atty. Perfecto Yasay, Jr. of Banco Filipino said that the BSP did not comply with the December 1991 decision of Supreme Court ordering the Central Bank to reorganize the bank under a workable plan that would allow Banco Filipino to operate with safety to its customers and depositors. He said that the BSP undermined the recovery efforts of the bank by forcing the bank in 1999 to turn over its prime properties as payment for a emergency loan obtained in 1985 and by instigating malicious rumors that triggered withdrawals in 2002. He said that it was only in November 2009 that BSP approved a business plan for the bank providing for financial loan assistance of P25 billion payable over a period of 20 years which the bank accepted. The implementation of the business was subjected to the condition that the bank drop its claims and waive all present and future actions against BSP.

He denied allegations that the bank is mismanaged because since its reopening it operated under the strict supervision and monitoring of BSP comptrollers.

Mr. Teodoro Arcenas, president of Banco Filipino, said that the bank is not insolvent, that its net assets amounted to around P19 billion and that it has sufficient collaterals to support its claim for emergency loans. He emphasized that the bank has had a BSP-designated controller for the last three years who would have prevented the bank from committing any unfair banking practice.

Congressman Villafuerte questioned the determination by the BSP of the sufficiency of the collaterals offered by the bank. He also raised concerns on the manner by which the Monetary Board acted with undue haste on the report of the examination, contrary to the procedure prescribed by the Supreme Court in an earlier ruling. He noted that the Monetary Board closed the bank on the same day the report of examination on the bank was submitted.

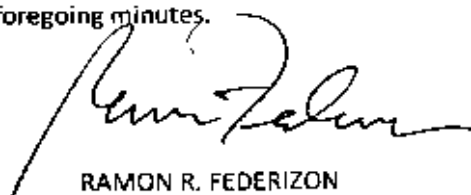
The PDIC committed to pay all the valid deposit claims within 90 to 120 days. Depositors with balances of P5,000 or less will have priority in payment. At present, PDIC is doing an inventory of all the assets and records of the bank.

The committee will resume its hearing on May 17, 2011.

Adjournment

The meeting was adjourned at 12.15 p.m.

I hereby certify to the correctness of the foregoing minutes.



RAMON R. FEDERIZON
Committee Secretary

Attest:

SERGIO A.F. APOSTOL
Chairman

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

H. B. No. 1502

Introduced by HONORABLE JUAN EDGARDO "SONNY" M. ANGARA

EXPLANATORY NOTE

The Philippine insurance laws are embodied in Presidential Decree No. 1460 (PD 1460), otherwise known as "The Insurance Code of 1978". PD 1460 consolidated all insurance laws into a single Code and it basically reenacted Presidential Decree No. 612 (PD 612) which was promulgated on December 18, 1974. PD 612 ordained and instituted the Insurance Code of the Philippines. Except for certain amendments effected under Presidential Decree No. 1814 (PD 1814) on January 16, 1981 and Batas Pambansa Blg. 874 (BP 874) on June 12, 1985, the Insurance Code of 1978 has not undergone any significant revision. PD 1814 amended Sections 305 (c), 373 (c), 378 (f), 373, 377, 379 and 384 of the Insurance Code of 1978. When the unicameral legislative assembly was convened during the Martial Law regime, the Batasang Pambansa further amended Sections 27, 45, 180-A, 184 and 416 of PD 1460. These amendments were necessitated by the prevailing economic conditions at that time and were undertaken to ensure the due execution and performance of insurance contracts in the interests of the sound development of the national economy. Over the years since these amendments were made, the Philippine economy has undergone significant changes. The recent financial turmoil calls for a review of our laws which impact our economic development such as our insurance laws to ensure that the insurance industry becomes more efficient and effective in bringing about financial stability and growth and consumers continue to be protected. It is not heretical to say that the Insurance Code of 1978 has become inadequate, and at times even obsolete, to cope with the changing business environment and economic progress. This development renders the proposed amendments absolutely necessary and inevitable if the insurance industry is to remain an engine of economic growth and the consumer continues to have confidence in the Industry.

The amendments proposed in this bill were motivated and guided by 32 years of experience under the Insurance Code of 1978 and by the rapid developments in the world of commerce, trade and industry during the recent decades. All over the world, the regulatory regime is undergoing a serious review and determined efforts are being made to make the laws and regulations more relevant and responsive. We do not have to look outside to convince us of this development since our very own Congress has undertaken similar legislative initiatives in other financial fronts such as in banking, securities, investments, credit, finance together with pre-need and succeeded in passing much needed legislations to support these industries. There is no question that these legislative interventions and structural reforms have revitalized activities and production within banking and other financial sectors and consumers have also benefited from these laws. Amending the Insurance Code of 1978 is in keeping with our national policy to preserve the gains of the insurance industry and accelerate its further growth and development and ensure consumers are allowed choices as well as fair and equitable treatment.

It cannot be disputed that the insurance industry is a major pillar of the Philippine economy. Insurance mobilizes savings in long term investments. It is indispensable in promoting capital market development and saving mobilization. It is an efficient form of raising

capital which is used to fuel our economy. The insurance industry is among the largest investors in the bond market and similar instruments. Its long term placements offer more ideal source of financing that suit the needs of both the government and the private sector. Life insurance companies through their pension plans and retirement products supplement, if not substitute, for state-provided social security programs. Thus, aside from fulfilling its critical role of providing protection and financial security to our people, the insurance industry's contributions is immense and immeasurable. It is an indispensable partner of the government in national development.

It is our collective desire to craft and fashion an insurance code which our insurers and their intermediaries can utilize to attain more efficiently their economic ends and to expand more effectively their insurance activities that will assure the insuring public greater insurance protection and financial security. This proposed bill introduces significant changes in practically all titles and chapters of the Code. However, despite the numerous changes to PD 1460 which have been adopted in this proposed measure, many provisions of the existing Code were retained. This revision has also considered the relevant circulars and regulations issued by the Insurance Commission in the exercise of its regulatory and supervisory powers under the laws. Furthermore, in keeping with the growth of commerce and trade, new insurance activities which were not mentioned at all in the existing Code such as micro-insurance, bancassurance and other recent developments in the industry are now provided for. Moreover, this bill aims to reinforce the Insurance Commission in performing its functions as the principal regulator of the insurance industry consisting of the life and non-life companies, reinsurers, and allied entities, intermediaries and insurance professionals such as the mutual benefit associations, micro-insurers, bancassurance, brokers, general agents, individual agents, adjusters, actuaries, rating organizations, and others, and to augment their management, operations and practices on an even sounder, stable and professional basis.

This bill shall further promote and develop a strong national insurance industry which can assist the ability of the Industry to compete with foreign players when the ASEAN Economic Market opens up sometime in 2015. It is therefore imperative that this bill be passed into law.

In view of the foregoing, an early enactment of this measure is earnestly requested.



JUAN EDGARDO "SONNY" M. ANGARA
Representative
Lone District, Province of Aurora

H. B. No. 1502

Introduced by Honorable JUAN EDGARDO "SONNY" M. ANGARA

AN ACT
AMENDING PRESIDENTIAL DECREE NO. 612, OTHERWISE KNOWN AS THE
INSURANCE CODE, AS AMENDED BY PRESIDENTIAL DECREE NOS. 1141, 1280,
1455, 1460, 1814, AND 1981, AND BATAS PAMBANSA BLG. 874, AND FOR
OTHER PURPOSES

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

SECTION 1. Title. - This Act shall be known as "***The Insurance Code of 2010***".

SEC. 2. Section 1 of The Insurance Code, as amended, is hereby amended to read as follows:

"Section 1. This Act shall be known as '***The Insurance Code of 2010***.'"

SEC. 3. Section 2, paragraph 2 (d) of The Insurance Code, as amended, is hereby amended to read as follows:

"(d) doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of this Code, including the practice of self-insurance by any person or entity extending life insurance or similar protection to its borrowers, depositors, clients or third parties."

SEC 4. Section 3 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 3. Any contingent or unknown event, whether past or future, which may damnify a person having an insurable interest or create a liability against him, may be insured against, subject to the provisions of this chapter.

"The consent of the spouse is not necessary for the validity of an insurance policy taken out by a married person on his or her life or that of his or her children.

"All rights, title and interest in the policy of insurance taken out by an original owner on the life or health of the person insured shall automatically vest in the latter upon the death of the original owner, unless otherwise provided for in the policy."

SEC. 5. Section 6 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 6. Every corporation, partnership, or association duly authorized to transact insurance business as elsewhere provided in this code, may be an insurer."

SEC. 6. Section 12 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 12. The interest of a beneficiary in a life insurance policy shall be forfeited when the beneficiary is the principal, accomplice, or accessory in willfully bringing about the death of the insured. In such a case, the share forfeited shall pass on to the other beneficiaries, unless otherwise disqualified. In the absence of other beneficiaries, the proceeds shall be paid in accordance with the policy contract. If the policy contract is silent, the proceeds shall be paid to the insured's estate."

SEC. 7. Section 45 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 45. If a representation is false in a material point, whether affirmative or promissory, the injured party is entitled to rescind the contract from the time when the representation becomes false."

SEC. 8. The last paragraph of Section 50 of The Insurance Code, as amended, is hereby deleted.

SEC. 9. Section 60 of the Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 60. An open policy is one in which the value of the thing insured is not agreed upon, and the amount of the insurance merely represents the insurer's

maximum liability. The value of such thing insured shall be ascertained at the time of the loss."

SEC. 10. Section 64, paragraph (f) of The Insurance Code, as amended, is hereby amended to read as follows:

"(f) discovery of other insurance coverage that makes the total insurance in excess of the value of the property insured; or a determination by the Commissioner that the continuation of the policy would violate or would place the insurer in violation of this Code."

SEC. 11. Section 65 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 65. All notices of cancellation mentioned in the preceding section shall be in writing, mailed or delivered to the named insured at the address shown in the policy or to his broker, and shall state (a) which of the grounds set forth in section sixty-four is relied upon and (b) that, upon written request of the named insured, the insurer will furnish the facts on which the cancellation is based.

SEC. 12. Section 77 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 77. An insurer is entitled to payment of the premium as soon as the thing insured is exposed to the peril insured against. Notwithstanding any agreement to the contrary, no policy or contract of insurance issued by an insurance company is valid and binding unless and until the premium thereof has been paid, except in the case of a life or an industrial life policy whenever the grace period provision applies, or whenever under the agency agreements with duly licensed intermediaries, a 90-day credit extension is given. No credit extension to a duly licensed intermediary should exceed 90-days from date of issuance of the policy. Payments of premium to brokers are not considered payment of premium to the insurers."

SEC. 13. A new Section 78 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 78. An employee of the Republic of the Philippines, including its political subdivisions and instrumentalities, and government owned or controlled corporations, may pay his insurance premium and loan obligations through salary deduction: *Provided*, the treasurer, cashier, paymaster or official of the entity employing the government employee is authorized, notwithstanding the provisions of any existing law, rules and regulations to the contrary, to make deductions from the salary, wage or income of the latter pursuant to the agreement between the insurer and the government employee and to remit such deductions to the insurer concerned, and collect such reasonable fee for its services."

SEC. 14. The old Section 78 of The Insurance Code, as amended, is hereby renumbered as Section 79 and the sections subsequent thereto are accordingly renumbered until Section 80, which shall be renumbered as Section 81.

SEC. 15. Section 81 of The Insurance Code, as amended, is hereby renumbered as Section 82 and amended to read as follows:

"Sec. 82. A person insured is entitled to return of the premium when the contract is voidable and subsequently annulled under the provisions of the Civil Code; or, on account of fraud or intentional misrepresentation of the insurer, or of his agent, or on account of facts, the existence of which the insured was ignorant without his fault; or when by any default of the insured other than actual fraud, the insurer never incurred any liability under the policy.

"A person insured is not entitled to a return of premium if the policy is annulled, rescinded or if a claim is denied by reason of his fraud or misrepresentation."

SEC. 16. Section 82 of The Insurance Code, as amended, is hereby renumbered as Section 83 and amended to read as follows:

"Sec. 83. In case of an over-insurance by several insurers other than life, the insured is entitled to a ratable return of the premium, proportioned to the amount by which the aggregate sum insured in all the policies exceeds the insurable value of the thing at risk."

SEC. 17. A new Section 84 of The Insurance Code, as amended, is hereby added to read as follows:

*Sec. 84. An insurer may contract and accept payments, in addition to regular premium, for the purpose of paying future premiums on the policy or to increase the benefits thereof"

SEC. 18. The old Section 83 of The Insurance Code, as amended, is hereby renumbered as Section 85 and the sections subsequent thereto are accordingly renumbered until Section 87, which shall be renumbered as Section 89.

SEC. 19. Section 88 of The Insurance Code, as amended, is hereby renumbered as Section 90 and amended to read as follows:

"Sec. 90. In case of loss, an insurer is exonerated, if notice thereof be not given to him by an insured, or some person entitled to the benefit of the insurance, without unnecessary delay from occurrence of the loss. In case of death, an insurer is likewise exonerated if notice thereof be not given the insurer without unnecessary delay from discovery of death."

SEC. 20. The old Section 89 of The Insurance Code, as amended, is hereby renumbered as Section 91 and the sections subsequent thereto are accordingly renumbered until Section 93, which shall be renumbered as Section 95.

SEC. 21. Section 94 of The Insurance Code, as amended, is hereby renumbered as Section 96 and amended to read as follows:

"Sec. 96. Where the insured, in a policy other than life, is overinsured by double insurance:

"(a) The insured, unless the policy otherwise provides, may claim payment from the insurers in such order as he may select, up to the amount for which the insurers are severally liable under their respective contracts;

"(b) Where the policy under which the insured claims is a valued policy, any sum received by him under any other policy shall be deducted from the value of the policy without regard to the actual value of the subject matter insured;

"(c) Where the policy under which the insured claims is an unvalued policy any sum received by him under any policy shall be deducted against the full insurable value, for any sum received by him under any policy;

"(d) Where the insured receives any sum in excess of the valuation in the case of valued policies, or of the insurable value in the case of unvalued policies, he must hold such sum in trust for the insurers, according to their right of contribution among themselves;

"(e) Each insurer is bound, as between himself and the other insurers, to contribute ratably to the loss in proportion to the amount for which he is liable under his contract."

SEC. 22. The old Section 95 of The Insurance Code, as amended, is hereby renumbered as Section 97 and the sections subsequent thereto are accordingly renumbered until Section 178, which shall be renumbered as Section 180.

SEC. 23. Section 179 of The Insurance Code, as amended, is hereby renumbered as Section 181 and amended to read as follows:

"Sec. 181. Life insurance is insurance on human lives and insurance appertaining thereto or connected therewith.

"Every contract or undertaking for the payments of annuities including contracts for the payment of lump sums under a retirement program where a life insurance company manages or acts as a trustee for such retirement program shall be considered a life insurance contract for purposes of this Code.

"A life insurance policy may also be taken by an individual who intends to travel by ship or airplane. Such policy shall be effective only during the course of the travel."

SEC. 24. Section 180 of The Insurance Code, as amended, is hereby renumbered as Section 182 and amended to read as follows:

"Sec. 182. An insurance upon life may be made payable on the death of the person, or on his surviving a specified period, or otherwise contingently on the continuance or cessation of life.

"Every contract or pledge for the payment of endowments or annuities shall be considered a life insurance contract for purpose of this Code.

"In the absence of a judicial guardian, the father, or in the latter's absence or incapacity, the mother, or any minor, who is an insured or a beneficiary under a contract of life, health or accident insurance, may exercise, in behalf of said minor, any right under the policy, without necessity of court authority or the giving of a bond, where the interest of the minor in the particular act involved does not exceed two hundred fifty thousand pesos or in such amount as may be determined by the Commissioner. Such right may include, but shall not be limited to, obtaining a policy loan, surrendering the policy, receiving the proceeds of the policy, and giving the minor's consent to any transaction on the policy.

"In the absence or in case of the incapacity of the father or mother, the grandparent, the eldest brother or sister at least eighteen years of age, or any

relative who has actual custody of the minor insured or beneficiary, shall act as a guardian without need of a court order or judicial appointment as such guardian, as long as such person is not otherwise disqualified or incapacitated. Payment made by the insurer pursuant to this section shall relieve it of any liability under the contract."

SEC. 25. The old Section 180-A of The Insurance Code, as amended, is hereby renumbered as Section 183 and the sections subsequent thereto are accordingly renumbered until Section 183, which shall be renumbered as Section 186.

SEC. 26. A new Title on Microinsurance and a new Section 187 of The Insurance Code, as amended, are hereby added to read as follows:

**"Title 6
"MICROINSURANCE**

"Sec. 187. The term "microinsurance" shall mean an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance, insurance-like and other similar activities with the following features:

- a. Premiums, contributions, fees or charges are collected/deducted prior to the occurrence of the a contingent event; and
- b. Guaranteed benefits are provided upon occurrence of a contingent event.

"No insurance company shall engage in the business of microinsurance unless it possesses all the requirements as may be prescribed by the Commissioner. The Commissioner shall issue such rules and regulations governing microinsurance."

SEC. 27. Section 184 of The Insurance Code, as amended, is hereby renumbered as Section 188 and amended to read as follows:

"Sec. 188. For purposes of this Code, the term "insurer" or "insurance company" shall include all partnerships, associations, or corporations, including government-owned or controlled corporations or entities, engaged as principals in the insurance business. Unless the context otherwise requires, the terms shall

also include professional reinsurers defined in section [two hundred eighty]. "*Domestic company*" shall include companies formed, organized or existing under the laws of the Philippines. "*Foreign company*" when used without limitation shall include companies formed, organized, or existing under any laws other than those of the Philippines."

SEC. 28. Section 185 of The Insurance Code, as amended, is hereby renumbered as Section 189 and amended to read as follows:

"Sec. 189. The provisions of the Corporation Code, as amended, shall apply to all insurance corporations now or hereafter engaged in business in the Philippines insofar as they do not conflict with the provisions of this chapter."

SEC. 29. Section 186 of The Insurance Code, as amended, is hereby renumbered as Section 190 and amended to read as follows:

"Sec. 190. No corporation, partnership, or association of persons shall transact any insurance business in the Philippines except as agent of a corporation, partnership or association authorized to do the business of insurance in the Philippines, unless possessed of the capital and assets required of an insurance corporation doing the same kind of business in the Philippines and invested in the same manner; nor unless the Commissioner shall have granted to it a certificate to the effect that it has complied with all the provisions of this Code.

"Every corporation, partnership, or association receiving any such certificate of authority shall be subject to the insurance and other applicable laws of the Philippines and to the jurisdiction and supervision of the Commissioner and other appropriate government agencies."

SEC. 30. Section 187 of The Insurance Code, as amended, is hereby renumbered as Section 191 and amended to read as follows:

"Sec. 191. No insurance company shall transact any insurance business in the Philippines until after it shall have obtained a certificate of authority for that purpose from the Commissioner upon application therefor and payment by the company concerned of the fees hereinafter prescribed.

"The Commissioner may refuse to issue a certificate of authority to any insurance company if, in his judgment, such refusal will best promote the interest of the people of this country. No such certificate of authority shall be granted to any such company until the Commissioner shall have satisfied himself by such

examination as he may make and such evidence as he may require that such company is qualified by the laws of the Philippines to transact business therein, that the grant of such authority appears to be justified in the light of economic requirements, and that the direction and administration, as well as the integrity and responsibility of the organizers and administrators, the financial organization and the amount of capital, reasonably assure the safety of the interests of the policyholders and the public.

