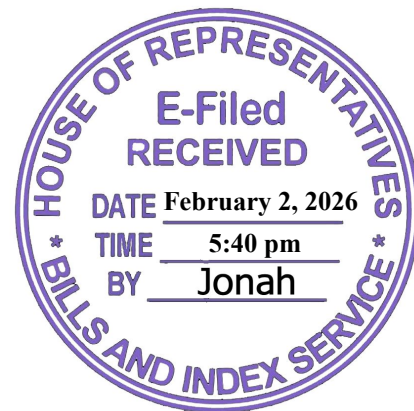


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
First Regular Session
HOUSE BILL NO. 7567



Introduced by Representative Jose Manuel F. Alba

AN ACT
ESTABLISHING THE PHILIPPINE SUSTAINABLE HUMANITARIAN
INSURANCE FOR ECONOMIC LOSS AND DAMAGE (PHIL-SHIELD)
CORPORATION, INSTITUTIONALIZING A SOVEREIGN-RETAIL RISK
TRANSFER MECHANISM, AND MANDATING RESILIENCE EQUITY
INVESTMENTS FROM COVERED HIGH-EMITTING ENTERPRISES TO
PROTECT VULNERABLE POPULATIONS FROM CLIMATE AND
GEOHAZARD IMPACTS, AND APPROPRIATING FUNDS THEREFOR

Explanatory Note

The Philippines remains one of the most disaster-prone countries in the world. According to the World Risk Report, our nation consistently ranks at the top of the list for climate-related vulnerabilities. While our macroeconomic fundamentals remain strong, the "Protection Gap"—the difference between total economic losses and insured losses—remains a significant hurdle to poverty reduction.

Currently, when a major typhoon or earthquake strikes, our most vulnerable citizens—the farmers, fisherfolk, and micro-entrepreneurs—lose not just their assets, but their immediate liquidity. This forces them into a "poverty ratchet," where they are compelled to take out predatory loans or sell productive assets just to survive.

The Climate Accountability (CLIMA) bill and similar measures have correctly identified the need to hold high-emitting entities responsible. However, litigation is a slow and adversarial process that can take decades to reach the pockets of those who need help today.

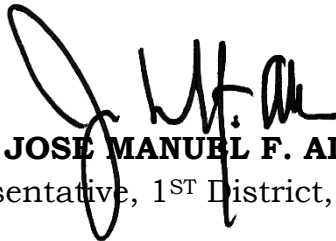
This bill, the Philippine Sustainable Humanitarian Insurance for Economic Loss and Damage (Phil-SHIELD) Act, offers a market-driven, positive, and investment-aligned alternative. Instead of an adversarial approach, it mandates that high-emitting sectors invest in national resilience as Equity Partners.

Key Features of this Bill:

1. **Sovereign-Retail Hybrid Model:** It creates the Phil-SHIELD Corporation, a GOCC that aggregates national risk to access global reinsurance markets while delivering "sachet-sized" insurance directly to the digital wallets of Filipinos.
2. **Mandatory Resilience Equity Investment (MREI):** Covered enterprises in high-emitting sectors (power, mining, cement, etc.) are required to invest in a Climate Resilience Fund based on the Social Cost of Carbon.
3. **Automatic Protection for the Vulnerable:** It mandates that a portion of the 4Ps grants be used for automatic parametric insurance, ensuring that the poorest families receive immediate cash payouts within 48 hours of a disaster trigger.
4. **Efficiency through Technology:** It utilizes independent satellite data and digital payment rails to bypass the slow, subjective process of manual damage assessment.

By shifting our paradigm from reactive disaster relief to proactive risk transfer, we ensure that every Filipino has a shield against the impacts of climate change. This bill is not just about insurance; it is about protecting the dignity and economic future of our people.

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



JOSE MANUEL F. ALBA
Representative, 1ST District, Bukidnon

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

CHAPTER I
GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the "Phil-SHIELD Act."

SECTION 2. *Declaration of Policy.* – It is the declared policy of the State to protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature (Art. II, Sec. 16, 1987 Constitution). The State recognizes its primary responsibility to protect its citizens, particularly the poor and vulnerable, from the adverse impacts of climate change and geohazards which threaten their lives, property, and livelihoods.

