


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

SENATE
REPUBLIC OF THE PHILIPPINES
10 AUG 23 P2 04

SENATE
S. No. 2432

APPROVED BY: 

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

One of the investigations conducted by the committee on Accountability of Public Officers and Investigations, otherwise known as the Blue Ribbon Committee was the modus operandi of syndicates specializing in fraudulent registration and titling of land.

At the end of the investigation, the Committee concluded that the whole system of the land registration and titling of land is institutionally and intrinsically flawed. The syndicates, in cahoots with some government agencies, engage in this revolting scheme. This could be traced, among other things, from the fact that the records' management of the Land Registration Authority is seriously defective in that some people there had allowed the switching or tampering of important land documents, including land titles.

This bill seeks to create a land title insurance system that will protect owners of real estate against defects in their land titles and help maintain the integrity of the Torrens Title system, which is the foundation of ownership to real property.

This piece of legislation seeks to create a land title insurance system that will protect owners of real estate against defects in their land titles and help maintain the integrity of the Torrens Title system, which stabilizes the ownership of real property. It is the aim of this bill to restore the faith and reliance of the people on the integrity of land titles.

It is hoped that the title insurance system would help crush a growing cancer that has infected our system of land registration bringing back the public's lost faith and confidence in the Torrens System.

Hence the passage of this bill is earnestly requested.

This bill was originally filed by Sen. Aquilino Q. Pimentel, Jr. during the Fourteenth Congress.


Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO
over

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OFFICE OF THE SECRETARY

10 AUG 23 P2:04

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RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 CREATING THE FIELD OF LAND TITLE INSURANCE
3 AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 612,
4 OTHERWISE KNOWN AS THE INSURANCE CODE OF 1978, AS AMENDED BY
5 PRESIDENTIAL DECREES NOS. 1455 AND 1460 AND BATAS PAMBANSA BLG. 874

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

6 SECTION 1. Chapter 11, on Classes of Insurance, of Presidential Decree No. 612, as
7 amended, otherwise known as the Insurance Code of 1978, is hereby amended to include a
8 distinct class of insurance to be known as Land Title Insurance, which shall read as follows:

9 TITLE VI

10 LAND TITLE INSURANCE

11 Sub-Title VI-A

12 DEFINITIONS OF TERMS

13 SECTION 184. a) LAND TITLE INSURANCE POLICY PROTECTS THE INSURED
14 AGAINST TITLE DEFECTS, FORGERY, FALSIFICATION, DOUBLE TITLING AND
15 SIMILAR UNLAWFUL ACTS THAT AFFECT TITLE TO, OR THE USE OF REAL
16 PROPERTY.

17 b) A TITLE INSURER REFERS TO A COMPANY ORGANIZED AND
18 AUTHORIZED TO DO THE BUSINESS UNDER THIS CODE FOR THE PURPOSE OF
19 ISSUING TITLE INSURANCE POLICIES.

20 c) RELATED TITLE SERVICES MEANS SERVICES PROVIDED BY A TITLE
21 INSURER OR THE TITLE INSURANCE AGENT INCLUDING, BUT NOT LIMITED TO,
22 PREPARING OR OBTAINING TITLE INFORMATION, PREPARING DOCUMENTS

1 NECESSARY TO CLOSE A TRANSACTION, CONDUCTING THE CLOSING OR
2 HANDLING THE DISBURSEMENT OF FUNDS RELATED TO THE CLOSING OF A REAL
3 ESTATE TRANSACTION IN WHICH A TITLE INSURANCE POLICY IS TO BE ISSUED.

4 d) RISK PREMIUM REFERS TO THE CHARGE THAT IS MADE BY A TITLE
5 INSURER FOR THE ASSUMPTION OF RISK UNDER A TITLE INSURANCE CONTRACT.

6 Sub-Title VI-B

7 THE TITLE POLICY

8 SECTION 185. A TITLE INSURER SHALL NOT ISSUE NOR AGREE TO ISSUE
9 ANY FORM OF TITLE BINDER, TITLE INSURANCE COMMITMENT, PRELIMINARY
10 REPORT, INSURANCE POLICY, OTHER CONTRACTS OF TITLE INSURANCE OR
11 RELATED FORM UNTIL IT IS FILED WITH AND APPROVED BY THE INSURANCE
12 COMMISSION.