"In order to maintain the quality of the management of the insurance companies and afford better protection to policyholders and the public in general, any person of good moral character, unquestioned integrity and recognized competence may be elected or appointed director or officer of insurance companies, in accordance with the pertinent provisions contained in the Corporate Governance circulars prescribed by the Commissioner. In addition hereto, the Commissioner shall prescribe the qualifications of directors, executive officers and other key officials of insurance companies for purposes of this section.

"No person shall concurrently be a director and/or officer of an insurance company and an adjustment company. Before issuing such certificate of authority, the Commissioner must be satisfied that the name of the company is not that of any other known company transacting a similar business in the Philippines, or a name so similar as to be calculated to mislead the public, in accordance with the provisions of the Corporation Code on the use of corporate names.

"Every company receiving any such certificates of authority shall be subject to the provisions of this Code and other related laws and to the jurisdiction and supervision of the Commissioner and other appropriate government agencies.

"No insurance company may be authorized to transact in the Philippines the business of life and non-life insurance concurrently unless specifically authorized to do so by the Commissioner. *Provided*, That the terms "life" and "non-life" insurance shall be deemed to include health, accident and disability insurance.

"No insurance company shall have equity in an adjustment company and neither shall an adjustment company have equity in an insurance company."

SEC. 31. Section 188 of The Insurance Code, as amended, is hereby renumbered as Section 192 and amended to read as follows:

"Sec. 192. No domestic stock insurance company shall engage in insurance or reinsurance business in the Philippines unless possessed of the required capitalization which includes minimum net worth and paid-up capital, as defined and provided under applicable orders and/or circulars issued by the Secretary of Finance, upon recommendation of the Insurance Commissioner. The Secretary of Finance may change such minimum net worth and paid-up capital stock requirement, under such terms and conditions as he may impose, to an amount which, in his opinion, would reasonably assure the safety of the interests of the policyholders and the public.

"The Commissioner may, as a pre-licensing requirement of a new insurance company, in addition to the paid-up capital stock, require the stockholders to pay in cash to the company in proportion to their subscription interests a contributed surplus fund in an amount as may be fixed in applicable orders and circulars duly issued by the Commissioner. He may also require such company or already existing companies, to submit to him a capital build-up program or a business plan showing the company's estimated receipts and disbursements, as well as the basis therefor, for the next succeeding three years.

"If organized as a mutual company, in lieu of such capital stock, it must have available cash assets in an amount not less than that required under present or future applicable orders or circulars issued by the Secretary of Finance, upon recommendation of the Commissioner. These required cash assets must be net of all liabilities for losses reported, expenses, taxes, legal reserve, and reinsurance of all outstanding risks, and the contributed surplus fund must be equal to the amounts required of stock corporations. A stock insurance company doing business in the Philippines may, subject to the pertinent laws and regulations which now are or hereafter may be in force, alter its organization and transform itself into a mutual insurance company."

SEC. 32. The old Section 189 of The Insurance Code, as amended, is hereby renumbered as Section 193 and the sections subsequent thereto are accordingly renumbered until Section 190, which shall be renumbered as Section 194.

SEC. 33. Section 191 of The Insurance Code, as amended, is hereby renumbered as Section 195 and amended to read as follows:

"Sec. 195. No insurance company organized or existing under the government or laws other than those of the Philippines shall engage in business in the Philippines unless possessed of paid-up unimpaired capital or assets and reserve not less than that required of domestic insurance companies under

applicable or order or circulars of the Commissioner, nor until it shall have deposited with the Commissioner for the benefit and security of the policyholders and creditors of such company in the Philippines, securities satisfactory to the Commissioner consisting of good securities of the Philippines, including new issues of stock of "registered enterprises", as this term is defined in Omnibus Investments Code, as amended, to the actual market value of not less than the minimum paid-up capital required of domestic insurance companies: *Provided*, That at least fifty *per centum* of such securities shall consist of bonds or other evidences of debt of the Government of the Philippines, its political subdivisions and instrumentalities, or of government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas. *Provided further*, that the total investment of a foreign insurance company in any registered enterprise shall not exceed twenty *per centum* of the net worth of said foreign insurance company nor twenty *per centum* of the capital of the registered enterprise, unless previously authorized in writing by the Commissioner.

"For purposes of this Code, the net worth of a foreign insurance company shall refer only to its net worth in the Philippines."

SEC. 34. Section 192 of The Insurance Code, as amended, is hereby renumbered as Section 196 and amended to read as follows:

"Sec. 196. The Commissioner shall hold the securities, deposited as required in the immediately preceding section, for the benefit and security of all the policyholders and creditors of the company depositing the same. *Provided*, That the Commissioner may, as long as the company is solvent, permit it to collect the interest or dividends on the securities so deposited, and, from time to time, with his assent, to withdraw any of such securities, upon depositing with said Commissioner other like securities, the market value of which shall be equal to the market value of such as may be withdrawn. In the event of any company ceasing to do business in the Philippines, the securities deposited as aforesaid shall be returned upon the company, upon the Commissioner's written approval and only after the company has duly proven in its application therefor that it has no further liability whatsoever under any of its policies nor to any of its creditors in the Philippines."

SEC. 35. The old Section 193 of The Insurance Code, as amended, is hereby renumbered as Section 197.

SEC. 36. Section 194 of The Insurance Code, as amended, is hereby renumbered as Section 198 and amended to read as follows:

"Sec. 198. An insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital and networth requirements as prescribed by the Commissioner. Such requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with and consideration of the recommendations of the insurance industry associations.

Such assets, liabilities and reserves shall exclude assets, liabilities and reserves included in separate accounts established in accordance with section [two hundred thirty-seven]. Whenever the aforementioned margin be found to be less than that herein required to be maintained, the Commissioner shall forthwith direct the company to make good any such deficiency by cash, to be contributed by all stockholders of record in proportion to their respective interest, and paid to the treasurer of the company, within fifteen days from receipt of the order: *Provided*, That the company in the interim shall not be permitted to take any new risk of any kind or character unless and until it make good any such deficiency: *Provided, further*, that a stockholder who aside from paying the contribution due from him, pays the contribution due from the another stockholder by reason of the failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the insurance company concerned appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stock, until the corresponding payment or reimbursement is made by the defaulting stockholder."

SEC. 37. Section 195 of The Insurance Code, as amended, is hereby renumbered as Section 199 and amended to read as follows:

"Sec. 199. No domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under Section One Hundred Ninety Eight and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

"(a) The entire paid-up capital stock;

"(b) In the case of life insurance corporation, the legal reserve fund required by Section [two hundred eleven];

"(c) In the case of corporations other than life, the legal reserve fund required by section [two hundred thirteen];

"(d) A sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes.

"Any dividend declared or distributed under the preceding paragraph shall be reported to the Commissioner within thirty days after such declaration or distribution.

"If the Commissioner finds that any such corporation has declared or distributed any such dividend in violation of this section, he may order such corporation to cease and desist from doing business until the amount of such dividend or the portion thereof in excess of the amount allowed under this section has been restored to said corporation."

SEC. 38. Section 196 of The Insurance Code, as amended, is hereby renumbered as Section 200 and amended to read as follows:

"Sec. 200. In any determination of the financial condition of any insurance company doing business in the Philippines, there shall be allowed and admitted as assets only such assets legally or beneficially owned by the insurance company concerned as determined by external auditors accredited by the Commissioner who examined the financial statements of the insurance company concerned and which consist of:

"1. Cash in the possession of the insurance company or in transit under its control, and the true and duly verified balance of any deposit of such company in a financially sound commercial bank or trust company.

"2. Investments in securities, including money market instruments, and in real property acquired or held in accordance with and subject to the applicable provisions of this Code and the income realized therefrom or accrued thereon.

"3. Loans granted by the insurance company concerned to the extent of that portion thereof adequately secured by non-speculative assets with readily realizable values in accordance with and subject to the limitations imposed by applicable provisions of this Code.

"4. Policy loans and other policy assets and liens on policies, contracts or certificates of a life insurance company, in an amount not exceeding legal reserves and other policy liabilities carried on each individual life insurance policy, contract or certificate.

"5. The net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurance company which carries the full mean tabular reserve liability.

"6. Reinsurance recoverable by the ceding insurer: (a) from an insurer authorized to transact business in this country, the full amount thereof; or (b) from an insurer not authorized in this country, in an amount not exceeding the liabilities carried by the ceding insurer for amounts withheld under a reinsurance treaty with such unauthorized insurer as security for the payment of obligations thereunder if such funds are held subject to withdrawal by, and under the control of, the ceding insurer. The Commissioner may prescribe the conditions under which a ceding insurer may be allowed credit, as an asset or as a deduction from loss and unearned premium reserves, for reinsurance recoverable from an insurer not authorized in this country but which presents satisfactory evidence that it meets the applicable standards of solvency required in this country.

"7. Funds withheld by a ceding insurer under a reinsurance treaty, provided reserves for unpaid losses and unearned premiums are adequately provided.

"8. Deposits or amounts recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the Commissioner to be available for the payment of losses and claims and values to be determined by him.

"9. Electronic data processing machines, as may be authorized by the Commissioner to be acquired by the insurance company concerned, the acquisition cost of which to be amortized in equal annual amounts within a period of five years from the date of acquisition thereof.

"10. Mutual funds, real estate investment trusts, unit investment trust funds and special deposit accounts.

"11. Other assets, not inconsistent with the provisions of paragraphs 1 to 10 hereof, which are deemed by the Commissioner to be readily realizable and available for the payment of losses and claims at values to be determined by him in a circular, rule or regulation.

"12. Other investments not otherwise covered by the above, provided that such may be reclassified as non-admitted assets after a subsequent audit conducted by the Commissioner."

SEC. 39. The old Section 197 of The Insurance Code, as amended, is hereby renumbered as Section 201.

SEC. 40. Section 198 of The Insurance Code, as amended, is hereby renumbered as Section 202 and amended to read as follows:

*Sec. 202. A life insurance company may lend to any of its policyholders upon the security of the value of its policy such sum as may be determined pursuant to the provisions of the policy.

*No insurance company shall loan any of its money or deposits to any person, corporation or association, except upon the security of any of the following:

*a) first mortgage or deeds of trust of registered, unencumbered, improved or unimproved real estate, including condominiums, in cities and centers of population of municipalities in the Philippines; or

*b) first mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural lands in the Philippines; or

*c) purchase money mortgages, lease purchase agreements or similar securities executed or received by it on account of the sale or exchange of real property acquired pursuant to sections [two hundred and two hundred two]; or

*d) bonds or other evidences of indebtedness issued or guaranteed by the of the Government of the Philippines or its political subdivisions authorized by law to incur such obligations or issue such guarantees or of government-owned or controlled corporations and instrumentalities including the Bangko Sentral ng Pilipinas; or

*e) obligations issued or guaranteed by universal banks, commercial banks, offshore banking units, investment houses or other financial intermediaries duly registered with the Bangko Sentral ng Pilipinas; or

*f) obligations issued or guaranteed by foreign banks or corporations, each of which shall have total assets of one billion US dollars, as shown in their financial statements as of the immediately preceding fiscal year; or

*g) assignments of monetary instruments such as cash deposits, promissory notes, deposit certificates or other similar instruments of universal banks, commercial banks, investments houses or other financial intermediaries duly registered with the Bangko Sentral ng Pilipinas;

*h) pledges of shares of stock, bonds or other evidences of indebtedness specified in section [two hundred thirty-four];

*i) chattel mortgages over equipment not more than three years old; and

*j) such other security as may be approved by the Commissioner.

The loans provided in the preceding subsection shall be subject to the following conditions:

"a) The amount of loan secured by real estate mortgage over a non-agricultural land shall not exceed eighty per centum of its appraised value, and in the case of a loan secured by a real estate mortgage over an agricultural land, the amount of loan shall not exceed forty per centum of its market value. Provided that, in no case shall such loan have a maturity period in excess of twenty-five years;

"b) Unless approved by the Commission, no loan may be granted upon the security of a mortgage on improved real estate if the improvements thereon do not belong to the owner of the land and the owner of the improvements does not sign the deed of mortgage. However, if the owner of the land is the Government of the Philippines or any of its political subdivisions and a long term lease has been executed in favor of the owner of the improvements, the owner of the land need not be a party to the deed of mortgage. The expiration date of the lease shall not, however, precede the maturity of the loan. The phrase "improved real estate" as used herein shall mean land with permanent building or buildings erected thereon;

"c) Purchase money mortgage, lease-agreements or similar securities received on the sale of real estate property shall not exceed one hundred per centum of the selling price of said property, or one hundred per centum of its market value at the time of its disposition, whichever amount is lower. However, in no case shall such mortgage or agreement have a maturity period of twenty-five years;

"d) Loans secured by pledges of shares of stock of solvent corporations or institutions shall not exceed fifty per centum of:

1) The latest selling price of such stocks listed in the stock exchange or unlisted stock traded elsewhere;

2) The book value of said stock, in case of stocks which are neither listed in any stock exchange nor transacted elsewhere; but the stock certificates for the shares pledge shall be endorsed or assigned to the

lending insurance company. The phrase "solvent corporation" as used herein shall mean a corporation or entity which has recorded profits for a period of at least three years immediately preceding the date of the loan;

"e) Loans secured by the chattel mortgages over equipment shall not exceed seventy-five per centum of the market value of said equipment; and

"f) Venture capital investments, equity on loans, shall not exceed, per investment, forty per centum of the insurance company's net worth as shown in its latest financial statement approved by the Commission."

SEC. 41. Section 199 of The Insurance Code, as amended, is hereby renumbered as Section 203 and amended to read as follows:

"Sec. 203. No loan by any insurance company on the security of real estate shall be made unless the title to such real estate shall have first been registered in accordance with the existing Land Registration Act, or shall have been previously registered under the provisions of the existing Mortgage Law and the lien or interest of the insurance company as mortgagee has been registered."

SEC. 42. Section 200 of The Insurance Code, as amended, is hereby renumbered as Section 204 and amended to read as follows:

"Sec. 204. (1) An insurance company may purchase, hold, own and convey such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the company, and such real or personal property as may have been purchased by it at sales under pledges, mortgages or deeds of trust for its benefit on account of money loaned by it; and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the company in payment or by reason of any loan made by it shall be sold by the company within twenty years after the title thereto has been vested in it.

"(2) An insurance company may purchase, hold, own and convey real and personal property as follows:

"(a) The real property in which the company conducts and carries on its business; Provided, That no domestic non-life insurance company shall invest in the kinds permitted under this section an amount in excess of twenty per centum of the net worth of such insurer as shown by its latest financial statement approved by the Board.

"(b) Bonds or other evidence of indebtedness of the Government of the Philippines or its political subdivisions authorized by law to issue bonds at the reasonable market value thereof.

"(c) Bonds or other evidences of debt of the government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.

"(d) Bonds, debentures or other evidences of indebtedness of any solvent corporations or institution created or existing under the laws of the Philippines: *Provided, however,* That the issuing, assuming or guaranteeing entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any three including the last two of the five fiscal years next preceding the date of acquisition by such insurance company of such bonds, debentures, or other evidences of indebtedness, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges, as hereinafter defined, shall have been not less than one and one-quarter times the total of its fixed charges for such year, and *Provided, further,* that no life insurance company shall invest in or loan upon the obligations of any one institution in the kinds permitted under this sub-section an amount in excess of twenty-five per centum of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment.

"As used in this sub-section the term *"net earnings available for fixed charges"* shall mean net income after deducting operating and maintenance expenses, taxes other than income taxes, depreciation and depletion; but excluding extraordinary non-recurring items of income or expense appearing in the regular financial statement of the issuing, assuming or guaranteeing institution. The term *"fixed charges"* shall include interest on funded and unfunded debt, amortization of debt discount, and rentals for leased properties.

"(e) Preferred or guaranteed stocks of any solvent corporation or institution created or existing under the laws of the Philippines; *Provided,* That if the stocks are guaranteed, the amount of stocks so guaranteed is not excess of fifty per centum of the amount of the preferred or common stocks, as the case may be, of the guaranteeing corporation; and *Provided, finally,* That no life insurance company shall invest in or loan upon obligations of any one institution in the kinds permitted under this sub-section an amount in excess of ten per centum of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment.

"(f) Common stocks of any solvent corporation or institution created or existing under the laws of the Philippines; *Provided, however,* That no life insurance company shall invest in or loan upon the obligations of any one

corporation or institution in the kinds permitted under this sub-section an amount in excess of ten per centum of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment.

"(g) Securities issued by an "registered enterprise", as this term is defined in Republic Act No. 5186, otherwise known as the Investment Incentives Act, as amended, provided that the total investment of a domestic non life insurance company in any registered enterprise shall not exceed fifty per centum of the net worth of said insurance company as shown by its aforesaid financial statement unless previously authorized by the Commissioner.

"(h) Certificates, notes and other obligations issued by the trustees or receivers of any institution created or existing under the laws of the Philippines which, or the assets of which, are being administered under the direction of any court having jurisdiction; *Provided, however,* That such certificates, notes or other obligations are adequately secured as to principal and interests.

"(i) Equipment trust obligations or certificates which are adequately secured or other adequately secured instruments evidencing an interest in equipment wholly or in part within the Philippines; *Provided, however,* That there is a right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such equipment.

"(j) Any obligation of any corporation or institution created or existing under the laws of the Philippines which is, on the date of acquisition by the insurer, adequately secured and has qualities and characteristics wherein the speculative elements are not predominant.

"(k) Such other securities as may be approved by the Commissioner.

"(3) Any domestic insurer which has outstanding insurance, annuity or reinsurance contracts in currencies other than the national currency of the Philippines may invest in, or otherwise acquire or loan upon securities and investments in such currency which are substantially of the same kinds, classes and investment grades as those eligible for investment under the foregoing subdivisions of this section; but the aggregate amount of such investment and of such cash in such currency which is at anytime held by such insurer shall not exceed one and one-half times the amount of its reserves and other obligations under such contracts or the amount of its reserves and other obligations under such contracts or the amount which such insurer is required by the law of any country outside the Republic of the Philippines to be invest in such country, whichever shall be greater."

SEC. 43. Section 201 of The Insurance Code, as amended, is hereby renumbered as Section 205 and amended to read as follows:

"Sec. 205. An insurance company may (1) invest in equities of other financial institutions, and (2) engage in the buying and selling of short-term debt instruments: *Provided*, That any or all of such investments shall be with the prior approval of the Commissioner, except listed equities of other financial institutions."

SEC. 44. Section 202 of The Insurance Code, as amended, is hereby renumbered as Section 206 and its paragraph (a) is hereby amended to read as follows:

"(a) Acquire or construct housing projects and, in connection with any such project, may acquire land or any interest therein by purchase, lease or otherwise, or use land acquired pursuant to any other provision of this Code. Such company may thereafter own, maintain, manage, collect or receive income from, or sell and convey, any land or interest therein so acquired and any improvements thereon. The aggregate book value of the investments of any such company in all such projects shall not exceed at the time of such investments twenty five per centum of the total admitted assets of such company on the thirty-first day of December next preceding; *Provided*, That the funds of the company for the payment of pending claims and obligations shall not be used for such investments."

SEC. 45. The old Section 203 of The Insurance Code, as amended, is hereby renumbered as Section 207 and the sections subsequent thereto are accordingly renumbered until Section 207, which shall be renumbered as Section 211.