Pursuant to the Climate Change Act of 2009 (R.A. No. 9729), as amended, and the Paris Agreement, the State hereby adopts a proactive, market-based framework for climate resilience and risk transfer. To this end, the State shall:

1. Promote the principle of Climate Justice by ensuring that those with significant contributions to global warming bear a

- proportionate share of the cost of national adaptation and resilience;
2. Institutionalize a Sovereign-Retail Risk Transfer Mechanism that bridges the "Protection Gap" through the use of parametric insurance and digital financial technology;
 3. Establish a standalone, government-owned and controlled corporation to manage a ring-fenced resilience trust, specifically designed to function as a Sovereign Risk-Pooling Facility, a specialized role distinct from existing government financial institutions; and
 4. Ensure immediate, frictionless liquidity for disaster-stricken communities to prevent them from falling into predatory debt cycles and long-term poverty.

SECTION 3. Definition of Terms. – For purposes of this Act:

1. **Actuarial Solvency** refers to the ability of the Corporation to meet its long-term insurance and protection obligations as determined by recognized actuarial standards and Insurance Commission regulations.
2. **Climate Resilience Fund (CRF)** refers to the internal fund established by a Covered Enterprise under Section 5 of this Act, dedicated to the management and disbursement of its Mandatory Resilience Equity Investment.
3. **Covered Enterprises** refer to industrial and commercial entities, whether local or foreign, operating in the Philippines, classified as large or medium taxpayers, whose operations are identified by the Climate Change Commission (CCC) as having significant greenhouse gas (GHG) emissions.
4. **Geohazards** refer to geological conditions or phenomena that may cause loss of life or damage to property, including but not limited to earthquakes, tsunamis, volcanic eruptions, and landslides.
5. **Mandatory Resilience Allocation** refers to the required remittance of a portion of statutory funds (e.g., SDMP and ER 1-94) directed toward the resilience and risk transfer mechanisms for host communities.
6. **Parametric Insurance** refers to a risk transfer mechanism that makes payments based on the occurrence of a pre-defined event

(the "trigger") rather than a subjective assessment of physical damage.

7. **Resilience Equity Investment (REI)** refers to the mandatory capital contribution required from Covered Enterprises to serve as equity in the Phil-SHIELD Sovereign Trust, an approved Internal Resilience Fund, or a qualified private insurance vehicle.
8. **Sachet Resilience** refers to micro-insurance or micro-protection products designed with small-scale, high-frequency contribution structures suited to the cash flow of low-income households and micro-enterprises.
9. **Social Cost of Carbon (SCC)** refers to the monetary value of the damages associated with an incremental increase in carbon emissions in a given year, used to determine the appropriate level of resilience investment for Covered Enterprises.
10. **Sovereign Risk-Pooling Facility** refers to a centralized financial mechanism established by the State to aggregate national-level risks and access international reinsurance markets at scale.

SECTION 4. Creation of the Phil-SHIELD Corporation. – There is hereby created a government-owned and controlled corporation (GOCC) to be known as the Philippine Sustainable Humanitarian Insurance for Economic Loss and Damage (Phil-SHIELD) Corporation, hereinafter referred to as the "Corporation," which shall be organized within thirty (30) days from the effectivity of this Act.

The Corporation shall have the powers and attributes of a body corporate, including the power to sue and be sued; to enter into contracts; to acquire, hold, and dispose of real and personal property; to manage the Phil-SHIELD Sovereign Trust; to invest its funds in various financial instruments to generate sustainable revenues; to distribute dividends to its equity investors; to procure international reinsurance; to actively seek, negotiate, apply for, and receive grants, donations, and technical assistance from international financial institutions and climate funds intended for resilience and recovery from loss and damage; and to perform such other acts as may be necessary or proper to carry out the purposes of this Act.

1. **Governance.** – The Corporation shall be governed by a Board of Directors composed of the Secretary of the Department of Development (DepDev) as *ex-officio* Chairperson; the Secretary of

the Department of Finance (DOF) as *ex-officio* Vice-Chairperson; and the Vice-Chairperson of the Climate Change Commission (CCC) as *ex-officio* member. Four (4) other members shall be appointed by the President of the Philippines, representing the insurance industry, the actuarial profession, and the vulnerable sectors.

2. **Attachment.** – The Corporation shall be attached to the DepDev for purposes of policy and program coordination.

SECTION 5. Mandatory Resilience Equity Investment (MREI).

– To capitalize the national risk pool, all Covered Enterprises are hereby mandated to participate in the Mandatory Resilience Equity Investment (MREI) program.