13 SECTION 186. A TITLE INSURER SHALL NOT ISSUE ANY CONTRACT OF
14 TITLE INSURANCE EITHER AS PRELIMINARY INSURER, CO-INSURER OR RE-
15 INSURER UPON AN ESTATE, LIEN OR INTEREST IN PROPERTY UNLESS THE
16 AMOUNT OF THE RISK ASSUMED IS REFLECTED ON THE FACE OF THE
17 CONTRACT. A TITLE INSURER SHALL NOT ISSUE TWO OR MORE POLICIES UPON
18 THE SAME ESTATES, LIEN OR INTEREST: *PROVIDED*, THAT NOTHING IN THIS
19 SECTION SHALL PROHIBIT THE SIMULTANEOUS ISSUANCE OF POLICIES
20 INSURING DIFFERENT ESTATES, LIENS OR INTERESTS IN THE SAME PROPERTY, IF
21 EACH OF THE SIMULTANEOUS POLICIES EXCEPTS THE PAMOUNT ESTATES, LIENS
22 OR INTERESTS TO WHICH THE INSURED ESTATE, LIEN OR INTERESTS IS SUBJECT,
23 AND IF EACH OF THE SIMULTANEOUS POLICIES CONFORMS TO THIS SECTION.

24 *PROVIDED*, FURTHER THAT NOTHING IN THIS SECTION PROHIBITS THE CEDING
25 OF A PORTION OF THE TOTAL RISK TO AUTHORIZED INSURERS. INSURANCE
26 CEDED, INCLUDING CO-INSURANCE EFFECTED, IS A RETENTION OF RISK BY THE
27 INSURER ASSUMING THE CEDED RISK, AND NOT BY THE INSURER CEDING THE
28 RISK.

1 Sub-Title VI-C

2 RISK PREMIUM

3 SECTION 187. THE INSURANCE COMMISSION SHALL ADOPT AND ISSUE
4 GUIDELINES SPECIFYING THE RISK PREMIUM TO BE CHARGED BY INSURERS FOR
5 THE RESPECTIVE TYPES OF TITLE INSURANCE CONTRACTS AND SERVICES
6 INCIDENT THERETO. THE INSURANCE COMMISSION MAY ESTABLISH
7 LIMITATIONS AS TO THE REASONABLE CHARGES MADE IN ADDITION TO THE
8 RISK PREMIUM BASED UPON THE EXPENSES ASSOCIATED WITH THE SERVICES
9 RENDERED AND OTHER RELEVANT FACTORS.

10 SECTION 188. IN ADOIYTING PREMIUM RATES, THE INSURANCE
11 COMMISSION MUST GIVE DUE CONSIDERATION TO THE FOLLOWING

12 A) THE INSURERS' LOSS EXPERIENCE AND PROSPECTIVE LOSS
13 EXPERIENCE UNDER INSURED CLOSING SERVICE LETTERS, SEARCH AND
14 EXAMINATION SERVICES, AND POLICY LIABILITIES.

15 B) A REASONABLE MARGIN FOR UNDERWRITING PROFIT AND
16 CONTINGENCIE, SUFFICIENT TO ALLOW INSURERS AND AGENTS TO EARN
17 A RATE OF RETURN ON THEIR CAPITAL THAT WILL ATTRACT AND RETAIN
18 ADEQUATE CAPITAL INVESTMENT IN THE TITLE INSURANCE BUSINESS.

19 C) PAST EXPENSES AND PROSPECTIVE EXPENSES FOR ADMINISTRATION
20 AND HANDLING OF RISKS.

21 D) LIABILITY FOR DEFALCATION. DEFALCATION IS THE CONVERSION OR
22 MISAPPROPRIATION BY A LICENSED TITLE INSURANCE AGENT OF FUNDS
23 HELD IN TRUST BY THE AGENT, FOR WHICH THE TITLE INSURER SHALL BE
24 HELD LIABLE.