SEC. 46. Section 208 of The Insurance Code, as amended, is hereby renumbered as Section 212 and amended to read as follows:

"Sec. 212. (1) All bonds or other evidences of indebtedness having a fixed term and rate of interest and held by any life insurance company authorized to do business in this country, if amply secured and if not in default as to principal or interest, shall be valued based on their amortized cost using effective interest method less impairment and unrecoverable amount based on appropriate measurement methods which are generally accepted in the industry and accepted by the Commission. The Commissioner shall have the power to determine the eligibility of any such investments for valuation on the basis of amortization, and may by regulation prescribe or limit the classes of securities so eligible for amortization. All bonds or other evidences of indebtedness which in the judgment of the Commissioner are not amply secured shall not be eligible for amortization and shall be valued in accordance with paragraph two. The Commissioner may, if he finds that the interest of policy holders so permit or require, by official regulation permit or require any class or classes of insurers, other than life insurance companies, authorized to do business in this country, to

value their bonds or other evidences of indebtedness in accordance with the foregoing rule.

“(2) The investments of all insurers authorized to do business in this country, except securities subject to amortization and except as otherwise provided in this chapter, shall be valued, in the discretion of the Commissioner, at their market value at their amortized cost using effective interest method less impairment and unrecoverable amount or at valuation representing their fair market value. If the Commissioner finds that in view of the character of investments of any insurer authorized to do business in this country it would be prudent for such insurer to establish a special reserve for possible losses or fluctuations in the values of its investments, he may require such insurer to establish such reserve, reasonable in amount, and include a report thereon in any statement or report of the financial condition of such insurer. The Commissioner may, in connection with any examination or required financial statement of an authorized insurer, require such insurer to furnish him complete financial statements and audited report of the financial condition of any corporation of which the securities are owned wholly or partly by such insurer and may cause an examination to be made of any subsidiary or affiliate of such insurer as appropriate to specific investments as provided in appropriate circulars issued by the Commissioner.

“(3) The stock of an insurance company shall be valued as follows: a) listed stocks shall be valued at market value and periodically adjusted to reflect market changes through a special valuation account to reflect their realizable value when sold; b) unlisted stocks shall be valued at book value based on the latest unqualified audited financial statements of the company which issued such stocks; and c) stocks of a corporation under the control of the insurer shall be valued using the equity method which is the cost plus or minus the share of the controlling company in the earnings or losses of the controlled company after acquisition of such stocks.

“(4) The stock of an insurance company shall be valued at the lesser of its market value or its book value as shown by its last approved audited financial statements or the last report on examination, whichever is more recent. The book value of a share of common stock of an insurance company shall be ascertained by dividing (a) the amount of its capital and surplus less the value of all of its preferred stock, if any, outstanding, by (b) the number of shares of its common stock issued and outstanding. Notwithstanding the foregoing provisions, an insurer may, at its option, value its holdings of stock in a subsidiary insurance

company in an amount not less than acquisition cost if such acquisition cost is less than the value determined as hereinbefore provided.

"(5) Real estate required by foreclosure or by deed in lieu thereof, in the absence of a recent appraisal deemed by the Commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan at the date of such foreclosure or deed, together with any taxes and expenses paid or incurred by such insurer at such time in connection with such acquisition, and the cost of additions or improvements thereafter paid by such insurer and any amount or amounts thereafter paid by such insurer on any assessments levied for improvements in connection with the property.

"(6) Purchase money mortgages received on dispositions of real property held pursuant to section [one hundred ninety-eight] shall be valued in an amount equivalent to ninety per centum of the value of such real property. Purchase money mortgages received on disposition of real property otherwise held shall be valued in an amount not exceeding ninety per centum of the value of such real property as determined by an appraisal made by an appraiser at or about the time of disposition of such real property.

"(7) The stock of a subsidiary of an insurer shall be valued on the basis of the greater of (i) the value of only such subsidiary of the assets of such subsidiary as would constitute lawful investments for the insurer if acquired or held directly by the insurer or (ii) such other value determined pursuant to standards and cumulative limitations, contained in a regulation to be promulgated by the Commissioner.

"(8) Notwithstanding any provision contained in this section or elsewhere in this chapter, if the Commissioner find that the interests of policyholders so permit or require, he may permit or require any class or classes of insurers authorized to do business in this country to value their investments or any class or classes thereof as of any date heretofore or hereafter in accordance with any applicable valuation or method."

SEC. 47. The old Section 209 of The Insurance Code, as amended, is hereby renumbered as Section 213.

SEC. 48. Section 210 of The Insurance Code, as amended, is hereby renumbered as Section 214 and amended to read as follows:

"Sec. 214. Every life insurance company, doing business in the Philippines, shall annually make a valuation of all policies, additions thereto, unpaid dividends, and all other obligations outstanding on the thirty-first day of

December of the preceding year. All such valuations shall be made according to the standard adopted by the company, as prescribed by the Commissioner in accordance with internationally accepted actuarial standards, which standard shall be stated in its annual report.

"Such standard of valuation shall be according to a standard table of mortality with interest at not more than six per centum compound interest. When the preliminary term basis is used, the term insurance shall be limited to the first policy year.

"The results of such valuations shall be reported to the Commissioner on or before the thirtieth day of April of each year accompanied by a sworn statement of the company's actuary certifying to the figures and stating upon what mortality table it is based, upon what rate of interest the valuation is made, and the methods used in arriving at the result obtained."

SEC. 49. The old Section 211 of The Insurance Code, as amended, is hereby renumbered as Section 212 and the sections subsequent thereto are accordingly renumbered until Section 218, which shall be renumbered as Section 222.

SEC. 50. Section 219 of The Insurance Code, as amended, is hereby renumbered as Section 223 and amended to read as follows:

"Sec. 223. Any insurance company doing business in the Philippines desiring to cede their excess risks to foreign insurance or reinsurance companies not authorized to transact business in the Philippines may do so under such terms and conditions which the Commissioner may prescribe.

"Should any reinsurance agreement be for any reason cancelled or terminated, the ceding company concerned shall inform the Commissioner in writing of such cancellation or termination within thirty days from the date of such cancellation or termination or from the date notice or information of such cancellation or termination is received by such company as the case may be."

SEC. 51. Section 220 of The Insurance Code, as amended, is hereby renumbered as Section 224 and amended to read as follows:

"Sec. 224. Every insurance company authorized to do business in the Philippines shall report to the Commissioner on forms prescribed by him the particulars of reinsurance treaties or any new treaties or changes in existing treaties within six months from their effectivity."

SEC. 52. The old Section 221 of The Insurance Code, as amended, is hereby renumbered as Section 225 and the sections subsequent thereto are accordingly renumbered until Section 224, which shall be renumbered as Section 228.

SEC. 53. Section 225 of The Insurance Code, as amended, is hereby renumbered as Section 229 and amended to read as follows:

"Sec. 229. Within thirty days after the approval of the Board of Directors, every insurance company doing business in the Philippines shall publish in a newspaper of general circulation a synopsis of its audited annual financial statements showing fully the conditions of its business and setting forth its resources and liabilities, in accordance with such form prescribed by the Commissioner."

SEC. 54. A new Section 230 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 230. The Commissioner shall have the authority to make, amend, and rescind such accounting rules and regulations as may be necessary to carry out the provisions of this Code, and define accounting, technical and trade terms used in this Code, provided that such shall be in accordance with internationally accepted accounting standards. Among other things, the Commissioner may prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and income statement, and the methods to be followed in the preparation of accounts, appraisal or valuation of assets and liabilities, determination of recurring and nonrecurring income, differentiation of investment and operating income, and in the preparation, where the Commissioner deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the insurance company."

SEC. 55. The old Section 226 of The Insurance Code, as amended, is hereby renumbered as Section 231 and the sections subsequent thereto are accordingly renumbered until Section 227, which shall be renumbered as Section 231.

SEC. 56. Section 228 of The Insurance Code, as amended, is hereby renumbered as Section 232 and its paragraphs (g) and (l) are hereby amended to read as follows:

"(g) A provision that the insurer will issue to the policyholder for delivery to each person insured a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights set forth in paragraphs (h), (i) and (j) following;" and

"(i) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates and who has been so insured for five years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance subject to the same limitations as set forth in paragraph (h), except that the group policy may provide that the amount of such individual policy shall not exceed the amount of the person's life insurance protection ceasing;"

SEC. 57. The old Section 229 of The Insurance Code, as amended, is hereby renumbered as Section 233 and the sections subsequent thereto are accordingly renumbered until Section 244, which shall be renumbered as Section 248.

SEC. 58. A new Section 249 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 249. It is unlawful to: a) present or cause to be presented any false or fraudulent claim for the payment of a loss under a contract of insurance; and b) prepare, make or subscribe any writing with intent to present or use the same, or to allow it to be presented or used in support of any such claim. Any person who violates this section shall be punished by a fine not exceeding twice the amount claimed or imprisonment of five years or both at the discretion of the Court."

SEC. 59. The old Section 245 of The Insurance Code, as amended, is hereby renumbered as Section 250 and the sections subsequent thereto are accordingly renumbered until Section 247, which shall be renumbered as Section 252.

SEC. 60. Section 248 of The Insurance Code, as amended, is hereby renumbered as Section 253 and a new last paragraph is added to read as follows:

"No insurance company, life or non-life, or any professional reinsurer, ordered to be liquidated by the Commissioner under the provisions hereunder may be

rehabilitated or authorized to transact anew, insurance or reinsurance business, as the case may be."

SEC. 61. The old Section 249 of The Insurance Code, as amended, is hereby renumbered as Section 254 and the sections subsequent thereto are accordingly renumbered until Section 270, which shall be renumbered as Section 276.

SEC. 62. Section 271 of The Insurance Code, as amended, is hereby renumbered as Section 277 and its paragraphs (4) and (8) are amended to read as follows:

"(4) The presence in person or by proxy of five *per centum* of the members entitled to vote at any meeting shall constitute a quorum for the transaction of business, including the amendment of the Articles of Incorporation and/or the by-laws, unless otherwise provided by the by-laws." and

"(8) All insurers mutualized under the provisions of this chapter shall be subject to all other applicable provisions of this Code. The provisions of the Corporation Code shall apply in a suppletory manner."

SEC. 63. The old Section 272 of The Insurance Code, as amended, is hereby renumbered as Section 278.

SEC. 64. A new Section 279 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 279. A domestic mutual life insurance company doing business in the Philippines may convert itself into an incorporated stock life insurance company by demutualization. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this Title.

"The conversion of a domestic mutual life insurance company to an incorporated stock life insurance company shall be carried out pursuant to a conversion plan duly approved by the Commissioner.

"The Commissioner shall promulgate such rules and regulations as he or she may deem necessary to carry out the provisions of this Title, after due consultation with representatives of the insurance industry.

"All converted insurers under the provisions of this Title shall be subject to all other applicable provisions of Code. The provisions of the Corporation Code shall apply in a suppletory manner."

SEC. 65. The old Section 273 of The Insurance Code, as amended, is hereby renumbered as Section 280 and the sections subsequent thereto are accordingly renumbered until Section 275, which shall be renumbered as Section 282.

SEC. 66. Section 276 of The Insurance Code, as amended, is hereby renumbered as Section 283 and amended to read as follows:

"Sec. 283. The Commissioner shall cause an examination of the books and records of the withdrawing company, and if, upon such examination, the Commissioner finds that the insurer has no outstanding liabilities to policyholders and creditors in the Philippines, and no policies uncanceled; or its primary liabilities have not been reinsured and assumed by another insurance company authorized to transact business in the Philippines, as required in the preceding section, it shall cancel the withdrawing company's certificate of authority, if unexpired, and shall permit the insurer to withdraw. The cost and expenses of all such examination shall be paid as prescribed in section [four hundred seventeen]."

SEC. 67. The old Section 277 of The Insurance Code, as amended, is hereby renumbered as Section 284 and the sections subsequent thereto are accordingly renumbered until Section 279, which shall be renumbered as Section 286.

SEC. 68. Section 280 of The Insurance Code, as amended, is hereby renumbered as Section 287 and amended to read as follows:

"Sec. 287. Except as otherwise provided in this Code, no person, partnership, association or corporation shall transact any business in the Philippines as a professional reinsurer until it shall have obtained a certificate of authority for that purpose from the Commissioner upon the application therefor and payment by such person, partnership, association or corporation of the fees hereinafter prescribed. As used in this Code, the term "*professional reinsurer*" shall mean any person, partnership, association or corporation that transacts solely and exclusively reinsurance business in the Philippines.

"The Commissioner may refuse to issue a certificate of authority to any partnership, association or corporation if, in his judgment, such refusal will best promote public interest. No such certificate of authority shall be granted to any such partnership, association or corporation unless and until the Commissioner shall have satisfied himself by such examination as he may make and such evidence as he may require that such partnership, association or corporation is qualified by the laws of the Philippines to transact business therein as a professional reinsurer.

"Before issuing such certificate of authority of the Commissioner must be satisfied that the name of the applicant is not that of any other known company transacting insurance or reinsurance business in the Philippines, or a name so similar as to be calculated to mislead the public.

"The certificate of authority shall be valid unless sooner revoked or cancelled by the Commissioner.

"Every such partnership, association, or corporation receiving such certificate of authority shall be subject to the provisions of this Code and other related laws, and to the jurisdiction and supervision of the Commissioner."

SEC. 69. Section 281 of The Insurance Code, as amended, is hereby renumbered as Section 288 and amended to read as follows:

"Sec. 288. Any partnership, association, or corporation authorized to transact solely reinsurance business must have a capitalization of at least two billion pesos, paid in cash, of which at least fifty per centum consists of paid-up capital and the remaining portion thereof as contributed surplus, which in no case shall be less than four hundred million pesos or such capitalization as may be determined by the Secretary of Finance, upon the recommendation of the Commissioner; *Provided*, That twenty-five per centum of the paid-up capital must be invested in securities satisfactory to the Commissioner, consisting of bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas, and deposited with the Commissioner, and the remaining seventy-five *per centum* in such other securities as may be allowed and permitted by the Commissioner, which securities shall at all times be maintained free from any lien or encumbrance: *Provided*, That the aforesaid capital requirement is without prejudice to other requirements to be imposed under any risk-based capital method that may be adopted by the Commissioner: *Provided, Finally*, That the

provisions of this chapter applicable to insurance companies shall so far as practicable be likewise applicable to professional reinsurers."

SEC. 70. The old Section 282 of The Insurance Code, as amended, is hereby renumbered as Section 289 and the sections subsequent thereto are accordingly renumbered until Section 298, which shall be renumbered as Section 305.

SEC. 71. Section 299 of The Insurance Code, as amended, is hereby renumbered as Section 306 and its second paragraph is amended to read as follows:

"No insurance company doing business in the Philippines, nor any agent thereof, shall pay any commission or other compensation to any person for services in obtaining insurance, unless such person shall have first procured from the Commissioner a license to act as an insurance agent of such company or as an insurance broker as hereinafter provided. An insurance agent is an independent contractor and not an employee of the company represented. "Insurance agent" includes agency leader, agency manager, or their equivalent.

"No person shall act as an insurance agent or as an insurance broker in the solicitation or procurement of applications for insurance, or receive for services in obtaining insurance, any commission or other compensation from any insurance company doing business in the Philippines, or any agent thereof, without first procuring a license to act from the Commissioner, which must be renewed every five years thereafter. Such license, which shall ipso facto expire upon termination of the agent's agreement with the insurance company, shall be issued by the Commissioner only upon the written application of the person desiring it, such application if for a license to act as insurance agent, being approved and countersigned by the company such person desires to represent, and shall be upon a form prescribed by the Commissioner giving such information as he may require, and upon payment of the corresponding fee hereinafter prescribed. The Commissioner shall satisfy himself as to competence and trustworthiness of the applicant and shall have the right to refuse to issue or renew and to suspend or revoke any such license in his discretion."

SEC. 72. A new Section 299-A of The Insurance Code, as amended, is hereby added to read as follows:

"The provisions of Sections 299 and 300 shall apply to an employee who shall be engaged to sell insurance products by an insurance company.

"Since the insurance industry is imbued with public interest, the insurance companies upon approval of the Commission may exercise wide latitude in supervising the activities of their insurance agents to ensure the protection of the insuring public."

SEC. 73. The old Section 300 of The Insurance Code, as amended, is hereby renumbered as Section 307 and the sections subsequent thereto are accordingly renumbered until Section 316, which shall be renumbered as Section 323.

SEC. 74. Section 317 of The Insurance Code, as amended, is hereby renumbered as Section 324 and its first paragraph is amended to read as follows:

"A certificate of registration issued to a resident agent shall expire on the thirtieth day of June of the fifth year following its issuance unless it is renewed."

SEC. 75. The old Section 318 of The Insurance Code, as amended, is hereby renumbered as Section 325 and the sections subsequent thereto are accordingly renumbered until Section 327, which shall be renumbered as Section 334.

SEC. 76. Section 328 of The Insurance Code, as amended, is hereby renumbered as Section 335 and amended to read as follows:

"Sec. 335. Any adjuster's license issued hereunder shall be valid until after the thirtieth day of June of the fifth year following the issuance of such license unless it is renewed; Provided that, such license shall ipso facto expire upon termination of the independent adjuster's agreement with the insurance company, or of the public adjuster's agreement with the insured, as the case may be."

SEC. 77. The old Section 329 of The Insurance Code, as amended, is hereby renumbered as Section 336 and the sections subsequent thereto are accordingly renumbered until Section 335, which shall be renumbered as Section 342.

SEC. 78. Section 336 of The Insurance Code, as amended, is hereby renumbered as Section 343 and its second paragraph is amended to read as follows:

"No certificate of registration issued under this title shall be valid after the thirtieth day of June of the fifth year following its issuance unless it is renewed."

SEC. 79. The old Section 337 of The Insurance Code, as amended, is hereby renumbered as Section 344 and the sections subsequent thereto are accordingly renumbered until Section 364, which shall be renumbered as Section 371.

SEC. 80. A new Section 372 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 372. The Commissioner, in consultation with the duly accredited associations representing the insurance industry, shall adopt and promulgate a code of conduct to promote integrity, honesty and ethical business practices among insurance agents, distributors and other intermediaries."

SEC. 81. A new Title on Bancassurance and Sections 373 to 375 of The Insurance Code, as amended, are hereby added to read as follows:

"Title 9

"BANCASSURANCE

"Sec. 373. The term "bancassurance" shall mean the presentation and sale to bank customers by an insurance company of its insurance products within or outside the premises of the head office of such bank duly licensed by the Bangko Sentral ng Pilipinas or any of its branches under such rules and regulations which the Commission may promulgate. To engage in bancassurance, the bank is not required to have equity ownership of the insurance company. No insurance company shall engage in the business of bancassurance unless it possesses all the requirements as may be prescribed by the Commission.

"No insurance product under this Section, whether life or non-life, shall be issued or delivered unless in the form previously approved by the Commission.

"Sec. 374. Personnel tasked to present and sell insurance products within the bank premises shall be duly licensed by the Commission and shall be subject to the rules and regulations of this Act.

"Sec. 375. The Commission, in coordination with the Bangko Sentral ng Pilipinas, shall promulgate rules and regulations to effectively supervise the business of bancassurance."

SEC. 82. Chapter of the Insurance Code, "Security Fund", consisting of Sections 365 up to 372 is hereby deleted.

SEC. 83. The old Section 373 of the Insurance Code, as amended, is hereby renumbered as Section 376 and the sections subsequent thereto are accordingly renumbered until Section 412, which shall be renumbered as Section 415.