1. **Basis of Investment.** – The MREI shall be determined by the Climate Change Commission (CCC) based on the enterprise's verified annual greenhouse gas (GHG) emissions (Scope 1 and 2) multiplied by the Social Cost of Carbon (SCC) as defined and periodically updated in the Implementing Rules and Regulations (IRR) of this Act.
2. **Climate Resilience Fund (CRF).** – Every Covered Enterprise shall establish an internal Climate Resilience Fund (CRF). The total MREI obligation shall be deposited into this fund.
3. **Investment Modalities.** – An enterprise may fulfill its MREI obligation by utilizing the assets in its CRF through any of the following modalities:
 - **Direct Equity Investment:** Direct investment into the Phil-SHIELD Sovereign Trust as Resilience Equity Shares;
 - **Private Market Investment:** Investment into existing insurance companies licensed to operate in the Philippines to develop or capitalize parametric insurance products that target specific vulnerable segments and adhere to the principles provided in Section 8 of this Act, subject to the regulatory certification provided in Section 10 of this Act;
 - **Internal Risk Transfer:** Development of the enterprise's own risk transfer mechanism or captive insurance entity,

provided it is dedicated to the protection of vulnerable stakeholders within its value chain or host communities; or

- **Premium Subsidy:** Using the CRF to subsidize the premiums of parametric insurance products for specific market segments (e.g., smallholder farmers or host communities) to ensure affordability for the masses.

4. **Equity Nature of Investment.** – MREI contributions made to the Phil-SHIELD Trust or into private insurance vehicles shall be treated as Equity, representing a claim on the long-term resilience and solvency of the fund or vehicle.

SECTION 6. Investment Benefits and Tax Incentives. – To ensure the sustainability of the MREI program:

1. **Tax Incentives.** – Disbursements from the Climate Resilience Fund (CRF) utilized for the payment of premiums, subsidies, and administrative costs associated with parametric insurance products for vulnerable populations within the enterprise's value chain or host communities shall be treated as deductible business expenses. Such expenditures shall be one hundred percent (100%) deductible from the gross income of the Covered Enterprise for the purpose of computing its taxable income.
2. **Resilience Advisory Council.** – Covered Enterprises that meet their annual MREI targets shall be entitled to a seat in the Resilience Advisory Council, which shall advise the Board of the Corporation on market trends and technical innovations in climate risk management.

SECTION 7. Capitalization, Solvency, and Risk Management. – The Corporation shall manage the Phil-SHIELD Sovereign Trust, which shall be the primary vehicle for national risk pooling and resilience financing. The Trust shall be maintained through the following components and principles:

1. **Core Equity and Capitalization.** – The Trust's long-term solvency shall be anchored on:
 - Annual appropriations from the Sustainable Development Goals (SDG) Fund, sourced from revenues collected under the National Internal Revenue Code (Sin Taxes);

- Grants, donations, and financial assistance from international climate finance mechanisms and arrangements under the UNFCCC framework, including but not limited to the Green Climate Fund (GCF), the Adaptation Fund, and the Fund for Responding to Loss and Damage; and
- Mandatory Resilience Equity Investments (MREI) from Covered Enterprises as provided under Section 5.

2. Operational Liquidity and Premium Financing. – To ensure the continuous flow of parametric payouts and the affordability of retail products, the Trust shall utilize:

- An automatic remittance and Mandatory Resilience Allocation of ten percent (10%) of the annual Social Development and Management Program (SDMP) funds from the mining sector and ten percent (10%) of the Energy Regulation (ER) 1-94 funds from power generation facilities to fund the resilience and risk transfer mechanisms of host communities;
- A mandated portion of the cash grants under the Pantawid Pamilyang Pilipino Program (4Ps), which shall be utilized as premium payments for the automatic and mandatory parametric insurance coverage of 4Ps beneficiaries, notwithstanding the restrictive use of funds provided in Republic Act No. 11310; and
- Micro-incremental contributions from citizens participating in the "Sachet Resilience" retail marketplace.

3. External Risk Transfer (Reinsurance). – The Corporation is mandated to implement a prudent risk management framework by ceding risks that exceed its domestic retention and actuarial capacity to the international reinsurance and capital markets.

4. Investment and Dividend Policy. – To ensure financial sustainability, the Corporation shall adopt the following policies:

- Prudent Investment: The Corporation shall have the mandate to invest its idle funds in a diversified portfolio of low-risk, high-liquidity instruments, including green/blue bonds that promote climate-resilient infrastructure; and
- Distribution of Dividends: Subject to the maintenance of required actuarial reserves, the Corporation may distribute

dividends to its equity investors, including the National Government and Covered Enterprises.

