

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

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SENATE

Senate Bill No. 1979

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

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#### EXPLANATORY NOTE

Employees both from the government and private sector are being given special benefits under the Employee's Compensation Program (ECP). For the twenty five (25) years of implementation of this program, millions of workers and their dependents have been compensated for work-related injury or sickness. However, there is a need to further enhance the effectiveness and efficiency of the implementation of the said program which can be addressed by undertaking a serious review and analysis of the actual structure and system being followed by the Employees Compensation Program.

The primary predicament of the present system is the fragmented process of implementation under three (3) government agencies, namely: the Employees' Compensation Commission (ECC) for policy formulation and appealed cases disposition, the Social Security System (SSS) and Government Service Insurance System (GSIS) for service delivery, and State Insurance Fund (SIF) for administration. The fragmentation of services as provided by different agencies resulted to the following problems:

1. Inequity which arises from the different individual, and most of the times inconsistent policies of SSS and GSIS which supplements the implementation of the ECP policy, resulting to disparity both in the contribution and benefits of public and private sector employees. The government employees' contribution to the said program is P30.00 per employee, while the private employees contribute a meager P10.00 each. However, in terms of benefits, the private sector employees enjoy higher compensation. For instance, private sector employees enjoy P200.00 daily income benefits for temporary total disability and P10,000.00 funeral benefits while government employees only receive P90.00 and P10,000.00, respectively.
2. The performance of the public sector State Insurance Fund (SIF) managed by the GSIS contrasts with that of SIF managed by the SSS. It should be noted that SIF managed by the SSS is growing at a higher rate than the SIF under the GSIS.
3. The bureaucratic problems, specifically on decision-making, results to a sluggish and complex system. Immediate response should be accorded to employees or their dependents who acquired sickness or injury, and whose health and welfare are at stake.
4. The government is incurring high administrative costs from the maintenance of the three (3) agencies mandated to implement the same program. Given the present economic difficulties of the country, the government cannot afford to spend the much-needed resources to redundant bureaucratic structures. There is an overwhelming need for the enhancement of basic social services and infrastructure, among others.

5. The implementation of the program is weak and ineffective because the two Systems have their primary mandates to pursue under their respective charters resulting into a lesser priority given to the ECP implementation at the field level.

Further, the present ECP as defined by PD 626 is merely focused on benefits payment and has neglected work contingency prevention and the rehabilitation of occupationally disabled workers. There is a need to incorporate pro-active, preventive and rehabilitative measures in the program to address the problem of increasing discrepancy between the claims filed and the contributions collected annually.

A comprehensive and integrated implementation of the ECP is needed that will promote the welfare of the workers. The ECP cannot continue under an unbalanced and unstable system for its benefits and services are essential to the daily living of the working Filipino.

For these reasons, the immediate passage of this measure is earnestly sought.

  
JINGGOY EJERCITO ESTRADA  
Senator

1 THIRTEENTH CONGRESS OF THE REPUBLIC )  
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11 INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA  
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13  
14 AN ACT  
15 ESTABLISHING THE WORKERS' COMPENSATION PROGRAM, THE WORK  
16 CONTINGENCY INSURANCE FUND, THE PHILIPPINE WORKERS'  
17 COMPENSATION AUTHORITY AND DEFINING THEIR POWERS AND  
18 FUNCTIONS, AMENDING FOR THIS PURPOSE ARTICLES 166 TO 288-A OF  
19 TITLE 2 BOOK IV OF PRESIDENTIAL DECREE NO. 442, AS AMENDED,  
20 OTHERWISE KNOWN AS "THE LABOR CODE OF THE PHILIPPINES", AND  
21 APPROPRIATING FUNDS THEREFORE  
22

23  
24 *Be it enacted by the Senate and House of Representatives of the Philippines in*  
25 *Congress assembled:*  
26

27  
28 ART. 1. SHORT TITLE. This Act shall be known as the "*Workers'*  
29 *Compensation Act of 2005*".  
30

31 CHAPTER I

32 DECLARATION OF PRINCIPLES

33 ART. 2. BASIC PRINCIPLES. The State affirms labor as a primary social  
34 economic force. It shall protect the rights of the workers and promote their  
35 welfare. Toward this end, the State shall establish a tax-exempt Workers'  
36 Compensation Program which shall:

- 37 1. Build and sustain among workers and employers a culture of safe and  
38 healthy work environment in order to minimize the incidence of work  
39 contingencies;  
40 2. Ensure prompt and adequate compensation for workers and their  
41 dependents in the event of work contingencies; and

1 3. Provide occupationally-disabled workers with rehabilitation services to  
2 enable them to become productive members of society.

3  
4 For this purpose, the Workers' Compensation Program is hereby established.

5  
6 **CHAPTER II**

7 **DEFINITIONS**

8 **ART. 3. DEFINITION OF TERMS.** As used in this Act unless the context  
9 indicates otherwise:

- 10 1. "Authority" means the Philippine Workers' Compensation Authority.
- 11 2. "Beneficiary" means the legitimate spouse, the legitimate, legitimated,  
12 legally adopted children, and illegitimate children, who shall be the  
13 primary beneficiaries; in their absence, the dependent parents or,  
14 subject to the restrictions imposed on dependent children, the legitimate  
15 or the illegitimate descendants who are the secondary beneficiaries.
- 16 3. "Board" means the Board of Trustees of the Philippine Workers'  
17 Compensation Authority.
- 18 4. "Compensation" means all benefit payments made under this Act.
- 19 5. "Contribution" means the amount remitted or to be remitted by an  
20 employer to the Work Contingency Insurance Fund for each employee  
21 under his/her employ.
- 22 6. "Dependent" means the legitimate, legitimated, legally adopted or  
23 illegitimate child who is unmarried, not gainfully employed, and not over  
24 twenty-one years (21) of age or over twenty-one years (21) of age  
25 provided he/she is incapacitated and incapable of self-support due to a  
26 physical or mental defect which is congenital or acquired during minority;  
27 the legitimate spouse living with the worker; and the parents of said  
28 worker wholly dependent upon him/her for regular support.