SEC. 84. Section 413 of The Insurance Code, as amended, is hereby renumbered as Section 424 and amended to read as follows:

"Sec. 416. All trustees shall, before entering in the performance of the duties of their trust, obtain a certificate of registration from the Commissioner.

"All provisions of this Code governing mutual benefit associations and such other provisions herein, whenever practicable and necessary, shall be applicable to trusts for charitable uses."

SEC. 85. A new Section 425 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 417. The treasurer of a charitable trust shall file a fidelity bond in the amount commensurate with the value of the trust property in his custody, as may be determined by the Commissioner."

SEC. 86. A new Chapter on Trust Business in General and Section 418 to 422 of The Insurance Code, as amended, are hereby added to read as follows:

"Chapter VIII

"TRUST BUSINESS IN GENERAL

"Sec. 418. An insurance company duly authorized by the Insurance Commission may engage in trust business, which trust business shall be separate and distinct from the general business of the insurance company, without need of securing a license from the Bangko Sentral ng Pilipinas. The insurance company shall act as a trustee or administer any trust or hold property in trust or on deposit for the use, benefit, or behoof of others. For purposes of this Act, such separate, distinct and duly authorized trust business shall be referred to as a trust entity.

"Sec. 419. A trust entity shall administer property under its custody with the diligence that a prudent man would exercise in the conduct of an enterprise of a like character and with similar aims. No trust entity shall, for the account of the trustor or the beneficiary of the trust, purchase or acquire property from, or sell, transfer, assign or lend money or property to, or purchase debt instruments of, any of the departments, directors, officers, stockholders, or employees of the trust entity, relatives within the first degree of consanguinity or affinity, or the related interests, of such directors, officers and stockholders, unless prior to the transaction, such transaction is specifically authorized by the trustor and the relationship between the trustee and the other party involved in the transaction is fully disclosed to the trustor or beneficiary of the trust. The Insurance Commission shall promulgate such rules and regulations as may be necessary to regulate the conduct of trust business by insurance companies.

"Sec. 420. The trust business and all funds, properties or securities received by any trust entity as executor, administrator, trustee, receiver, or depository shall be kept separate and distinct from the general business of the insurance company, or allied insurance company including all other funds, properties, and assets of such trust entity. The accounts of all such funds, properties, or securities shall likewise be kept separate and distinct from the accounts of the general business of the trust entity.

"Sec. 421. Unless otherwise directed by the instrument creating the trust, the lending and investment of funds and other assets acquired by a trust entity as executor, administrator, or trustee, shall be limited to loans or investments as may be prescribed by law, and/or the Insurance Commission.

"Sec. 422. No assets held by a trust entity in its capacity as trustee shall be subject to any claims other than those of the parties interested in the specific trusts."

SEC. 87. A new Chapter on Registration, Responsibilities and Oversight of Self-Regulatory Organizations and Sections 423 to 429 of The Insurance Code, as amended, are hereby added to read as follows:

"Chapter IX

***REGISTRATION, RESPONSIBILITIES AND OVERSIGHT OF SELF-REGULATORY ORGANIZATIONS**

***Sec. 423.** The Commissioner shall have the power to register as a self-regulatory organization, or otherwise grant licenses, and to regulate, supervise, examine, suspend or otherwise discontinue, as a condition for the operation of organizations whose operations are related to or connected with the insurance market such as but not limited to associations of insurance companies, whether life or non-life, reinsurers, actuaries, agents, brokers, dealers, mutual benefit associations, trusts, rating agencies, and other persons regulated by the Commissioner, which are engaged in the business regulated by this Code.

***The Commissioner may prescribe rules and regulations which are necessary or appropriate in the public interest or for the protection of investors to govern self-regulatory organizations and other organizations licensed or regulated pursuant to the authority granted in hereunder, including but not limited to the requirement of cooperation within and among all participants in the insurance market to ensure transparency and facilitate exchange of information.**

***Sec. 424.** An association cannot be registered as a self-regulatory organization unless the Commissioner determines that:

***(a)** The association is so organized and has the capacity to be able to carry out the purposes of this Code and to comply with, and to enforce compliance by its members and persons associated with its members, with the provisions of this Code, the rules and regulations thereunder, and the rules of the association.

***(b)** The rules of the association, notwithstanding anything in the Corporation Code to the contrary, provide that:

- (i)** Any entity possessing the qualifications set out in the rules and none of the disqualifications may become a member of the association;
- (ii)** There exists a fair representation of its members to serve on the Board of Directors of the association and in the administration of its affairs, and that any natural person associated with a juridical entity that is a member shall himself be deemed to be a member for this purpose;
- (iii)** The Board of Directors of the association includes in its composition: (a) the president of the association and (b) at least 2 independent directors;
- (iv)** For the equitable allocation of reasonable dues, fees, and other charges among members and other persons using any facility or system which the association operates or controls;

- (v) For the prevention of fraudulent and manipulative acts and practices, the promotion of just and equitable principles of business, and, in general, the protection of the insuring public;
- (vi) That its members and persons associated with its members shall be appropriately disciplined for violation of any provision of this Code, the rules or regulations thereunder, or the rules of the association;
- (vii) That a fair procedure for the disciplining of members and persons associated with members, the denial of membership to any person seeking membership therein, the barring of any person from becoming associated with a member thereof, and the prohibition or limitation by the association of any person with respect to access to services offered by the association or a member thereof.

*Sec. 425. A self-regulatory organization may examine and verify the qualifications of an applicant to become a member in accordance with procedures established by the rules of the association.

"A self-regulatory organization shall deny membership or condition the membership of, an entity, if the entity:

- (i) Does not meet the standards of financial responsibility, operational capability, training, experience, or competence that are prescribed by the rules of the association; or
- (ii) Has engaged, and there is a reasonable likelihood it will again engage, in acts or practices inconsistent with just and equitable principles of fair trade.

"A self-regulatory organization may deny membership to an entity not engaged in a type of business in which the rules of the association require members to be engaged.

*Sec 426. Upon the filing of an application for registration as a self-regulatory organization under this Title, the Commissioner shall have ninety (90) days within which to either grant registration or institute a proceeding to determine whether registration should be denied. In the event proceedings are instituted, the Commissioner shall have two hundred seventy (270) days within which to conclude such proceedings at which time it shall, by order, grant or deny such registration.

*Sec. 427. Every self-regulatory organization shall comply with the provisions of this Code, the rules and regulations thereunder, and its own rules, and enforce compliance therewith, notwithstanding any provision of the Corporation Code to the contrary, by its members, persons associated with its members or its participants.

"Sec. 428. Each self-regulatory organization shall submit to the Commissioner for prior approval any proposed rule or amendment thereto, together with a concise statement of the reason and effect of the proposed amendment.

"Within sixty (60) days after submission of a proposed amendment, the Commissioner shall, by order, approve the proposed amendment. Otherwise, the same may be made effective by the self-regulatory organization.

"In the event of an emergency requiring action for the protection of the insuring public, a self-regulatory organization may put a proposed amendment into effect summarily: Provided, however, That a copy of the same shall be immediately submitted to the Commissioner.

"The Commissioner is further authorized, if after making appropriate request in writing to a self-regulatory organization that such organization effect on its own behalf specified changes in its rules and practices and, after due notice and hearing it determines that such changes have not been effected, and that such changes are necessary, by rule or regulation or by order, may alter, abrogate or supplement the rules of such self-regulatory organization in so far as necessary or appropriate to effect such changes in respect of such matters as:

"(a) Safeguards in respect of the financial responsibility of members and adequate provision against the evasion of financial responsibility through the use of corporate forms or special partnerships;

"(b) The supervision of market practices;

"(c) The manner, method, and place of soliciting business;

"(d) The fixing of reasonable rates of fees, interest, listing and other charges, but not rates of commission; and self-regulatory organization

"(e) The supervision, auditing and disciplining of members.

"In addition to the general powers of the Commissioner over the entities under his/her supervision, the Commissioner, after due notice and hearing, is authorized, in the public interest and to protect insuring public:

"(a) To suspend for a period not exceeding twelve (12) months or to revoke the registration of a self-regulatory organization, or to censure or impose limitations on the activities, functions, and operations of such self-regulatory organization, if the Commission finds that such a self-regulatory organization has willfully violated or is unable to comply with any provision of this Code or of the rules and regulations thereunder, or its own rules, or has failed to enforce compliance therewith by a member of, person associated with a member, or a participant in such self-regulatory organization;

"(b) To expel from a self-regulatory organization any member thereof or any participant therein who is found to have willfully violated any provision of this Code or suspend for a period not exceeding twelve (12) months for violation of any provision of this Code or any other laws administered by the Commission, or the rules and regulations thereunder, or effected, directly or indirectly, any transaction for any person who, such member or participant had reason to believe, was violating in respect of such transaction any of such provisions; and

"(c) To remove from office or censure any officer or director of a self-regulatory organization if it finds that such officer or director has violated any provision of this Code, any other law administered by the Commissioner, the rules or regulations thereunder, or the rules of such self-regulatory organization, abused his authority, or without reasonable justification or excuse has failed to enforce compliance with any of such provisions.

*Sec. 429. (a) A self-regulatory organization is authorized to discipline a member of or participant in such self-regulatory organization, or any person associated with a member, including the suspension or expulsion of such member or participant, and the suspension or bar from being associated with a member, if such person has engaged in acts or practices inconsistent with just and equitable principles of fairness or in willful violation of any provision of the Code, any other law administered by the Commission, the rules or regulations thereunder, or the rules of the self-regulatory organization. In any disciplinary proceeding by a self-regulatory organization (other than a summary proceeding pursuant to paragraph (b) of this subsection) the self-regulatory organization shall bring specific charges, provide notice to the person charged, afford the person charged with an opportunity to defend against the charges, and keep a record of the proceedings. A determination to impose a disciplinary sanction shall be supported by a written statement of the offense, a summary of the evidence presented and a statement of the sanction imposed.

"(b) A self-regulatory organization may summarily: (i) suspend a member, participant or person associated with a member who has been or is expelled or suspended from any other self-regulatory organization; or (ii) suspend a member who the self-regulatory organization finds to be in such financial or operating difficulty that the member or participant cannot be permitted to continue to do business as a member with safety to investors, creditors, other members, participants or the self-regulatory organization: Provided, That the self-regulatory organization immediately notifies the Commission of the action taken. Any person aggrieved by a summary action pursuant to this paragraph shall be promptly afforded an opportunity for a hearing by the association in accordance

with the provisions of paragraph (a) of this subsection. The Commissioner, by order, may stay a summary action on its own motion or upon application by any person aggrieved thereby, if the Commissioner determines summarily or after due notice and hearing (which hearing may consist solely of the submission of affidavits or presentation of oral arguments) that a stay is consistent with the public interest and the protection of the insuring public.

"(c) A self-regulatory organization shall promptly notify the Commission of any disciplinary sanction on any member thereof or participant therein, any denial of membership or participation in such organization, or the imposition of any disciplinary sanction on a person associated with a member or a bar of such person from becoming so associated. Within thirty (30) days after such notice, any aggrieved person may appeal to the Commissioner from, or the Commissioner on its own motion within such period, may institute review of, the decision of the self-regulatory organization, at the conclusion of which, after due notice and hearing (which may consist solely of review of the record before the self-regulatory organization), the Commissioner shall affirm, modify or set aside the sanction. In such proceeding the Commissioner shall determine whether the aggrieved person has engaged or omitted to engage in the acts and practices as found by the self-regulatory organization, whether such acts and practices constitute willful violations of this Code, any other law administered by the Commission, the rules or regulations thereunder, or the rules of the self-regulatory organization as specified by such organization, whether such provisions were applied in a manner consistent with the purposes of this Code, and whether, with due regard for the public interest and the protection of investors the sanction is excessive or oppressive."

SEC. 88. A new Chapter on Confidentiality and a new Section 430 of The Insurance Code, as amended, are hereby added to read as follows:

***Chapter X**

***CONFIDENTIALITY**

*Sec. 430. All life insurance companies doing business in the Philippines are hereby required to inform persons applying for life insurance as well as persons proposed for insurance that as part of the underwriting procedure, a report may be obtained by the insurance company that will provide it with applicable and relevant information regarding the person's health, mode of living, and other personal background as gathered from the person himself, from the

results of any required physical examination, from the reports obtained from physicians or other medical personnel, institutions or facilities where the person had been attended, or, in general, from any other sources.

"All these information in relation to the person's insurability shall be treated as confidential and shall not be disclosed by the life insurance company, its directors, officers, employees, agents, brokers, or other business partners, in any form or manner, unless otherwise required by law, by lawful order of a Court of competent jurisdiction, or upon the written permission of the person himself, provided, however, that the insurance company may release information in its file to other life insurance companies to whom the person may apply for life, accident or health insurance, or to whom a claim for benefits may be submitted."

SEC. 89. A new Chapter on Taxation and a new Section 431 of The Insurance Code, as amended, are hereby added to read as follows:

"Chapter XI

"TAXATION

"Sec. 431. The death benefits received under a life insurance policy shall be exempt from all taxes."

SEC. 90. Chapter VIII on The Insurance Commissioner of The Insurance Code, as amended, is hereby renumbered as Chapter XII.

SEC. 91. Section 414 of The Insurance Code, as amended, is hereby renumbered as Section 432 and amended to read as follows:

"Sec. 432. The Insurance Commissioner shall have the duty to see that all laws relating to insurance, insurance companies and other insurance matters, mutual benefit associations, and trusts for charitable uses are faithfully executed and to perform the duties imposed upon him by this Code, and shall, notwithstanding any existing laws to the contrary, have sole and exclusive authority to regulate the issuance and sale of variable contracts as defined in section [two hundred thirty-two] and to provide for the licensing of persons selling such contracts, and to issue such reasonable rules and regulations governing the same.

"The Commissioner may issue such rulings, instructions, circulars, orders and decision as he may deem necessary to secure the enforcement of the

provisions of this Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public, subject to the approval of the Secretary of Finance. Except as otherwise specified, decisions made by the Commissioner shall be appealable to the Secretary of Finance.

"In addition to the foregoing, the Commissioner shall have the following powers and functions:

"a) Formulate policies and recommendations on issues concerning the insurance industry, advise Congress and other government agencies on all aspects of the insurance industry and propose legislation and amendments thereto;

"b) Approve, reject, suspend revoke or require amendments to registration and licensing applications provided for by this Code;

"c) Impose sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto;

"d) Prepare, approve, amend or repeal rules, regulations and order, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders;

"e) Enlist and aid and support of and/or deputize any and all enforcement agencies of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code;

"f) Issue cease and desist orders to prevent fraud or injury to the insuring public;

"g) Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court;

"h) Compel the officers of any registered insurance corporation or association to call meetings of stockholders or members thereof under its supervisions;

"i) Issue subpoena duces tecum and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provision of existing laws;

"j) Suspend or revoke, after proper notice and hearing the license or certificate of authority of any entity or person under its regulation, upon any of the grounds provided by law;

"k) Conduct of examination to determine compliance with laws and regulations if the circumstances so warrant as determined by appropriate rules and regulations;

"l) Regular investigation which shall not be oftener than once a year from the last date of examination to determine whether an institution is conducting its business on a safe and sound basis; Provided, That, the deficiencies/irregularities found by or discovered by an audit shall be immediately addressed;

"m) Inquire into the solvency and liquidity of the institutions under its supervision and enforce prompt corrective action; and

"k) Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws."

SEC. 92. The old Section 415 of The Insurance Code, as amended, is hereby renumbered as Section 433 and the sections subsequent thereto are accordingly renumbered until Section 424, which shall be renumbered as Section 442.

SEC. 93. This Act shall also amend the section numbers referred to in The Insurance Code to reflect the renumbering resulting from the amendments brought about by this Act.

SEC. 94. *Separability Clause.* If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 95. *Repealing Clause.* All laws, decrees, orders, rules and regulations or parts thereof, inconsistent with this Act are hereby amended or modified accordingly.

SEC. 96. *Effectivity.* This Act shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES
H. No. 2672

Introduced by **Teodorico T. Haresco Jr.**

EXPLANATORY NOTE

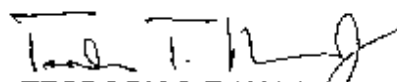
In 2009, Typhoon "Ondoy" and "Pepeng" claimed not only hundreds of lives, but also destroyed number of properties costing billions of pesos. In infrastructure alone, "Ondoy" damaged Php 3.8 billion worth of properties, while damages brought by "Pepeng" amounted to Php 1.09 billion.¹

Consequently, insurance claims reached billions of pesos right after the devastating typhoons. According to the National Insurance Commission (NIC) Commissioner Eduardo Malinis, Philippine Insurers and Reinsurers Association (PIRA) estimated that there were about Php 11 billion worth of property claims from the victims of the typhoons and another Php 1 billion from motor vehicles.

Unfortunately, some insurance companies used the "Acts of God" clause in insurance policy to avoid payments to insured car owners, leaving comprehensive insurance plan holders helpless in the midst of enormous losses, despite the fact that their motor vehicles are covered by comprehensive insurance policy.

This bill seeks to propose that in case of a comprehensive motor vehicle insurance, no policy shall be issued and delivered in the Philippines unless it contains in substance the provision that comprehensive motor vehicle insurance shall cover all fortuitous events, such as floods, landslides, typhoon, volcanic eruptions, earthquakes and other related natural calamities provided that the accident, loss, damage or liability is directly or indirectly, proximately or remotely occasioned by, contributed to by or traceable to, arising out of, or in connection with the aforementioned natural events. Such inclusion of fortuitous events in the comprehensive motor vehicle insurance shall be subject to additional fees, as may be prescribed by the Insurance Commission.

In view thereof, the passage of this bill is earnestly sought.


TEODORICO T. HARESCO JR.
Representative

¹ National Disaster Coordinating Council Report as of 22 October 2009.

FIFTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES
H. No. 2672

Introduced by Teodorico T. Haresco Jr.

AN ACT
AMENDING SECTION 385 OF PRESIDENTIAL DECREE NO. 1460, AS AMENDED BY
PRESIDENTIAL DECREE 1455, OTHERWISE KNOWN AS THE INSURANCE CODE OF
THE PHILIPPINES

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

1 SECTION 1. Section 385 of Presidential Decree 1460 otherwise known as the Insurance
2 Code, as amended by Presidential Decree 1455, is hereby amended to read as follows:

3 "Section, 385, The insurance company concerned shall forthwith ascertain the truth
4 and extent of the claim, and make payment within five working days after reaching, an
5 agreement. If no agreement is reached, the insurance company shall pay only the "no fault"
6 indemnity provided in section three hundred seventy-eight without prejudice to the claimant
7 from pursuing his claim further, in which case, he shall not be required or compelled by the
8 insurance company to execute any quit-claim or document releasing it from liability under
9 the policy or insurance or surety bond issued."

10 IN CASE OF A COMPREHENSIVE MOTOR VEHICLE INSURANCE, NO POLICY
11 SHALL BE ISSUED AND DELIVERED IN THE PHILIPPINES UNLESS IT CONTAINS IN
12 SUBSTANCE, THE PROVISION THAT COMPREHENSIVE MOTOR VEHICLE
13 INSURANCE SHALL COVER ALL FORTUITOUS EVENTS, SUCH AS FLOODS,
14 LANDSLIDES, TYPHOON, VOLCANIC ERUPTIONS, EARTHQUAKES, AND OTHER
15 RELATED NATURAL CALAMITIES, PROVIDED THAT THE ACCIDENT, LOSS, DAMAGE
16 OR LIABILITY IS DIRECTLY OR INDIRECTLY, PROXIMATELY OR REMOTELY
17 OCCASIONED BY, CONTRIBUTED TO BY OR TRACEABLE TO, ARISING OUT OF, OR
18 IN CONNECTION WITH THE AFOREMENTIONED NATURAL EVENTS.