25 E) OTHER RELEVANT FACTORS AS MAY BE APPLIED BY THE INSURANCE
26 COMMISION.

27 SECTION 189. RATES MAY BE GROUPED BY CLASSIFICATION OR
28 SCHEDULE, AND MAY DIFFER AS TO THE CLASS OF RISK ASSUMED. RATES
29 SHALL NOT BE EXCESSIVE, INADEQUATE OR UNFAIRLY DISCRIMINATORY.

1 SECTION 190. THE INSURANCE COMMISSION SHALL REVIEW THE RISK
2 PREMIUM AND THE RELATED TITLE SERVICES RATES AS NEEDED, BUT NOT LESS
3 FREQUENTLY THAN ONCE EVERY FIVE (5) YEARS, AND SHALL, BASED UPON THE
4 R E W REQUIRED BY THIS SUBSECTION, REVISE THE RISK PREMIUM AND THE
5 RELATED TITLE SERVICES RATE IF THE RESULTS OF THE REVIEW SO WARRANT.

6 SECTION 191. THE INSURANCE COMMISSION MAY REQUIRE INSURERS TO
7 SUBMIT STATISTICAL INFORMATION, INCLUDING LOSS AND EXPENSE DATA, IT
8 DEEMS NECESSARY TO ANALYZE THE SETTING OF RISK PREMIUM AND RELATED
9 TITLE SERVICE RATES, RETENTION RATES AND THE CONDITION OF THE TITLE
10 INSURANCE INDUSTRY.

11 SECTION 192. IN SETTING RISK PREMIUM AND RELATED TITLE SERVICE
12 RATES, THE INSURANCE COMMISSION SHALL HOLD CONSULTATIONS AND
13 PUBLIC HEARINGS, INVITING DULY LICENSED INSURERS, AGENTS, CONSUMER
14 GROUPS AND OTHER INTERESTED OR INFORMED BODES OR PERSONS TO GIVE
15 THEIR OPINIONS AS TO WHAT CONSTITUTES A FAIR RATE TO CHARGE THE
16 PUBLIC.

17 SECTION 193. IT SHALL BE UNLAWFUL FOR ANY INSURER, AGENT OR
18 PERSON TO QUOTE, CHARGE, ACCEPT, COLLECT OR RECEIVE A RISK PREMIUM
19 FOR TITLE INSURANCE HIGHER THAN THE RISK PREMIUM ADOPTED AND
20 AUTHORIZED BY THE INSURANCE COMMISSION.

21 SECTION 194. A TITLE INSURER MAY PETITION THE INSURANCE
22 COMMISSION FOR AN ORDER AUTHORIZING AN INCREASE OF THE ADOPTED
23 RISK PREMIUM. THE PETITION SHALL BE IN WRITING SWORN TO AND SHALL SET
24 FORTH ALLEGATIONS OF FACT UPON WHICH THE PETITIONER WILL RELY,
25 INCLUDING THE PETITIONER'S REASONS FOR REQUESTING THE INCREASE. AN
26 AUTHORIZED TITLE INSURER OR AGENT MAY JOIN THE PETITION FOR LIKE
27 AUTHORITY TO INCREASE OR MAY FILE A SEPARATE PETITION PRAYING FOR
28 LIKE AUTHORITY. THE PUBLIC OR ANY AUTHORIZED TITLE INSURER OR AGENT
29 MAY OPPOSE THE PETITION TO INCREASE THE ADOPTED RISK PREMIUM. THE

1 INSURANCE COMMISSION SHALL CONDUCT PUBLIC HEARINGS IN ACCORDANCE
2 WITH ITS INTERNAL RULES OF PROCEDURE TO DETERMINE THE MERIE OF EACH
3 PETITION. IF, IN THE JUDGMENT OF INSURANCE COMMISION, THE REQUESTED
4 DEVIATION IS NOT JUSTIFIED, THE INSURANCE COMMISSION SHALL ISSUE AN
5 ORDER DENYING THE PETITION, SETTING FORTH ITS REASON FOR SUCH DENIAL.
6 AN ORDER GRANTING A PETITION CONSTITUTES AN AMENDMENT TO THE
7 ADOPTED RISK PREMIUM OF THE INSURANCE COMMISSION.