SECTION 8. Principles of Product Design and Universal Coverage. – The Corporation and any private insurance entities receiving MREI investments shall adhere to the following principles:

1. **Social Equity.** – Providing survival-level cover at no cost to the most marginalized (4Ps/Listahanan), leveraging the 4Ps grant-linked premium mechanism to ensure universal and automatic protection.
2. **Livelihood Resilience for Primary Producers and Micro-Entrepreneurs.** – The State shall provide a premium subsidy of at least fifty percent (50%) for qualified segments, including smallholder farmers (up to 3 hectares), subsistence fisherfolk, micro-retailers (sari-sari stores), informal transport operators (tricycles/jeepneys), and community public service volunteers.
3. **Institutional Stability.** – Protecting critical LGU public assets through pooled parametric structures.
4. **Adaptive Inclusion.** – Flexibility to develop products for Indigenous Peoples and coastal communities based on their specific geographical and cultural context.
5. **Sachet Accessibility.** – Ensuring frictionless, micro-incremental access and automated disbursement through digital financial rails.

SECTION 9. Specifications for Operational Efficiency and Disbursement. – The Corporation shall implement an automated system governed by the principles of:

1. **Objective Data Verification.** – Using independent data oracles (satellite/seismic) to trigger payouts.
2. **Granularity of Triggers.** – High-resolution grids to minimize basis risk.
3. **Rapid Liquidity Mandate.** – Automated credit to digital wallets upon trigger verification.

4. **Technological Neutrality.** – Compatibility with evolving digital payment and remote-sensing technologies.

SECTION 10. Regulatory Oversight and Certification of Private Market Conduits. – To ensure that private market investments complement the national resilience strategy, the Insurance Commission (IC) is hereby mandated to provide specialized oversight for insurance entities acting as conduits for Mandatory Resilience Equity Investments (MREI).

1. **Resilience Conduit Certification.** – Any insurance company seeking to receive MREI funds through the modalities provided in Section 5.3 must secure a "Resilience Conduit Certification" from the IC. This certification shall be renewed annually and shall be a prerequisite for the recognition of an enterprise's MREI contribution as compliant.
2. **Product Design and Transparency Standards.** – The IC shall establish specific technical standards for parametric products funded through MREI, which shall include objective trigger verification and trigger transparency.
3. **Efficiency of Disbursement.** – Certified conduits must demonstrate the capability for automated, frictionless disbursement of payouts to digital wallets or mobile accounts.
4. **Complementarity and Audit.** – The IC, in coordination with the Phil-SHIELD Corporation and the CCC, shall conduct annual audits of certified conduits.

SECTION 11. Verification and Enforcement. –

1. **Technical Verification.** – The Climate Change Commission (CCC) shall serve as the lead technical authority responsible for the verification of GHG emissions and MREI obligations.
2. **Notification of Non-Compliance.** – Upon a finding of non-compliance, the CCC shall formally notify the relevant sectoral regulatory agency (DENR, DOE, SEC, LGUs).
3. **Administrative Sanctions.** – Upon receipt of the CCC's notification, the relevant agency shall execute a surcharge of two hundred percent (200%) of the unpaid MREI amount and the

suspension of the enterprise's Environmental Compliance Certificate (ECC) or business permit until compliance is verified.

SECTION 12. *Appropriations.* – The amount of Five Billion Pesos (P5,000,000,000.00) is hereby appropriated as the initial seed capital of the Corporation. Thereafter, such sums as may be necessary for its continued operation shall be included in the annual General Appropriations Act (GAA).

SECTION 13. *Transitory Provisions.* – Within six (6) months from the effectivity of this Act, the President of the Philippines shall appoint the members of the Board, and the DepDev shall complete the organizational structure of the Corporation.

SECTION 14. *Implementing Rules and Regulations (IRR).* – Within ninety (90) days from the effectivity of this Act, the DepDev, in coordination with the DOF, CCC, and the Insurance Commission, shall promulgate the necessary IRR for the effective implementation of this Act.

SECTION 15. *Separability Clause.* – If any provision of this Act is held invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SECTION 16. *Amendatory and Repealing Clause.* – All other laws, decrees, executive orders, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby amended, repealed or modified accordingly.

SECTION 17. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,