1 SUCH INCLUSION OF FORTUITOUS EVENTS IN THE COMPREHENSIVE
2 MOTOR VEHICLE INSURANCE SHALL BE SUBJECT TO ADDITIONAL FEES, AS MAY
3 BE PRESCRIBED BY THE INSURANCE COMMISSION.

4 In case of any dispute in the enforcement of the provisions of any policy issued
5 pursuant to this Chapter, the adjudication of such dispute shall be within the original and
6 exclusive jurisdiction of the Court of Appeal, as provided in section four
7 hundred sixteen."

8 SECTION 2. *Repealing Clause.* All laws, executive orders, rules and regulations or any part
9 thereof inconsistent herewith are deemed repealed, modified or amended accordingly,

10 SECTION 3. *Separability Clause.* In case any provision of this Act is declared
11 unconstitutional or invalid, the other provisions hereof which are not affected thereby shall
12 continue in full force and effect.

13 SECTION 4. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in
14 two (2) national newspapers of general circulation.

15 *Approved,*

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasang Pambansa, Quezon City

FIFTEENTH CONGRESS
First Regular Session
HOUSE BILL NO. 2988

INTRODUCED BY **REP. JOSEPH VICTOR G. EJERCITO**

EXPLANATORY NOTE

We have witnessed the costly devastation brought by strong typhoons "Ondoy" and "Pepeng" to our people's lives and properties. Insurance claims from water-logged motor vehicles reached billions of pesos. It is, however, unfortunate that some insurance companies deliberately resort to "Acts of God" clause in insurance policy to avoid payments to insured car owners, leaving comprehensive insurance plan holders helpless in the midst of enormous losses.

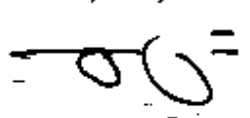
This is a deceptive policy of several insurance companies which refuses to indemnify owners of motor vehicles, despite the fact that their motor vehicles are covered by comprehensive insurance policy.

This bill seeks to address this scenario by proposing an amendment to the Insurance Code.

Under this legislative measure, it is proposed that in case of a comprehensive motor vehicle insurance, no policy shall be issued and delivered in the Philippines unless it contains in substance the provision that comprehensive motor vehicle insurance shall cover all fortuitous events, such as floods, landslides, typhoon, volcanic eruptions, earthquakes and other related natural calamities provided that the accident, loss, damage or liability is directly or indirectly, proximately or remotely occasioned by, contributed to by or traceable to, arising out of, or in connection with the aforementioned natural events.

Such inclusion of fortuitous events in the comprehensive motor vehicle insurance shall be subject to additional fees, as may be prescribed by the Insurance Commission.

In view thereof, earnest approval of this bill is requested.


JOSEPH VICTOR G. EJERCITO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasang Pambansa, Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2988

INTRODUCED BY **REP. JOSEPH VICTOR G. EJERCITO**

AN ACT
AMENDING SECTION 385 OF PRESIDENTIAL DECREE NO. 1460,
AS AMENDED BY PRESIDENTIAL DECREE 1455, OTHERWISE
KNOWN AS THE INSURANCE CODE OF THE PHILIPPINES

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

SECTION 1. Section 385 of Presidential Decree 1460 otherwise known as the Insurance Code, as amended by Presidential Decree 1455, is hereby amended to read as follows:

"Section 385. The insurance company concerned shall forthwith ascertain the truth and extent of the claim and make payment within five working days after reaching an agreement. If no agreement is reached, the insurance company shall pay only the "no fault" indemnity provided in section three hundred seventy-eight without prejudice to the claimant from pursuing his claim further, in which case, he shall not be required or compelled by the insurance company to execute any quit-claim or document releasing it from liability under the policy or Insurance or surety bond issued."

"IN CASE OF A COMPREHENSIVE MOTOR VEHICLE INSURANCE, NO POLICY SHALL BE ISSUED AND DELIVERED IN THE PHILIPPINES UNLESS IT CONTAINS IN SUBSTANCE, THE PROVISION THAT COMPREHENSIVE MOTOR VEHICLE INSURANCE SHALL COVER ALL FORTUITOUS EVENTS, SUC AS FLOODS, LANDSLIDES, TYPHOON, VOLCANIC ERUPTIONS, EARTHQUAKES, AND OTHER RELATED NATURAL CALAMITIES; *PROVIDED*, THAT THE ACCIDENT, LOSS, DAMAGE OR LIABILITY IS DIRECTLY OR INDIRECTLY, PROXIMATELY OR REMOTELY OCCASIONED BY, CONTRIBUTED TO BY OR TRACEABLE TO, ARISING OUT OF, OR IN CONNECTION WITH THE FOREMENTIONED NATURAL EVENTS."

"SUCH INCLUSION OF FORTUITOUS EVENTS IN THE COMPREHENSIVE MOTOR VEHICLE INSURANCE SHALL BE SUBJECT TO ADDITIONAL FEES, AS MAY BE PRESCRIBED BY THE INSURANCE COMMISSION.

"In case of any dispute in the enforcement of the provisions of any policy issued pursuant to this Chapter, the adjudication of such dispute shall be within the original and exclusive jurisdiction of the Commissioner, subject to limitations provided in section four hundred sixteen."

SEC 2. *Repealing Clause.* - All laws, executive orders, rules and regulations or any part thereof inconsistent herewith are deemed repealed, modified or amended accordingly.

SEC 3. *Separability Clause.* - In case any provision of this Act is declared unconstitutional or invalid, the other provisions hereof which are not affected thereby shall continue in full force and effect.

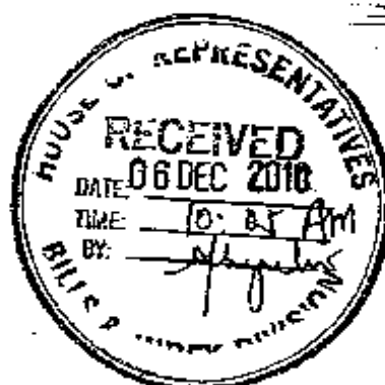
SEC 4. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 3797



Introduced by Honorable Representative
HERMILANDO I. MANDANAS
2nd District, Batangas

**AN ACT AMENDING PRESIDENTIAL DECREE NO. 612, AS
AMENDED, OTHERWISE KNOWN AS THE INSURANCE CODE, AS
AMENDED BY PRESIDENTIAL DECREE NOS. 1141, 1280, 1455,
1460, 1814 AND 1981, AND BATAS PAMBANSA BLG. 874, AND
FOR OTHER PURPOSES**

EXPLANATORY NOTE

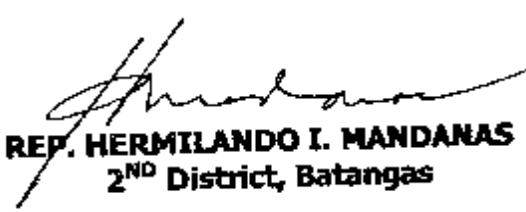
This bill seeks to amend Presidential Decree No. 1460 (PD 1460) as amended, otherwise known as "The Insurance Code of 1978". Thirty two years of experience under the Insurance Code adopted in 1978 marked by monumental changes and development in the world of commerce, trade and industry have exposed the unsuitability of certain provisions of the Insurance Code and their inadequacies to address the emerging issues in the field of insurance and changing business climate in both the domestic and foreign markets. In the light of this development, it has become imperative upon our lawmakers to attune our insurance laws to the prevailing economic conditions if the insurance industry is to remain an engine of economic growth.

A sound and efficient insurance industry is critical in promoting our country's financial growth and developing our national economy. Insurance provides economic protection and financial security to the policy owners and their dependents. It significantly contributes to capital market development and savings mobilization which can be tapped to finance various investments and other productive economic activities. It is an efficient form of raising much needed capital to fuel our economy and provides a stable and rich source of long-term capital which is critical in our national development. Its long term investments offer more ideal source of financing that satisfy the needs of both the public and the private sector. Insurance products are vehicles for increasing our national wealth in the form of financial savings generated from the policy owners.

Its pension and retirement plans efficiently supplement, if not substitute, for the declining state-provided social security programs. In a way, the insurance industry encourages and empowers the people to provide for their own retirement instead of just relying on the government welfare program and dole-outs. It is critical that a healthy and stable insurance industry is promoted and maintained to make it more dynamic and responsive to the increasing needs of our people and the demands of the changing economic conditions.

In pursuing this major legislative initiative, it is our intention to formulate a legislative framework which shall enable the insurance industry to sufficiently cope with the new trends and challenges both in the domestic and foreign insurance markets. Our objective is to enhance the growth of the industry by maintaining a safe, sound and strong industry which will enable the insurers to efficiently achieve their business ends and expand their insurance activities that will further promote the security, protection and interest of the Insuring public. This bill introduces significant changes to the present Code. However, despite the several changes proposed by this bill to The Insurance Code of 1978, many relevant provisions thereof which have served us well in the past are retained. This legislative measure has also incorporated the relevant circulars and regulations issued by the Insurance Commission in the course of its prudent regulation and supervision of the insurance industry. We have also adopted new insurance activities and business models such as micro-insurance and bank assurance to reflect current developments in the industry. This bill is also introduced to further reinforce the authority of the Insurance Commission to effectively pursue its mandate and prudently perform its regulatory functions particularly in enhancing the interest of the Insuring public. We strongly believe that legislative intervention and structural reforms are needed to strengthen and revitalize the insurance industry and make it a robust partner of our government in pursuing economic development for the greater benefit of our people. Amending the Insurance Code shall not only sustain the gains of the insurance industry and accelerate its further growth but shall develop a strong domestic insurance industry which can fairly compete with foreign insurers once the ASEAN Economic Market is launched in 2015.

In view of the foregoing, the approval of this bill is earnestly requested.


REP. HERMILANDO I. MANDANAS
2ND District, Batangas

Introduced by Honorable Representative
HERMILANDO L. MANDANAS
2nd District, Batangas

AN ACT AMENDING PRESIDENTIAL DECREE NO. 612, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE CODE, AS AMENDED BY PRESIDENTIAL DECREE NOS. 1141, 1280, 1455, 1460, 1814 AND 1981, AND BATAS PAMBANSA BLG. 874, AND FOR OTHER PURPOSES.

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

SECTION 1. Title. - This Act shall be known as "*The Insurance Code of 2010*".

SEC. 2. Section 1 of the Insurance Code, as amended, is hereby amended to read as follows:

"Section 1. This Act shall be known as "*The Insurance Code of 2010*".

SEC. 3. Section 2, paragraph 2(d) of The Insurance Code, as amended, is hereby amended to read as follows:

"(d) doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of this Code, including the practice of self-insurance by any person or entity extending life insurance or similar protection to its borrowers, depositors, clients or third parties."

SEC. 4. Section 3 of the Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 3. Any contingent or unknown event, whether past or future, which may dammitify a person having an insurable interest or create a liability against him, may be insured against, subject to the provisions of this chapter.

"The consent of the spouse is not necessary for the validity of an insurance policy taken out by a married person on his or her life or that of his or her children.

"All rights, title and interest in the policy of insurance taken out by an original owner on the life or health of the person insured shall automatically vest in the latter upon the death of the original owner, unless otherwise provided for in the policy."

SEC. 5. Section 6 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 6. Every corporation, partnership, or association duly authorized to transact insurance business as elsewhere provided in this code, may be an insurer."

SEC. 6. Section 12 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 12. The interest of a beneficiary in a life insurance policy shall be forfeited when the beneficiary is the principal, accomplice, or accessory in willfully bringing about the death of the insured. In such a case, the share forfeited shall pass on to the other beneficiaries, unless otherwise disqualified. In the absence of other beneficiaries, the proceeds shall be paid in accordance with the policy contract. If the policy contract is silent, the proceeds shall be paid to the insured's estate."

SEC. 7. Section 45 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 45. If a representation is false in a material point, whether affirmative or promissory, the injured party is entitled to rescind the contract from the time when the representation becomes false."

SEC. 8. The last paragraph of Section 50 of The Insurance Code, as amended, is hereby deleted.

SEC. 9. Section 60 of the Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 60. An open policy is one in which the value of the thing insured is not agreed upon, and the amount of the insurance merely represents the insurer's maximum liability. The value of such thing insured shall be ascertained at the time of the loss."

SEC. 10. Section 64, paragraph (f) of The Insurance Code, as amended, is hereby amended to read as follows:

"(f) discovery of other insurance coverage that makes the total insurance in excess of the value of the property insured; or a determination by the Commissioner that the continuation of the policy would violate or would place the insurer in violation of this Code."

SEC. 11. Section 65 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 65. All notices of cancellation mentioned in the preceding section shall be in writing, mailed or delivered to the named insured at the address shown in the policy or to his broker, and shall state (a) which of the grounds set forth in section sixty-four is relied upon and (b) that, upon written request of the named insured, the insurer will furnish the facts on which the cancellation is based."

SEC. 12. Section 77 of The Insurance Code, as amended, is hereby amended to read as follows:

"Sec. 77. An insurer is entitled to payment of the premium as soon as the thing insured is exposed to the peril insured against. Notwithstanding any agreement to the contrary, no policy or contract of insurance issued by an insurance company is valid and binding unless and until the premium thereof has been paid, except in the case of a life or an industrial life policy whenever the grace period provision applies, or whenever under the agency agreements with duly licensed intermediaries, a 90-day credit extension is given. No credit extension to a duly licensed intermediary should exceed 90-days from date of issuance of the policy. Payments of premium to brokers are not considered payment of premium to the insurers."

SEC. 13. A new Section 78 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 78. An employee of the Republic of the Philippines, including its political subdivisions and instrumentalities, and government owned or controlled corporations, may pay his insurance premium and loan obligations through salary deduction: *Provided*, the treasurer, cashier, paymaster or official of the entity employing the government employee is authorized, notwithstanding the provisions of any existing law, rules and regulations to the contrary, to make deductions from the salary, wage or income of the latter pursuant to the agreement between the insurer and the government employee and to remit such deductions to the insurer concerned, and collect such reasonable fee for its services."

SEC. 14. The old Section 78 of The Insurance Code, as amended, is hereby renumbered as Section 79 and the sections subsequent thereto are accordingly renumbered until Section 80, which shall be renumbered as Section 81.

SEC. 15. Section 81 of The Insurance Code, as amended, is hereby renumbered as Section 82 and amended to read as follows:

"Sec. 82. A person insured is entitled to return of the premium when the contract is voidable and subsequently annulled under the provisions of the Civil Code; or, on account of fraud or intentional misrepresentation of the insurer, or of his agent, or on account of facts, the existence of which the insured was ignorant without his fault; or when by any default of the insured other than actual fraud, the insurer never incurred any liability under the policy."

"A person insured is not entitled to a return of premium if the policy is annulled, rescinded or if a claim is denied by reason of his fraud or misrepresentation."

SEC. 16. Section 82 of The Insurance Code, as amended, is hereby renumbered as Section 83 and amended to read as follows:

"Sec. 83. In case of an over-insurance by several insurers other than life, the insured is entitled to a ratable return of the premium, proportioned to the amount by which the aggregate sum insured in all the policies exceeds the insurable value of the thing at risk."

SEC. 17. A new Section 84 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 84. An insurer may contract and accept payments, in addition to regular premium, for the purpose of paying future premiums on the policy or to increase the benefits thereof"

SEC. 18. The old Section 83 of The Insurance Code, as amended, is hereby renumbered as Section 85 and the sections subsequent thereto are accordingly renumbered until Section 87, which shall be renumbered as Section 89.

SEC. 19. Section 88 of The Insurance Code, as amended, is hereby renumbered as Section 90 and amended to read as follows:

"Sec. 90. In case of loss, an insurer is exonerated, if notice thereof be not given to him by an insured, or some person entitled to the benefit of the insurance, without unnecessary delay from occurrence of the loss. In case of death, an insurer is likewise exonerated if notice thereof be not given the insurer without unnecessary delay from discovery of death."

SEC. 20. The old Section 89 of The Insurance Code, as amended, is hereby renumbered as Section 91 and the sections subsequent thereto are accordingly renumbered until Section 93, which shall be renumbered as Section 95.

SEC. 21. Section 94 of The Insurance Code, as amended, is hereby renumbered as Section 96 and amended to read as follows:

"Sec. 96. Where the insured, in a policy other than life, is overinsured by double insurance:

"(a) The insured, unless the policy otherwise provides, may claim payment from the insurers in such order as he may select, up to the amount for which the insurers are severally liable under their respective contracts;

"(b) Where the policy under which the insured claims is a valued policy, any sum received by him under any other policy shall be deducted from the value of the policy without regard to the actual value of the subject matter insured:

"(c) Where the policy under which the insured claims is an unvalued policy any sum received by him under any policy shall be deducted against the full insurable value, for any sum received by him under any policy:

"(d) Where the insured receives any sum in excess of the valuation in the case of valued policies, or of the insurable value in the case of unvalued policies, he must hold such sum in trust for the insurers, according to their right of contribution among themselves;

"(e) Each insurer is bound, as between himself and the other insurers, to contribute ratably to the loss in proportion to the amount for which he is liable under his contract."

SEC. 22. The old Section 95 of The Insurance Code, as amended, is hereby renumbered as Section 97 and the sections subsequent thereto are accordingly renumbered until Section 178, which shall be renumbered as Section 180.

SEC. 23. Section 179 of The Insurance Code, as amended, is hereby renumbered as Section 181 and amended to read as follows:

"Sec. 181. Life insurance is insurance on human lives and insurance appertaining thereto or connected therewith.

"Every contract or undertaking for the payments of annuities including contracts for the payment of lump sums under a retirement program where a life insurance company manages or acts as a trustee for such retirement program shall be considered a life insurance contract for purposes of this Code.

"A life insurance policy may also be taken by an individual who intends to travel by ship or airplane. Such policy shall be effective only during the course of the travel."

SEC. 24. Section 180 of The Insurance Code, as amended, is hereby renumbered as Section 182 and amended to read as follows:

"Sec. 182. An insurance upon life may be made payable on the death of the person, or on his surviving a specified period, or otherwise contingently on the continuance or cessation of life.

"Every contract or pledge for the payment of endowments or annuities shall be considered a life insurance contract for purpose of this Code.

"In the absence of a judicial guardian, the father, or in the latter's absence or incapacity, the mother, or any minor, who is an insured or a beneficiary under a contract of life, health or accident insurance, may exercise, in behalf of said minor, any right under the policy, without necessity of court authority or the giving of a bond, where the interest of the minor in the particular act involved does not exceed two hundred fifty thousand pesos or in such amount as may be determined by the Commissioner. Such right may include, but shall not be limited to, obtaining a policy loan, surrendering the policy, receiving the proceeds of the policy, and giving the minor's consent to any transaction on the policy.

"In the absence or in case of the incapacity of the father or mother, the grandparent, the eldest brother or sister at least eighteen years of age, or any relative who has actual custody of the minor insured or beneficiary, shall act as a guardian without need of a court order or judicial appointment as such guardian, as long as such person is not otherwise disqualified or incapacitated. Payment made by the insurer pursuant to this section shall relieve it of any liability under the contract."