8 SECTION 195. WHEN A TITLE INSURANCE BINDER OR A COMMITMENT TO
9 INSURE A TITLE OR RISK IS ISUED AT THE REQUEST OF THE INSURED OR THE
10 INSURED'S REPRESENTATIVE OR AGENT, A PORTION OF THE RISK PREMIUM
11 MUST BE CHARGED FOR THE BINDER OR COMMITMENT WHEN ISSUED. THE
12 PORTION OF THE RISK PREMIUM CHARGED FOR THE BINDER OR COMMITMENT
13 MUST BE CREDITED TO THE RISK PREMIUM DUE UPON ISSUANCE OF THE TITLE
14 INSURANCE POLICY.

15 Sub-Title VI-D

16 THE TITLE INSURER

17 SECTION 196. TWE INSURANCE COMMISSION SHALL ALLOW COMPANIES
18 NOT OTHERWISE DISQUALIFIED BY LAW TO ENGAGE IN THE TITLE INSURANCE
19 BUSINESS BY ISSUING THE APPROPRIATE LICENSE IN ACCORDANCE WITH ITS
20 INTERNAL RULES OF PROCEDURE, PROVIDED THAT THE INSURANCE
21 COMMISSION SHALL DETERMINE THE MINIMUM PAID-UP CAPITAL
22 REQUIREMENT FOR COMPANIES THAT WILL BE ALLOWED TO ENGAGE IN THE
23 TITLE INSURANCE BUSINESS.

24 SECTION 197. A FOREIGN INSURANCE OR REINSURANCE COMPANY OR
25 INTERMEDIARY IS ALLOWED ONE ENTRY TO DO BUSINESS IN THE PHILIPPINES,
26 UNDER ANY OF THE FOLLOWING MODES

27 A) OWNERSHIP OF THE VOTING STOCK OF AN EXISTING DOMESTIC
28 INSURANCE OR REINSURANCE COMPANY OR INTERMEDIARY;

1 B) INVESTMENT IN A NEW INSURANCE OR REINSURANCE COMPANY OR
2 INTERMEDIARY INCORPORATED IN THE PHILIPPINES; OR THE

3 C) EXCEPT FOR AN INTERMEDIARY, ESTABLISHMENT OF A BRANCH.

4 SECTION 198. TO QUALIFY AS A NEW COMPANY INCORPORATED IN THE
5 PHILIPPINES OR AS A BRANCH UNDER ITEMS "B" AND "C" RESPECTIVELY IN THE
6 "T PRECEDING SECTION, IN ADDITION TO THE REQUIREMENT STATED IN
7 SECTION 197 ABOVE, THE FOREIGN APPLICANT MUST BE WIDELY OWNED AND
8 PUBLICLY LISTED IN ITS COUNTRY OF ORIGIN, UNLESS IT IS MAJORITY-OWNED
9 BY THE GOVERNMENT. THE TERM WIDELY-OWNED MEANS THAT NOT A SINGLE
10 STOCKHOLDER OF THE APPLICANT OWNS MORE THAN TWENTY PERCENT (20%)
11 OF ITS VOTING STOCK, WHILE "PUBLICLY LISTED" MEANS THAT ITS SHARES OF
12 STOCK ARE LISTED IN THE STOCK EXCHANGES: IT IS FURTHER REQUIRED THAT
13 AT LEAST TWENTY PERCENT (20%) OF THE OUTSTANDING SHARES OF STOCK OF
14 THE NEW INSURANCE OR REINSURANCE COMPANY OR INTERMEDIARY
15 INCORPORATED IN THE PHILIPPINES UNDER ITEM "B" ABOVE IS HELD BY
16 FILIPINOS. THE FOREIGN APPLICANT MUST LIKEWISE HAVE A SENIOR OFFICER
17 WITH THE RANK OF VICE-PRESIDENT OR HIGHER IN TITLE OPERATIONS WITH
18 TITLE UNDERWRITING EXPERTISE WHO IS A FILIPINO.

19 SECTION 199. THE HEAD OFFICE OF A FOREIGN INSURANCE OR
20 REINSURANCE COMPANY SHALL GUARANTEE PROMPT PAYMENT OF
21 ALL LIABILITIES OF ITS PHILIPPINE BRANCH.