SEC. 25. The old Section 180-A of The Insurance Code, as amended, is hereby renumbered as Section 183 and the sections subsequent thereto are accordingly renumbered until Section 183, which shall be renumbered as Section 186.

SEC. 26. A new Title on Microinsurance and a new Section 187 of The Insurance Code, as amended, are hereby added to read as follows:

**"Title 6
"MICROINSURANCE**

"Sec. 187. The term "microinsurance" shall mean an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance, insurance-like and other similar activities with the following features:

- a. Premiums, contributions, fees or charges are collected/deducted prior to the occurrence of the a contingent event; and
- b. Guaranteed benefits are provided upon occurrence of a contingent event.

"No insurance company shall engage in the business of microinsurance unless it possesses all the requirements as may be prescribed by the Commissioner. The Commissioner shall issue such rules and regulations governing microinsurance."

SEC. 27. Section 184 of The Insurance Code, as amended, is hereby renumbered as Section 188 and amended to read as follows:

"Sec. 188. For purposes of this Code, the term "insurer" or "insurance company" shall include all partnerships, associations, or corporations, including government-owned or controlled corporations or entities, engaged as principals in the insurance business. Unless the context otherwise requires, the terms shall also include professional reinsurers defined in section [two hundred eighty]. "Domestic company" shall include companies formed, organized or existing under the laws of the Philippines. "Foreign company" when used without limitation shall include companies formed, organized or existing under any laws other than those of the Philippines."

SEC. 28. Section 185 of The Insurance Code, as amended, is hereby renumbered as Section 189 and amended to read as follows:

"Sec. 189. The provisions of the Corporation Code, as amended, shall apply to all insurance corporations now or hereafter engaged in business in the Philippines insofar as they do not conflict with the provisions of this chapter."

SEC. 29. Section 186 of The Insurance Code, as amended, is hereby renumbered as Section 190 and amended to read as follows:

"Sec. 190. No corporation, partnership, or association of persons shall transact any insurance business in the Philippines except as agent of a corporation, partnership or association authorized to do the business of insurance in the Philippines, unless possessed of the capital and assets required of an insurance corporation doing the same kind of business in the Philippines and invested in the same manner; nor unless the Commissioner shall have granted to it a certificate to the effect that it has complied with all the provisions of this Code.

"Every corporation, partnership, or association receiving any such certificate of authority shall be subject to the insurance and other applicable laws of the Philippines and to the jurisdiction and supervision of the Commissioner and other appropriate government agencies."

SEC. 30. Section 187 of The Insurance Code, as amended, is hereby renumbered as Section 191 and amended to read as follows:

"Sec. 191. No insurance company shall transact any insurance business in the Philippines until after it shall have obtained a certificate of authority for that purpose from the Commissioner upon application therefor and payment by the company concerned of the fees hereinafter prescribed.

"The Commissioner may refuse to issue a certificate of authority to any insurance company if, in his judgment, such refusal will best promote the interest of the people of this country. No such certificate of authority shall be granted to any such company until the Commissioner shall have satisfied himself by such examination as he may make and such evidence as he may require that such company is qualified by the laws of the Philippines to transact business therein, that the grant of such authority appears to be justified in the light of economic requirements, and that the direction and administration, as well as the integrity and responsibility of the organizers and administrators, the financial organization and the amount of capital, reasonably assure the safety of the interests of the policyholders and the public.

"In order to maintain the quality of the management of the insurance companies and afford better protection to policyholders and the public in general, any person of good moral character, unquestioned integrity and recognized competence may be elected or appointed director or officer of insurance companies, in accordance with the pertinent provisions contained in the Corporate Governance circulars prescribed by the Commissioner. In addition hereto, the Commissioner shall prescribe the qualifications of directors, executive officers and other key officials of insurance companies for purposes of this section.

"No person shall concurrently be a director and/or officer of an insurance company and an adjustment company. Before issuing such certificate of authority, the Commissioner must be satisfied that the name of the company is not that of any other known company transacting a similar business in the Philippines, or a name so similar as to be calculated to mislead the public, in accordance with the provisions of the Corporation Code on the use of corporate names.

"Every company receiving any such certificates of authority shall be subject to the provisions of this Code and other related laws and to the jurisdiction and supervision of the Commissioner and other appropriate government agencies.

"No insurance company may be authorized to transact in the Philippines the business of life and non-life insurance concurrently unless specifically authorized to do so by the Commissioner. *Provided*, That the terms "life" and "non-life" insurance shall be deemed to include health, accident and disability insurance.

"No insurance company shall have equity in an adjustment company and neither shall an adjustment company have equity in an insurance company."

SEC. 31. Section 188 of The Insurance Code, as amended, is hereby renumbered as Section 192 and amended to read as follows.

"Sec. 192. No domestic stock insurance company shall engage in insurance or reinsurance business in the Philippines unless possessed of the required capitalization which includes minimum net worth and paid-up capital, as defined and provided under applicable orders and/or circulars issued by the Secretary of Finance, upon recommendation of the Insurance Commissioner. The Secretary of Finance may change such minimum net worth and paid-up capital stock requirement, under such terms and conditions as he may impose, to an amount which, in his opinion, would reasonably assure the safety of the interests of the policyholders and the public.

"The Commissioner may, as a pre-licensing requirement of a new insurance company, in addition to the paid-up capital stock, require the stockholders to pay in cash to the company in proportion to their subscription interests a contributed surplus fund in an amount as may be fixed in applicable orders and circulars duly issued by the Commissioner. He may also require such company or already existing companies, to submit to him a capital build-up program or a business plan showing the company's estimated receipts and disbursements, as well as the basis therefor, for the next succeeding three years.

"If organized as a mutual company, in lieu of such capital stock, it must have available cash assets in an amount not less than that required under present or future applicable orders or circulars issued by the Secretary of Finance, upon recommendation of the Commissioner. These required cash assets must be net of all liabilities for losses reported, expenses, taxes, legal reserve, and reinsurance of all outstanding risks, and the contributed surplus fund must be equal to the amounts required of stock corporations. A stock insurance company doing business in the Philippines may, subject to the pertinent laws and regulations which now are or hereafter may be in force, alter its organization and transform itself into a mutual insurance company."

SEC. 32. The old Section 189 of The Insurance Code, as amended, is hereby renumbered as Section 193 and the sections subsequent thereto are accordingly renumbered until Section 190, which shall be renumbered as Section 194.

SEC. 33. Section 191 of The Insurance Code, as amended, is hereby renumbered as Section 195 and amended to read as follows:

"Sec. 195. No insurance company organized or existing under the government or laws other than those of the Philippines shall engage in business in the Philippines unless possessed of paid-up unimpaired capital or assets and reserve not less than that required of domestic insurance companies under applicable order or circulars of the Commissioner, nor until it shall have deposited with the Commissioner for the benefit and security of the policyholders and creditors of such company in the Philippines, securities satisfactory to the Commissioner

consisting of good securities of the Philippines, including new issues of stock of "registered enterprises", as this term is defined in Omnibus Investments Code, as amended, to the actual market value of not less than the minimum paid-up capital required of domestic insurance companies: *Provided*, That at least fifty per centum of such securities shall consist of bonds or other evidences of debt of the Government of the Philippines, its political subdivisions and instrumentalities, or of government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas. *Provided further*, that the total investment of a foreign insurance company in any registered enterprise shall not exceed twenty per centum of the net worth of said foreign insurance company nor twenty per centum of the capital of the registered enterprise, unless previously authorized in writing by the Commissioner.

"For purposes of this Code, the net worth of a foreign insurance company shall refer only to its net worth in the Philippines."

SEC. 34. Section 192 of The Insurance Code, as amended, is hereby renumbered as Section 196 and amended to read as follows:

"Sec. 196. The Commissioner shall hold the securities, deposited as required in the immediately preceding section, for the benefit and security of all the policyholders and creditors of the company depositing the same. *Provided*, That the Commissioner may, as long as the company is solvent, permit it to collect the interest or dividends on the securities so deposited, and, from time to time, with his assent, to withdraw any of such securities, upon depositing with said Commissioner other like securities, the market value of which shall be equal to the market value of such as may be withdrawn. In the event of any company ceasing to do business in the Philippines, the securities deposited as aforesaid shall be returned upon the company, upon the Commissioner's written approval and only after the company has duly proven in its application therefore that it has no further liability whatsoever under any of its policies nor to any of its creditors in the Philippines."

SEC. 35. The old Section 193 of The Insurance Code, as amended, is hereby renumbered as Section 197.

SEC. 36. Section 194 of The Insurance Code, as amended, is hereby renumbered as Section 198 and amended to read as follows:

"Sec. 198. An insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital and networth requirements as prescribed by the Commissioner. Such requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with and consideration of the recommendations of the insurance industry associations.

Such assets, liabilities and reserves shall exclude assets, liabilities and reserves included in separate accounts established in accordance with section [two hundred thirty-seven]. Whenever the aforementioned margin be found to be less than that herein required to be maintained, the Commissioner shall forthwith direct the company to make good any such deficiency by cash, to be contributed by all stockholders of record in proportion to their respective interest, and paid to the treasurer of the company, within fifteen days from receipt of the order. *Provided*, That the company in the interim shall not be permitted to take any new risk of any kind or character unless and until it make good any such deficiency: *Provided further*, that a stockholder who aside from paying the contribution due from him, pays the contribution due from the another stockholder by reason of the failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the insurance company concerned appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stock, until the corresponding payment or reimbursement is made by the defaulting stockholder."

SEC. 37. Section 195 of The Insurance Code, as amended, is hereby renumbered as Section 199 and amended to read as follows:

"Sec. 199. No domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under Section One Hundred Ninety Eight and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

"(a) The entire paid-up capital stock;

"(b) In the case of life insurance corporation, the legal reserve fund required by section [two hundred eleven];

"(c) In the case of corporations other than life, the legal reserve fund required by section [two hundred thirteen];

"(d) A sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes.

"Any dividend declared or distributed under the preceding paragraph shall be reported to the Commissioner within thirty days after such declaration or distribution.

"If the Commissioner finds that any such corporation has declared or distributed any such dividend in violation of this section, he may order such corporation to cease and desist from doing business until the amount of such dividend or the portion thereof in excess of the amount allowed under this section has been restored to said corporation."

SEC. 38. Section 196 of The Insurance Code, as amended, is hereby renumbered as Section 200 and amended to read as follows:

"Sec. 200. In any determination of the financial condition of any insurance company doing business in the Philippines, there shall be allowed and admitted as assets only such assets legally or beneficially owned by the insurance company concerned as determined by external auditors accredited by the Commissioner who examined the financial statements of the insurance company concerned and which consist of:

"1. Cash in the possession of the insurance company or in transit under its control, and the true and duly verified balance of any deposit of such company in a financially sound commercial bank or trust company.

"2. Investments in securities, including money market instruments, and in real property acquired or held in accordance with and subject to the applicable provisions of this Code and the income realized therefrom or accrued thereon.

"3. Loans granted by the insurance company concerned to the extent of that portion thereof adequately secured by non-speculative assets with readily realizable values in accordance with and subject to the limitations imposed by applicable provisions of this Code.

"4. Policy loans and other policy assets and liens on policies, contracts or certificates of a life insurance company, in an amount not exceeding legal reserves and other policy liabilities carried on each individual life insurance policy, contract or certificate.

*5. The net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurance company which carries the full mean tabular reserve liability.

*6. Reinsurance recoverable by the ceding insurer: (a) from an insurer authorized to transact business in this country, the full amount thereof; or (b) from an insurer not authorized in this country, in an amount not exceeding the liabilities carried by the ceding insurer for amounts withheld under a reinsurance treaty with such unauthorized insurer as security for the payment of obligations thereunder if such funds are held subject to withdrawal by, and under the control of, the ceding insurer. The Commissioner may prescribe the conditions under which a ceding insurer may be allowed credit, as an asset or as a deduction from loss and unearned premium reserves, for reinsurance recoverable from an insurer not authorized in this country but which presents satisfactory evidence that it meets the applicable standards of solvency required in this country.

*7. Funds withheld by a ceding insurer under a reinsurance treaty, provided reserves for unpaid losses and unearned premiums are adequately provided.

*8. Deposits or amounts recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the Commissioner to be available for the payment of losses and claims and values to be determined by him.

*9. Electronic data processing machines, as may be authorized by the Commissioner to be acquired by the insurance company concerned, the acquisition cost of which to be amortized in equal annual amounts within a period of five years from the date of acquisition thereof.

*10. Mutual funds, real estate investment trusts, unit investment trust funds and special deposit accounts.

*11. Other assets, not inconsistent with the provisions of paragraphs 1 to 10 hereof, which are deemed by the Commissioner to be readily realizable and available for the payment of losses and claims at values to be determined by him in a circular, rule or regulation.

*12. Other investments not otherwise covered by the above, provided that such may be reclassified as non-admitted assets after a subsequent audit conducted by the Commissioner."

SEC. 39. The old Section 197 of The Insurance Code, as amended, is hereby renumbered as Section 201.

SEC. 40. Section 198 of The Insurance Code, as amended, is hereby renumbered as Section 202 and amended to read as follows:

"Sec. 202. A life insurance company may lend to any of its policyholders upon the security of the value of its policy such sum as may be determined pursuant to the provisions of the policy.

"No insurance company shall loan any of its money or deposits to any person, corporation or association, except upon the security of any of the following:

"a) first mortgage or deeds of trust of registered, unencumbered, improved or unimproved real estate, including condominiums, in cities and centers of population of municipalities in the Philippines; or

"b) first mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural lands in the Philippines; or

"c) purchase money mortgages, lease purchase agreements or similar securities executed or received by it on account of the sale or exchange of real property acquired pursuant to sections [two hundred and two hundred two]; or

"d) bonds or other evidences of indebtedness issued or guaranteed by the of the Government of the Philippines or its political subdivisions authorized by law to incur such obligations or issue such guarantees or of government-owned or controlled corporations and instrumentalities including the Bangko Sentral ng Pilipinas; or

"e) obligations issued or guaranteed by universal banks, commercial banks, offshore banking units, investment houses or other financial intermediaries duly registered with the Bangko Sentral ng Pilipinas; or

"f) obligations issued or guaranteed by foreign banks or corporations, each of which shall have total assets of one billion US dollars, as shown in their financial statements as of the immediately preceding fiscal year; or

"g) assignments of monetary instruments such as cash deposits, promissory notes, deposit certificates or other similar instruments of universal banks, commercial banks, investment houses or other financial intermediaries duly registered with the Bangko Sentral ng Pilipinas;

"h) pledges of shares of stock, bonds or other evidences of indebtedness specified in section [two hundred thirty-four];

"i) chattel mortgages over equipment not more than three years old; and

"j) such other security as may be approved by the Commissioner.

"The loans provided in the preceding subsection shall be subject to the following conditions:

"a) The amount of loan secured by real estate mortgage over a non-agricultural land shall not exceed eighty per centum of its appraised value, and in the case of a loan secured by a real estate mortgage over an agricultural land, the amount of loan shall not exceed forty per centum of its market value. Provided that, in no case shall such loan have a maturity period in excess of twenty-five years;

"b) Unless approved by the Commission, no loan may be granted upon the security of a mortgage on improved real estate if the improvements thereon do not belong to the owner of the land and the owner of the improvements does not sign the deed of mortgage. However, if the owner of the land is the Government of the Philippines or any of its political subdivisions and a long term lease has been executed in favor of the owner of the improvements, the owner of the land need not be a party to the deed of mortgage. The expiration date of the lease shall not, however, precede the maturity of the loan. The phrase "improved real estate" as used herein shall mean land with permanent building or buildings erected thereon;

"c) Purchase money mortgage, lease-agreements or similar securities received on the sale of real estate property shall not exceed one hundred per centum of the selling price of said property, or one hundred per centum of its market value at the time of its disposition,

whichever amount is lower. However, in no case shall such mortgage or agreement have a maturity period of twenty-five years;

*d) Loans secured by pledges of shares of stock of solvent corporations or institutions shall not exceed fifty per centum of

- 1) The latest selling price of such stocks listed in the stock exchange or unlisted stock traded elsewhere;
- 2) The book value of said stock, in case of stocks which are neither listed in any stock exchange nor transacted elsewhere; but the stock certificates for the shares pledge shall be endorsed or assigned to the lending insurance company. The phrase "solvent corporation" as used herein shall mean a corporation or entity which has recorded profits for a period of at least three years immediately preceding the date of the loan;

*e) Loans secured by the chattel mortgages over equipment shall not exceed seventy-five per centum of the market value of said equipment; and

*f) Venture capital investments, equity on loans, shall not exceed, per investment, forty per centum of the insurance company's net worth as shown in its latest financial statement approved by the Commission."

SEC. 41. Section 199 of The Insurance Code, as amended, is hereby renumbered as Section 203 and amended to read as follows:

"Sec. 203. No loan by any insurance company on the security of real estate shall be made unless the title to such real estate shall have first been registered in accordance with the existing Land Registration Act, or shall have been previously registered under the provisions of the existing Mortgage Law and the lien or interest of the insurance company as mortgagee has been registered."

SEC. 42. Section 200 of The Insurance Code, as amended, is hereby renumbered as Section 204 and amended to read as follows:

*Sec. 204. (1) An insurance company may purchase, hold, own and convey such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the company, and such real or personal property as may have been purchased by it at sales under pledges, mortgages or deeds of trust for its benefit on account of money loaned by it, and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the company in payment or by reason of any loan made by it shall be sold by the company within twenty years after the title thereto has been vested in it.

*(2) An insurance company may purchase, hold, own and convey real and personal property as follows:

*(a) The real property in which the company conducts and carries on its business; Provided, That no domestic non-life insurance company shall invest in the kinds permitted under this section an amount in excess of twenty per centum of the net worth of such insurer as shown by its latest financial statement approved by the Board.

"(b) Bonds or other evidence of indebtedness of the Government of the Philippines or its political subdivisions authorized by law to issue bonds at the reasonable market value thereof.

"(c) Bonds or other evidences of debt of the government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.

"(d) Bonds, debentures or other evidences of indebtedness of any solvent corporations or institution created or existing under the laws of the Philippines: *Provided, however,* That the issuing, assuming or guaranteeing entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any three including the last two of the five fiscal years next preceding the date of acquisition by such insurance company of such bonds, debentures, or other evidences of indebtedness, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges, as hereinafter defined, shall have been not less than one and one-quarter times the total of its fixed charges for such year, and *Provided, further,* that no life insurance company shall invest in or loan upon the obligations of any one institution in the kinds permitted under this sub-section an amount in excess of twenty-five per centum of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment

"As used in this sub-section the term *"net earnings available for fixed charges"* shall mean net income after deducting operating and maintenance expenses, taxes other than income taxes, depreciation and depletion; but excluding extraordinary non-recurring items of income or expense appearing in the regular financial statement of the issuing, assuming or guaranteeing institution. The term *"fixed charges"* shall include interest on funded and unfunded debt, amortization of debt discount, and rentals for leased properties.

"(e) Preferred or guaranteed stocks of any solvent corporation or institution created or existing under the laws of the Philippines; *Provided,* That if the stocks are guaranteed, the amount of stocks so guaranteed is not excess of fifty per centum of the amount of the preferred or common stocks, as the case may be, of the guaranteeing corporation; and *Provided, finally,* That no life insurance company shall invest in or loan upon obligations of any one institution in the kinds permitted under this sub-section an amount in excess of ten per centum of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment.

"(f) Common stocks of any solvent corporation or institution created or existing under the laws of the Philippines; *Provided, however,* That no life insurance company shall invest in or loan upon the obligations of any one corporation or institution in the kinds permitted under this sub-section an amount in excess of ten per centum of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment.

"(g) Securities issued by an "registered enterprise", as this term is defined in Republic Act No. 5186, otherwise known as the Investment Incentives Act, as amended, provided that the total investment of a domestic non life insurance company in any registered enterprise shall not exceed fifty per centum of the net worth of said insurance company as shown by its aforesaid financial statement unless previously authorized by the Commissioner.

"(h) Certificates, notes and other obligations issued by the trustees or receivers of any institution created or existing under the laws of the Philippines which, or the assets of which, are being administered under the direction of any court having jurisdiction; *Provided, however,* That such certificates, notes or other obligations are adequately secured as to principal and interests.

"(i) Equipment trust obligations or certificates which are adequately secured or other adequately secured instruments evidencing an interest in equipment wholly or in part within the Philippines: *Provided, however, That there is a right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such equipment.*

"(j) Any obligation of any corporation or institution created or existing under the laws of the Philippines which is, on the date of acquisition by the insurer, adequately secured and has qualities and characteristics wherein the speculative elements are not predominant.

"(k) Such other securities as may be approved by the Commissioner.

"(3) Any domestic insurer which has outstanding insurance, annuity or reinsurance contracts in currencies other than the national currency of the Philippines may invest in, or otherwise acquire or loan upon securities and investments in such currency which are substantially of the same kinds, classes and investment grades as those eligible for investment under the foregoing subdivisions of this section; but the aggregate amount of such investment and of such cash in such currency which is at anytime held by such insurer shall not exceed one and one-half times the amount of its reserves and other obligations under such contracts or the amount of its reserves and other obligations under such contracts or the amount which such insurer is required by the law of any country outside the Republic of the Philippines to be invest in such country, whichever shall be greater."

SEC. 43. Section 201 of The Insurance Code, as amended, is hereby renumbered as Section 205 and amended to read as follows:

"Sec. 205. An insurance company may (1) invest in equities of other financial institutions, and (2) engage in the buying and selling of short-term debt instruments: *Provided, That any or all of such investments shall be with the prior approval of the Commissioner, except listed equities of other financial institutions.*"

SEC. 44. Section 202 of The Insurance Code, as amended, is hereby renumbered as Section 206 and its paragraph (a) is hereby amended to read as follows:

"(a) Acquire or construct housing projects and, in connection with any such project, may acquire land or any interest therein by purchase, lease or otherwise, or use land acquired pursuant to any other provision of this Code. Such company may thereafter own, maintain, manage, collect or receive income from, or sell and convey, any land or interest therein so acquired and any improvements thereon. The aggregate book value of the investments of any such company in all such projects shall not exceed at the time of such investments twenty five per centum of the total admitted assets of such company on the thirty-first day of December next preceding; *Provided, That the funds of the company for the payment of pending claims and obligations shall not be used for such investments.*"

SEC. 45. The old Section 203 of The Insurance Code, as amended, is hereby renumbered as Section 207 and the sections subsequent thereto are accordingly renumbered until Section 207, which shall be renumbered as Section 211.

SEC. 46. Section 208 of The Insurance Code, as amended, is hereby renumbered as Section 212 and amended to read as follows:

"Sec. 212. (1) All bonds or other evidences of indebtedness having a fixed term and rate of interest and held by any life insurance company authorized to do business in this country, if amply secured and if not in default as to principal or interest, shall be valued based on their amortized cost using effective interest method less impairment and unrecoverable amount based

*(6) Purchase money mortgages received on dispositions of real property held pursuant to section [one hundred ninety-eight] shall be valued in an amount equivalent to ninety per centum of the value of such real property. Purchase money mortgages received on disposition of real property otherwise held shall be valued in an amount not exceeding ninety per centum of the value of such real property as determined by an appraisal made by an appraiser at or about the time of disposition of such real property.

*(7) The stock of a subsidiary of an insurer shall be valued on the basis of the greater of (i) the value of only such subsidiary of the assets of such subsidiary as would constitute lawful investments for the insurer if acquired or held directly by the insurer or (ii) such other value determined pursuant to standards and cumulative limitations, contained in a regulation to be promulgated by the Commissioner.

*(8) Notwithstanding any provision contained in this section or elsewhere in this chapter, if the Commissioner find that the interests of policyholders so permit or require, he may permit or require any class or classes of insurers authorized to do business in this country to value their investments or any class or classes thereof as of any date heretofore or hereafter in accordance with any applicable valuation or method."

SEC. 47. The old Section 209 of The Insurance Code, as amended, is hereby renumbered as Section 213.

SEC. 48. Section 210 of The Insurance Code, as amended, is hereby renumbered as Section 214 and amended to read as follows:

"Sec. 214. Every life insurance company, doing business in the Philippines, shall annually make a valuation of all policies, additions thereto, unpaid dividends, and all other obligations outstanding on the thirty-first day of December of the preceding year. All such valuations shall be made according to the standard adopted by the company, as prescribed by the Commissioner in accordance with internationally accepted actuarial standards, which standard shall be stated in its annual report.

"Such standard of valuation shall be according to a standard table of mortality with interest at not more than six per centum compound interest. When the preliminary term basis is used, the term insurance shall be limited to the first policy year.

"The results of such valuations shall be reported to the Commissioner on or before the thirtieth day of April of each year accompanied by a sworn statement of the company's actuary certifying to the figures and stating upon what mortality table it is based, upon what rate of interest the valuation is made, and the methods used in arriving at the result obtained."

SEC. 49. The old Section 211 of The Insurance Code, as amended, is hereby renumbered as Section 212 and the sections subsequent thereto are accordingly renumbered until Section 218, which shall be renumbered as Section 222.

SEC. 50. Section 219 of The Insurance Code, as amended, is hereby renumbered as Section 223 and amended to read as follows:

"Sec. 223. Any insurance company doing business in the Philippines desiring to cede their excess risks to foreign insurance or reinsurance companies not authorized to transact business in the Philippines may do so under such terms and conditions which the Commissioner may prescribe.

on appropriate measurement methods which are generally accepted in the industry and accepted by the Commission. The Commissioner shall have the power to determine the eligibility of any such investments for valuation on the basis of amortization, and may by regulation prescribe or limit the classes of securities so eligible for amortization. All bonds or other evidences of indebtedness which in the judgment of the Commissioner are not amply secured shall not be eligible for amortization and shall be valued in accordance with paragraph two. The Commissioner may, if he finds that the interest of policy holders so permit or require, by official regulation permit or require any class or classes of insurers, other than life insurance companies, authorized to do business in this country, to value their bonds or other evidences of indebtedness in accordance with the foregoing rule.

*(2) The investments of all insurers authorized to do business in this country, except securities subject to amortization and except as otherwise provided in this chapter, shall be valued, in the discretion of the Commissioner, at their market value at their amortized cost using effective interest method less impairment and unrecoverable amount or at valuation representing their fair market value. If the Commissioner finds that in view of the character of investments of any insurer authorized to do business in this country it would be prudent for such insurer to establish a special reserve for possible losses or fluctuations in the values of its investments, he may require such insurer to establish such reserve, reasonable in amount, and include a report thereon in any statement or report of the financial condition of such insurer. The Commissioner may, in connection with any examination or required financial statement of an authorized insurer, require such insurer to furnish him complete financial statements and audited report of the financial condition of any corporation of which the securities are owned wholly or partly by such insurer and may cause an examination to be made of any subsidiary or affiliate of such insurer as appropriate to specific investments as provided in appropriate circulars issued by the Commissioner.

*(3) The stock of an insurance company shall be valued as follows: a) listed stocks shall be valued at market value and periodically adjusted to reflect market changes through a special valuation account to reflect their realizable value when sold; b) unlisted stocks shall be valued at book value based on the latest unqualified audited financial statements of the company which issued such stocks; and c) stocks of a corporation under the control of the insurer shall be valued using the equity method which is the cost plus or minus the share of the controlling company in the earnings or losses of the controlled company after acquisition of such stocks.

*(4) The stock of an insurance company shall be valued at the lesser of its market value or its book value as shown by its last approved audited financial statements or the last report on examination, whichever is more recent. The book value of a share of common stock of an insurance company shall be ascertained by dividing (a) the amount of its capital and surplus less the value of all of its preferred stock, if any, outstanding, by (b) the number of shares of its common stock issued and outstanding. Notwithstanding the foregoing provisions, an insurer may, at its option, value its holdings of stock in a subsidiary insurance company in an amount not less than acquisition cost if such acquisition cost is less than the value determined as hereinbefore provided.

*(5) Real estate required by foreclosure or by deed in lieu thereof, in the absence of a recent appraisal deemed by the Commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan at the date of such foreclosure or deed, together with any taxes and expenses paid or incurred by such insurer at such time in connection with such acquisition, and the cost of additions or improvements thereafter paid by such insurer and any amount or amounts thereafter paid by such insurer on any assessments levied for improvements in connection with the property.

"Should any reinsurance agreement be for any reason cancelled or terminated, the ceding company concerned shall inform the Commissioner in writing of such cancellation or termination within thirty days from the date of such cancellation or termination or from the date notice or information of such cancellation or termination is received by such company as the case may be."

SEC. 51. Section 220 of The Insurance Code, as amended, is hereby renumbered as Section 224 and amended to read as follows:

"Sec. 224. Every insurance company authorized to do business in the Philippines shall report to the Commissioner on forms prescribed by him the particulars of reinsurance treaties or any new treaties or changes in existing treaties within six months from their effectivity."

SEC. 52. The old Section 221 of The Insurance Code, as amended, is hereby renumbered as Section 225 and the sections subsequent thereto are accordingly renumbered until Section 224, which shall be renumbered as Section 228

SEC. 53. Section 225 of The Insurance Code, as amended, is hereby renumbered as Section 229 and amended to read as follows:

"Sec. 229. Within thirty days after the approval of the Board of Directors, every insurance company doing business in the Philippines shall publish in a newspaper of general circulation a synopsis of its audited annual financial statements showing fully the conditions of its business and setting forth its resources and liabilities, in accordance with such form prescribed by the Commissioner."

SEC. 54. A new Section 230 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 230. The Commissioner shall have the authority to make, amend, and rescind such accounting rules and regulations as may be necessary to carry out the provisions of this Code, and define accounting, technical and trade terms used in this Code, provided that such shall be in accordance with internationally accepted accounting standards. Among other things, the Commissioner may prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and income statement, and the methods to be followed in the preparation of accounts, appraisal or valuation of assets and liabilities, determination of recurring and nonrecurring income, differentiation of investment and operating income, and in the preparation, where the Commissioner deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the insurance company."

SEC. 55. The old Section 226 of The Insurance Code, as amended, is hereby renumbered as Section 231 and the sections subsequent thereto are accordingly renumbered until Section 227, which shall be renumbered as Section 231.

SEC. 56. Section 228 of The Insurance Code, as amended, is hereby renumbered as Section 232 and its paragraphs (g) and (i) are hereby amended to read as follows:

"(g) A provision that the insurer will issue to the policyholder for delivery to each person insured a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights set forth in paragraphs (h), (i) and (j) following;" and

"(i) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates and who has been so insured for five years prior to such

termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance subject to the same limitations as set forth in paragraph (h), except that the group policy may provide that the amount of such individual policy shall not exceed the amount of the person's life insurance protection ceasing."

SEC. 57. The old Section 229 of The Insurance Code, as amended, is hereby renumbered as Section 233 and the sections subsequent thereto are accordingly renumbered until Section 244, which shall be renumbered as Section 248.

SEC. 58. A new Section 249 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 249. It is unlawful to: a) present or cause to be presented any false or fraudulent claim for the payment of a loss under a contract of insurance; and b) prepare, make or subscribe any writing with intent to present or use the same, or to allow it to be presented or used in support of any such claim. Any person who violates this section shall be punished by a fine not exceeding twice the amount claimed or imprisonment of five years or both at the discretion of the Court."

SEC. 59. The old Section 245 of The Insurance Code, as amended, is hereby renumbered as Section 250 and the sections subsequent thereto are accordingly renumbered until Section 247, which shall be renumbered as Section 252.

SEC. 60. Section 248 of The Insurance Code, as amended, is hereby renumbered as Section 253 and a new last paragraph is added to read as follows:

"No insurance company, life or non-life, or any professional reinsurer, ordered to be liquidated by the Commissioner under the provisions hereunder may be rehabilitated or authorized to transact anew, insurance or reinsurance business, as the case may be."

SEC. 61. The old Section 249 of The Insurance Code, as amended, is hereby renumbered as Section 254 and the sections subsequent thereto are accordingly renumbered until Section 270, which shall be renumbered as Section 276.

SEC. 62. Section 271 of The Insurance Code, as amended, is hereby renumbered as Section 277 and its paragraphs (4) and (8) are amended to read as follows:

"(4) The presence in person or by proxy of five per centum of the members entitled to vote at any meeting shall constitute a quorum for the transaction of business, including the amendment of the Articles of Incorporation and/or the by-laws, unless otherwise provided by the by-laws." and

"(8) All insurers mutualized under the provisions of this chapter shall be subject to all other applicable provisions of this Code. The provisions of the Corporation Code shall apply in a suppletory manner."

SEC. 63. The old Section 272 of The Insurance Code as amended, is hereby renumbered as Section 278.

SEC. 64. A new Section 279 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 279. A domestic mutual life insurance company doing business in the Philippines may convert itself into an incorporated stock life insurance company by demutualization. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this Title."

"The conversion of a domestic mutual life insurance company to an incorporated stock life insurance company shall be carried out pursuant to a conversion plan duly approved by the Commissioner.

"The Commissioner shall promulgate such rules and regulations as he or she may deem necessary to carry out the provisions of this Title, after due consultation with representatives of the insurance industry.

"All converted insurers under the provisions of this Title shall be subject to all other applicable provisions of Code. The provisions of the Corporation Code shall apply in a supplementary manner."

SEC. 65. The old Section 273 of The Insurance Code, as amended, is hereby renumbered as Section 280 and the sections subsequent thereto are accordingly renumbered until Section 275, which shall be renumbered as Section 282.

SEC. 66. Section 276 of The Insurance Code, as amended, is hereby renumbered as Section 283 and amended to read as follows:

"Sec. 283. The Commissioner shall cause an examination of the books and records of the withdrawing company, and if, upon such examination, the Commissioner finds that the insurer has no outstanding liabilities to policyholders and creditors in the Philippines, and no policies uncanceled; or its primary liabilities have not been reinsured and assumed by another insurance company authorized to transact business in the Philippines, as required in the preceding section, it shall cancel the withdrawing company's certificate of authority, if unexpired, and shall permit the insurer to withdraw. The cost and expenses of all such examination shall be paid as prescribed in section [four hundred seventeen]."

SEC. 67. The old Section 277 of The Insurance Code, as amended, is hereby renumbered as Section 284 and the sections subsequent thereto are accordingly renumbered until Section 279, which shall be renumbered as Section 286.

SEC. 68. Section 280 of The Insurance Code, as amended, is hereby renumbered as Section 287 and amended to read as follows:

"Sec. 287. Except as otherwise provided in this Code, no person, partnership, association or corporation shall transact any business in the Philippines as a professional reinsurer until it shall have obtained a certificate of authority for that purpose from the Commissioner upon the application therefor and payment by such person, partnership, association or corporation of the fees hereinafter prescribed. As used in this Code, the term "professional reinsurer" shall mean any person, partnership, association or corporation that transacts solely and exclusively reinsurance business in the Philippines.

"The Commissioner may refuse to issue a certificate of authority to any partnership, association or corporation if, in his judgment, such refusal will best promote public interest. No such certificate of authority shall be granted to any such partnership, association or corporation unless and until the Commissioner shall have satisfied himself by such examination as he may make and such evidence as he may require that such partnership, association or corporation is qualified by the laws of the Philippines to transact business therein as a professional reinsurer.

"Before issuing such certificate of authority of the Commissioner must be satisfied that the name of the applicant is not that of any other known company transacting insurance or

reinsurance business in the Philippines, or a name so similar as to be calculated to mislead the public.

"The certificate of authority shall be valid unless sooner revoked or cancelled by the Commissioner.

"Every such partnership, association, or corporation receiving such certificate of authority shall be subject to the provisions of this Code and other related laws, and to the jurisdiction and supervision of the Commissioner."

SEC. 69. Section 281 of The Insurance Code, as amended, is hereby renumbered as Section 288 and amended to read as follows:

"Sec. 288. Any partnership, association, or corporation authorized to transact solely reinsurance business must have a capitalization of at least two billion pesos, paid in cash, of which at least fifty per centum consists of paid-up capital and the remaining portion thereof as contributed surplus, which in no case shall be less than four hundred million pesos or such capitalization as may be determined by the Secretary of Finance, upon the recommendation of the Commissioner; Provided, That twenty-five per centum of the paid-up capital must be invested in securities satisfactory to the Commissioner, consisting of bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas, and deposited with the Commissioner, and the remaining seventy-five per centum in such other securities as may be allowed and permitted by the Commissioner, which securities shall at all times be maintained free from any lien or encumbrance: *Provided*, That the aforesaid capital requirement is without prejudice to other requirements to be imposed under any risk-based capital method that may be adopted by the Commissioner; *Provided, Finally*, That the provisions of this chapter applicable to insurance companies shall so far as practicable be likewise applicable to professional reinsurers."

SEC. 70. The old Section 282 of The Insurance Code, as amended, is hereby renumbered as Section 289 and the sections subsequent thereto are accordingly renumbered until Section 298, which shall be renumbered as Section 305.

SEC. 71. Section 299 of The Insurance Code, as amended, is hereby renumbered as Section 306 and its second paragraph is amended to read as follows:

"No insurance company doing business in the Philippines, nor any agent thereof, shall pay any commission or other compensation to any person for services in obtaining insurance, unless such person shall have first procured from the Commissioner a license to act as an insurance agent of such company or as an insurance broker as hereinafter provided. An insurance agent is an independent contractor and not an employee of the company represented. "Insurance agent" includes agency leader, agency manager, or their equivalent.

"No person shall act as an insurance agent or as an insurance broker in the solicitation or procurement of applications for insurance, or receive for services in obtaining insurance, any commission or other compensation from any insurance company doing business in the Philippines, or any agent thereof, without first procuring a license to act from the Commissioner, which must be renewed every five years thereafter. Such license, which shall ipso facto expire upon termination of the agent's agreement with the insurance company, shall be issued by the Commissioner only upon the written application of the person desiring it, such application if for a license to act as insurance agent, being approved and countersigned by the company such person desires to represent, and shall be upon a form prescribed by the Commissioner giving such information as he may require, and upon payment of the corresponding fee hereinafter prescribed. The Commissioner shall satisfy himself as to competence and trustworthiness of the

applicant and shall have the right to refuse to issue or renew and to suspend or revoke any such license in his discretion."

SEC. 72. A new Section 299-A of The Insurance Code, as amended, is hereby added to read as follows:

"The provisions of Sections 299 and 300 shall apply to an employee who shall be engaged to sell insurance products by an insurance company.

"Since the insurance industry is imbued with public interest, the insurance companies upon approval of the Commission may exercise wide latitude in supervising the activities of their insurance agents to ensure the protection of the insuring public."