22 SECTION 200. SUBJECT TO EXISTING LAWS, NON-FILIPINO NATIONALS MAY
23 BECOME MEMBERS OF THE BOARD OF DIRECTORS OF AN INSURANCE OR
24 REINSURANCE COMPANY TO THE EXTENT OF THE FOREIGN PARTICIPATION IN
25 THE EQUITY OF SUCH COMPANY. EXPATRIATES WILL ALSO BE ALLOWED TO
26 OCCUPY MANAGERIAL POSITIONS SUBJECT TO EXISTING LAWS, RULES AND
27 REGULATIONS.

1 Sub-Title VI-E

2 COVERAGE

3 SECTION 201. A TITLE INSURER SHALL NOT ISSUE A TITLE INSURANCE
4 BINDER, COMMITMENT, ENDORSEMENT, TITLE INSURANCE POLICY, OR
5 GUARANTEE OF TITLE UNTIL THE TITLE INSURER HAS CAUSED TO BE
6 CONDUCTED A REASONABLE SEARCH AND EXAMINATION OF THE TITLE AND OF
7 SUCH OTHER INFORMATION AS MAY BE NECESSARY, AND HAS CAUSED TO BE
8 MADE A DETERMINATION OF THE INSURABILITY OF THE TITLE, INCLUDING
9 ENDORSEMENT COVERAGES, IN ACCORDANCE WITH SOUND UNDERWRITING
10 PRACTICES.

11 SECTION 202. THE TITLE INSURER SHALL CAUSE THE EVIDENCE OF THE
12 REASONABLE SEARCH AND EXAMINATION OF THE TITLE TO BE PRESERVED AND
13 RETAINED IN ITS FILES OR IN THE FILES OF ITS TITLE INSURANCE AGENT FOR A
14 PERIOD OF NOT LESS THAN TEN (10) YEARS AFTER THE TITLE INSURANCE
15 BINDER, COMMITMENT, TITLE INSURANCE POLICY, OR GUARANTEE OF TITLE
16 WAS ISSUED. THE TITLE INSURER MUST FURNISH THE INSURANCE COMMISSION
17 AND THE LAND REGISTRATION AUTHORITY WITH A COPY OF THE RESULTS OF ITS
18 SEARCH AND EXAMINATION AND MUST PRODUCE THE EVIDENCE REQUIRED TO
19 BE MAINTAINED BY THIS SECTION AT ITS OFFICES UPON THE DEMAND BY
20 GOVERNMENT AGENCIES. INSTEAD OF RETAINING THE ORIGINAL EVIDENCE,
21 THE TITLE INSURER OR THE INSURANCE AGENT MAY, IN THE REGULAR COURSE
22 OF BUSINESS, ESTABLISH A SYSTEM UNDER WHICH ALL OR PART OF THE
23 EVIDENCE IS RECORDED, COPIED OR REPRODUCED BY ANY PHOTOGRAPHIC,
24 PHOTOSTATIC MICROFILM MICROCARD MINIATURE PHOTOGRAPHIC, OR OTHER
25 PROCESSES WHICH ACCURATELY REPRODUCES OR FORMS A DURABLE MEDIUM
26 FOR REPRODUCING THE ORIGINAL.

1 SECTION 2. Section 184 and all succeeding Sections of Presidential Decree No. 612
2 shall be renumbered accordingly.

3 SECTION 3. *Implementing Rules and Regulations.* - Within three (3) months from the
4 passage of this Act, the Insurance Commission shall draw and adopt the required rules and
5 regulations to govern Land Title Insurance.

6 SECTION 4. *Separability Clause.* - If any provision or part hereof, is held invalid or
7 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
8 valid and subsisting.

9 SECTION 5. *Repealing Clause.* - Any law, presidential decree or issuance, executive
10 order, letter of instruction, administrative order, rule or regulation contrary to or is inconsistent
11 with the provision of this Act is hereby repealed, modified, or amended accordingly.

12 SECTION 6. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its
13 publication in at least two (2) newspapers of general circulation.

14 Approved,