SEC. 73. The old Section 300 of The Insurance Code, as amended, is hereby renumbered as Section 307 and the sections subsequent thereto are accordingly renumbered until Section 316, which shall be renumbered as Section 323.

SEC. 74. Section 317 of The Insurance Code, as amended, is hereby renumbered as Section 324 and its first paragraph is amended to read as follows:

"A certificate of registration issued to a resident agent shall expire on the thirtieth day of June of the fifth year following its issuance unless it is renewed."

SEC. 75. The old Section 318 of The Insurance Code, as amended, is hereby renumbered as Section 325 and the sections subsequent thereto are accordingly renumbered until Section 327, which shall be renumbered as Section 334.

SEC. 76. Section 328 of The Insurance Code, as amended, is hereby renumbered as Section 335 and amended to read as follows:

"Sec. 335. Any adjuster's license issued hereunder shall be valid until after the thirtieth day of June of the fifth year following the issuance of such license unless it is renewed; Provided that, such license shall ipso facto expire upon termination of the independent adjuster's agreement with the insurance company, or of the public adjuster's agreement with the insured, as the case may be."

SEC. 77. The old Section 329 of The Insurance Code, as amended, is hereby renumbered as Section 336 and the sections subsequent thereto are accordingly renumbered until Section 335, which shall be renumbered as Section 342.

SEC. 78. Section 336 of The Insurance Code, as amended, is hereby renumbered as Section 343 and its second paragraph is amended to read as follows:

"No certificate of registration issued under this title shall be valid after the thirtieth day of June of the fifth year following its issuance unless it is renewed."

SEC. 79. The old Section 337 of The Insurance Code, as amended, is hereby renumbered as Section 344 and the sections subsequent thereto are accordingly renumbered until Section 364, which shall be renumbered as Section 371.

SEC. 80. A new Section 372 of The Insurance Code, as amended, is hereby added to read as follows:

"Sec. 372. The Commissioner, in consultation with the duly accredited associations representing the insurance industry, shall adopt and promulgate a code of conduct to promote

integrity, honesty and ethical business practices among insurance agents, distributors and other intermediaries."

- **SEC. 81.** A new Title on Bancassurance and Sections 373 to 375 of The Insurance Code, as amended, are hereby added to read as follows:

**"Title 9
"BANCASSURANCE"**

"Sec. 373. The term "bancassurance" shall mean the presentation and sale to bank customers by an insurance company of its insurance products within or outside the premises of the head office of such bank duly licensed by the Bangko Sentral ng Pilipinas or any of its branches under such rules and regulations which the Commission may promulgate. To engage in bancassurance, the bank is not required to have equity ownership of the insurance company. No insurance company shall engage in the business of bancassurance unless it possesses all the requirements as may be prescribed by the Commission.

"No insurance product under this Section, whether life or non-life, shall be issued or delivered unless in the form previously approved by the Commission.

"Sec. 374. Personnel tasked to present and sell insurance products within the bank premises shall be duly licensed by the Commission and shall be subject to the rules and regulations of this Act.

"Sec. 375. The Commission, in coordination with the Bangko Sentral ng Pilipinas, shall promulgate rules and regulations to effectively supervise the business of bancassurance."

SEC. 82. Chapter of the Insurance Code, "Security Fund", consisting of Sections 365 up to 372 is hereby deleted.

SEC. 83. The old Section 373 of the Insurance Code, as amended, is hereby renumbered as Section 376 and the sections subsequent thereto are accordingly renumbered until Section 412, which shall be renumbered as Section 415.

SEC. 84. Section 413 of The Insurance Code, as amended, is hereby renumbered as Section 424 and amended to read as follows.

"Sec. 416. All trustees shall, before entering in the performance of the duties of their trust, obtain a certificate of registration from the Commissioner.

"All provisions of this Code governing mutual benefit associations and such other provisions herein, whenever practicable and necessary, shall be applicable to trusts for charitable uses."

SEC. 85. A new Section 425 of The Insurance Code, as amended, is hereby added to read as follows:

• "Sec. 417. The treasurer of a charitable trust shall file a fidelity bond in the amount commensurate with the value of the trust property in his custody, as may be determined by the Commissioner."

SEC. 86. A new Chapter on Trust Business in General and Section 418 to 422 of The Insurance Code, as amended, are hereby added to read as follows:

***Chapter VIII
"TRUST BUSINESS IN GENERAL**

"Sec. 418. An insurance company duly authorized by the Insurance Commission may engage in trust business, which trust business shall be separate and distinct from the general business of the insurance company, without need of securing a license from the Bangko Sentral ng Pilipinas. The insurance company shall act as a trustee or administer any trust or hold property in trust or on deposit for the use, benefit, or behoof of others. For purposes of this Act, such separate, distinct and duly authorized trust business shall be referred to as a trust entity.

"Sec. 419. A trust entity shall administer property under its custody with the diligence that aims. No trust entity shall, for the account of the trust business, acquire property from, or sell, transfer, assign or lend money or property to, or purchase debt instruments of, any of the departments, directors, officers, stockholders, or employees of the trust entity, relatives within the first degree of consanguinity or affinity, or the related interests, of such directors, officers and stockholders, unless prior to the transaction, such transaction is specifically authorized by the trustor and the relationship between the trustee and the other party involved in the transaction is fully disclosed to the trustor or beneficiary of the trust. The Insurance Commission shall promulgate such rules and regulations as may be necessary to regulate the conduct of trust business by insurance companies.

"Sec. 420. The trust business and all funds, properties or securities received by any trust entity as executor, administrator, trustee, receiver, or depository shall be kept separate and distinct from the general business of the insurance company, or allied insurance company including all other funds, properties, and assets of such trust entity. The accounts of all such funds, properties, or securities shall likewise be kept separate and distinct from the accounts of the general business of the trust entity.

"Sec. 421. Unless otherwise directed by the instrument creating the trust, the lending and investment of funds and other assets acquired by a trust entity as executor, administrator, or trustee, shall be limited to loans or investments as may be prescribed by law, and/or the Insurance Commission.

"Sec. 422. No assets held by a trust entity in its capacity as trustee shall be subject to any claims other than those of the parties interested in the specific trusts."

SEC. 87. A new Chapter on Registration, Responsibilities and Oversight of Self-Regulatory Organizations and Sections 423 to 429 of The Insurance Code, as amended, are hereby added to read as follows:

***Chapter IX
"REGISTRATION, RESPONSIBILITIES AND OVERSIGHT OF SELF-REGULATORY
ORGANIZATIONS**

"Sec. 423. The Commissioner shall have the power to register as a self-regulatory organization, or otherwise grant licenses, and to regulate, supervise, examine, suspend or otherwise discontinue, as a condition for the operation of organizations whose operations are related to or connected with the insurance market such as but not limited to associations of insurance companies, whether life or non-life, reinsurers, actuaries, agents, brokers, dealers, mutual benefit associations, trusts, rating agencies, and other persons regulated by the Commissioner, which are engaged in the business regulated by this Code.

"The Commissioner may prescribe rules and regulations which are necessary or appropriate in the public interest or for the protection of investors to govern self-regulatory

organizations and other organizations licensed or regulated pursuant to the authority granted in hereunder, including but not limited to the requirement of cooperation within and among all participants in the insurance market to ensure transparency and facilitate exchange of information.

*Sec. 424. An association cannot be registered as a self-regulatory organization unless the Commissioner determines that:

"(a) The association is so organized and has the capacity to be able to carry out the purposes of this Code and to comply with, and to enforce compliance by its members and persons associated with its members, with the provisions of this Code, the rules and regulations thereunder, and the rules of the association.

"(b) The rules of the association, notwithstanding anything in the Corporation Code to the contrary, provide that:

- (i) Any entity possessing the qualifications set out in the rules and none of the disqualifications may become a member of the association;
- (ii) There exists a fair representation of its members to serve on the Board of Directors of the association and in the administration of its affairs, and that any natural person associated with a juridical entity that is a member shall himself be deemed to be a member for this purpose;
- (iii) The Board of Directors of the association includes in its composition (a) the president of the association and (b) at least 2 independent directors;
- (iv) For the equitable allocation of reasonable dues, fees, and other charges among members and other persons using any facility or system which the association operates or controls;
- (v) For the prevention of fraudulent and manipulative acts and practices, the promotion of just and equitable principles of business, and, in general, the protection of the insuring public;
- (vi) That its members and persons associated with its members shall be appropriately disciplined for violation of any provision of this Code, the rules or regulations thereunder, or the rules of the association;
- (vii) That a fair procedure for the disciplining of members and persons associated with members, the denial of membership to any person seeking membership therein, the barring of any person from becoming associated with a member thereof, and the prohibition or limitation by the association of any person with respect to access to services offered by the association or a member thereof.

*Sec. 425. A self-regulatory organization may examine and verify the qualifications of an applicant to become a member in accordance with procedures established by the rules of the association.

*A self-regulatory organization shall deny membership or condition the membership of an entity, if the entity:

- (i) Does not meet the standards of financial responsibility, operational capability, training, experience, or competence that are prescribed by the rules of the association; or

- (ii) Has engaged, and there is a reasonable likelihood it will again engage, in acts or practices inconsistent with just and equitable principles of fair trade.

"A self-regulatory organization may deny membership to an entity not engaged in a type of business in which the rules of the association require members to be engaged.

"Sec. 426. Upon the filing of an application for registration as a self-regulatory organization under this Title, the Commissioner shall have ninety (90) days within which to either grant registration or institute a proceeding to determine whether registration should be denied. In the event proceedings are instituted, the Commissioner shall have two hundred seventy (270) days within which to conclude such proceedings at which time it shall, by order, grant or deny such registration.

"Sec. 427. Every self-regulatory organization shall comply with the provisions of this Code, the rules and regulations thereunder, and its own rules, and enforce compliance therewith, notwithstanding any provision of the Corporation Code to the contrary, by its members, persons associated with its members or its participants.

"Sec. 428. Each self-regulatory organization shall submit to the Commissioner for prior approval any proposed rule or amendment thereto, together with a concise statement of the reason and effect of the proposed amendment.

"Within sixty (60) days after submission of a proposed amendment, the Commissioner shall, by order, approve the proposed amendment. Otherwise, the same may be made effective by the self-regulatory organization.

"In the event of an emergency requiring action for the protection of the insuring public, a self-regulatory organization may put a proposed amendment into effect summarily: Provided, however, That a copy of the same shall be immediately submitted to the Commissioner.

"The Commissioner is further authorized, if after making appropriate request in writing to a self-regulatory organization that such organization effect on its own behalf specified changes in its rules and practices and, after due notice and hearing it determines that such changes have not been effected, and that such changes are necessary, by rule or regulation or by order, may alter, abrogate or supplement the rules of such self-regulatory organization in so far as necessary or appropriate to effect such changes in respect of such matters as:

"(a) Safeguards in respect of the financial responsibility of members and adequate provision against the evasion of financial responsibility through the use of corporate forms or special partnerships;

"(b) The supervision of market practices;

"(c) The manner, method, and place of soliciting business;

"(d) The fixing of reasonable rates of fees, interest, listing and other charges, but not rates of commission; and self-regulatory organization

"(e) The supervision, auditing and disciplining of members.

"In addition to the general powers of the Commissioner over the entities under his/her supervision, the Commissioner, after due notice and hearing, is authorized, in the public interest and to protect insuring public:

"(a) To suspend for a period not exceeding twelve (12) months or to revoke the registration of a self-regulatory organization, or to censure or impose limitations on the activities, functions, and operations of such self-regulatory organization, if the Commission finds that such a self-regulatory organization has willfully violated or is unable to comply with any provision of this Code or of the rules and regulations thereunder, or its own rules, or has failed to enforce compliance therewith by a member of, person associated with a member, or a participant in such self-regulatory organization;

"(b) To expel from a self-regulatory organization any member thereof or any participant therein who is found to have willfully violated any provision of this Code or suspend for a period not exceeding twelve (12) months for violation of any provision of this Code or any other laws administered by the Commission, or the rules and regulations thereunder, or effected, directly or indirectly, any transaction for any person who, such member or participant had reason to believe, was violating in respect of such transaction any of such provisions; and

"(c) To remove from office or censure any officer or director of a self-regulatory organization if it finds that such officer or director has violated any provision of this Code, any other law administered by the Commissioner, the rules or regulations thereunder, or the rules of such self-regulatory organization, abused his authority, or without reasonable justification or excuse has failed to enforce compliance with any of such provisions.

"Sec. 429. (a) A self-regulatory organization is authorized to discipline a member of or participant in such self-regulatory organization, or any person associated with a member, including the suspension or expulsion of such member or participant, and the suspension or bar from being associated with a member, if such person has engaged in acts or practices inconsistent with just and equitable principles of fairness or in willful violation of any provision of the Code, any other law administered by the Commission, the rules or regulations thereunder, or the rules of the self-regulatory organization. In any disciplinary proceeding by a self-regulatory organization (other than a summary proceeding pursuant to paragraph (b) of this subsection) the self-regulatory organization shall bring specific charges, provide notice to the person charged, afford the person charged with an opportunity to defend against the charges, and keep a record of the proceedings. A determination to impose a disciplinary sanction shall be supported by a written statement of the offense, a summary of the evidence presented and a statement of the sanction imposed.

"(b) A self-regulatory organization may summarily: (i) suspend a member, participant or person associated with a member who has been or is expelled or suspended from any other self-regulatory organization; or (ii) suspend a member who the self-regulatory organization finds to be in such financial or operating difficulty that the member or participant cannot be permitted to continue to do business as a member with safety to investors, creditors, other members, participants or the self-regulatory organization; Provided, That the self-regulatory organization immediately notifies the Commission of the action taken. Any person aggrieved by a summary action pursuant to this paragraph shall be promptly afforded an opportunity for a hearing by the association in accordance with the provisions of paragraph (a) of this subsection. The Commissioner, by order, may stay a summary action on its own motion or upon application by any person aggrieved thereby, if the Commissioner determines summarily or after due notice and hearing (which hearing may consist solely of the submission of affidavits or presentation of oral arguments) that a stay is consistent with the public interest and the protection of the insuring public.

"(c) A self-regulatory organization shall promptly notify the Commission of any disciplinary sanction on any member thereof or participant therein, any denial of membership or participation in such organization, or the imposition of any disciplinary sanction on a person associated with a member or a bar of such person from becoming so associated. Within thirty (30) days after such notice, any aggrieved person may appeal to the Commissioner from, or the Commissioner on its

own motion within such period, may institute review of, the decision of the self-regulatory organization, at the conclusion of which, after due notice and hearing (which may consist solely of review of the record before the self-regulatory organization), the Commissioner shall affirm, modify or set aside the sanction. In such proceeding the Commissioner shall determine whether the aggrieved person has engaged or omitted to engage in the acts and practices as found by the self-regulatory organization, whether such acts and practices constitute willful violations of this Code, any other law administered by the Commission, the rules or regulations thereunder, or the rules of the self-regulatory organization as specified by such organization, whether such provisions were applied in a manner consistent with the purposes of this Code, and whether, with due regard for the public interest and the protection of investors the sanction is excessive or oppressive."

SEC. 88. A new Chapter on Confidentiality and a new Section 430 of The Insurance Code, as amended, are hereby added to read as follows:

***Chapter X
*CONFIDENTIALITY**

"Sec. 430. All life insurance companies doing business in the Philippines are hereby required to inform persons applying for life insurance as well as persons proposed for insurance that as part of the underwriting procedure, a report may be obtained by the insurance company that will provide it with applicable and relevant information regarding the person's health, mode of living, and other personal background as gathered from the person himself, from the results of any required physical examination, from the reports obtained from physicians or other medical personnel, institutions or facilities where the person had been attended, or, in general, from any other sources.

"All these information in relation to the person's insurability shall be treated as confidential and shall not be disclosed by the life insurance company, its directors, officers, employees, agents, brokers, or other business partners, in any form or manner, unless otherwise required by law, by lawful order of a Court of competent jurisdiction, or upon the written permission of the person himself, provided, however, that the insurance company may release information in its file to other life insurance companies to whom the person may apply for life, accident or health insurance, or to whom a claim for benefits may be submitted."

SEC. 89. A new Chapter on Taxation and a new Section 431 of The Insurance Code, as amended, are hereby added to read as follows.

***Chapter XI
*TAXATION**

"Sec. 431. The death benefits received under a life insurance policy shall be exempt from all taxes."

SEC. 90. Chapter VIII on The Insurance Commissioner of The Insurance Code, as amended, is hereby renumbered as Chapter XII

SEC. 91. Section 414 of The Insurance Code, as amended, is hereby renumbered as Section 432 and amended to read as follows:

"Sec. 432. The Insurance Commissioner shall have the duty to see that all laws relating to insurance, insurance companies and other insurance matters, mutual benefit associations, and trusts for charitable uses are faithfully executed and to perform the duties imposed upon him by this Code, and shall, notwithstanding any existing laws to the contrary, have sole and exclusive authority to regulate the issuance and sale of variable contracts as defined in section [two

hundred thirty-two] and to provide for the licensing of persons selling such contracts, and to issue such reasonable rules and regulations governing the same.

"The Commissioner may issue such rulings, instructions, circulars, orders and decision as he may deem necessary to secure the enforcement of the provisions of this Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public, subject to the approval of the Secretary of Finance. Except as otherwise specified, decisions made by the Commissioner shall be appealable to the Secretary of Finance.

"In addition to the foregoing, the Commissioner shall have the following powers and functions:

"a) Formulate policies and recommendations on issues concerning the insurance industry, advise Congress and other government agencies on all aspects of the insurance industry and propose legislation and amendments thereto;

"b) Approve, reject, suspend revoke or require amendments to registration and licensing applications provided for by this Code;

"c) Impose sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto;

"d) Prepare, approve, amend or repeal rules, regulations and order, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders;

"e) Enlist and aid and support of and/or deputize any and all enforcement agencies of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code;

"f) Issue cease and desist orders to prevent fraud or injury to the insuring public;

"g) Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court;

"h) Compel the officers of any registered insurance corporation or association to call meetings of stockholders or members thereof under its supervisions;

"i) Issue subpoena duces tecum and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provision of existing laws;

"j) Suspend or revoke, after proper notice and hearing the license or certificate of authority of any entity or person under its regulation, upon any of the grounds provided by law;

"k) Conduct of examination to determine compliance with laws and regulations if the circumstances so warrant as determined by appropriate rules and regulations;

"l) Regular investigation which shall not be oftener than once a year from the last date of examination to determine whether an institution is conducting its business on a safe an sound basis; Provided, That, the deficiencies/irregularities found by or discovered by an audit shall be immediately addressed;

"m) Inquire into the solvency and liquidity of the institutions under its supervision and enforce prompt corrective action; and

"k) Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws."

SEC. 92. The old Section 415 of The Insurance Code, as amended, is hereby renumbered as Section 433 and the sections subsequent thereto are accordingly renumbered until Section 424, which shall be renumbered as Section 442.

SEC. 93. This Act shall also amend the section numbers referred to in The Insurance Code to reflect the renumbering resulting from the amendments brought about by this Act.

SEC. 94. Separability Clause. If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 95. Repealing Clause. All laws, decrees, orders, rules and regulations or parts thereof, inconsistent with this Act are hereby amended or modified accordingly.

SEC. 96. Effectivity. This Act shall take effect 15 days following its publication in a newspaper of general circulation, provided that the tax incentives granted hereunder shall take effect on

Approved.