- 1 7. Disability means loss or substantial reduction of earning power due to an  
2 injury or a disease arising out of and in the course of employment.
- 3 8. "Employer" means any person, natural or juridical, domestic or foreign,  
4 who carries on in the Philippines any trade, business, industry,  
5 undertaking or activity of any kind and uses the services of another  
6 person who is under his/her orders as regards the employment, including  
7 the national government, its political subdivisions, agencies or  
8 instrumentalities and government-owned or controlled corporations.
- 9 9. "Fund" means the Work Contingency Insurance Fund.
- 10 10. "GSIS" means the Government Service Insurance System.
- 11 11. "Occupationally Disabled Worker" or ODW refers to a worker whose  
12 usual work capability and earning capacity has been affected by his/her  
13 work-connected disease or injury.
- 14 12. "SSS" means the Social Security System.
- 15 13. "System" means the SSS or GSIS, as the case may be.
- 16 14. "Work Contingency" refers to any disease, injury or death arising out of  
17 employment.
- 18 15. "Worker" means any person employed in a private or government entity  
19 and who is a member of the System.
- 20 16. "Working Life" means the normal productive life of a worker until the  
21 compulsory age of retirement.
- 22

### 23 CHAPTER III

#### 24 THE WORKERS' COMPENSATION PROGRAM

##### 25 A. COVERAGE

- 26 **ART. 4. COVERAGE** (a) Coverage in the Program shall be compulsory  
27 upon all employers and their workers.

1 (b) *Compulsory coverage* of the employer shall take effect on the first day of  
2 its business operation, and that of the worker, on the first day of employment.

3 (c) The Authority may consider coverage of overseas Filipino workers and  
4 workers in the informal sector subject to regulations as it may prescribe.

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

10

11

## B. BENEFITS

12

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

13

**ART. 6. LOSS-OF-INCOME BENEFIT.** Under such regulations as the  
14 Authority may approve, any worker who sustains a work-connected injury or  
15 contracts a work-connected disease resulting into loss of income due to his/her  
16 inability to work shall, for each day of such inability to work, be paid a loss-of-  
17 income benefit. The amount for the loss-of-income benefit shall be fixed by the  
18 Authority.

19

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

22

1. Fails to present himself/herself for periodic medical and physical  
23 examination as may be required by the Authority;

24

2. Recovers from his/her disease or injury; or

25

3. Gets gainfully employed.

26

27

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

28

**ART. 7. LUMP SUM BENEFIT.** Under such regulations as the Authority may  
29 approve, any worker who contracts a work-connected disease or sustains a

1 work-connected injury resulting in permanent loss or loss of use of body part  
2 shall be paid a lump sum benefit in an amount fixed by the Authority in  
3 accordance with the prevailing international standards as defined by the  
4 International Labor Organization (ILO) or similar bodies; Provided, that the  
5 following loss or loss of use of body parts shall not entitle the worker to a lump  
6 sum benefit but only to a loss-of-income benefit for the duration of his/her  
7 working life:

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

13

### 14 **B.3 MEDICAL AND ALLIED BENEFITS**

15 **ART. 8. MEDICAL AND ALLIED BENEFITS.** Upon due notice to the  
16 Authority, a worker who suffers from a work-connected disease or injury shall be  
17 provided with medical benefits and prosthetic devices as the nature of his/her  
18 disease or injury may require subject to the expense limitation as may be  
19 prescribed by the Authority; Provided, that the worker submits himself/herself to  
20 a medical examination as may be required by the Authority; and Provided,  
21 further, that payment of benefits shall be suspended if the worker unreasonably  
22 refuses to submit himself/herself to the medical examination.

23

### 24 **B.4 CARER'S ALLOWANCE**

25 **ART. 9. CARER'S ALLOWANCE.** In cases where the workers' incapacity  
26 resulting from a work-connected injury or disease is of such magnitude as  
27 determined by the Authority that he/she must have the constant help of another  
28 person, the worker shall for the duration of his/her disability but not to exceed  
29 his/her working life, be entitled to a Carer's allowance.

1 **B.5 DEATH BENEFITS**

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

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

13  
14 **B.6 PROVISIONS COMMON TO ALL BENEFITS**

15 **ART. 11. RELATIONSHIP AND DEPENDENCY.** All questions of relationship  
16 and dependency shall be determined at the time of the covered worker's  
17 contingency. If the Authority in good faith pays loss-of-income benefit to a  
18 dependent who is inferior in right to another dependent or with whom another  
19 dependent is entitled to share, such payment shall discharge the Authority from  
20 liability, unless and until such other dependent notifies the Authority of his/her  
21 claim prior to the payments.

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

27  
28 **ART. 12. SECOND INJURIES/DISEASE.** If a worker receiving a loss-of-  
29 income benefit suffers another work-connected disease, the worker shall be



1 entitled to an additional medical and other allied benefits necessary for the  
2 treatment of the second work-connected disease subject to the cost limitation as  
3 may be prescribed by the Authority.

4  
5 **ART. 13. EARNED BENEFITS.** (a) A worker who is receiving loss-of-income  
6 benefits shall not be deprived of his/her right to receive earned benefits such as  
7 allowances for holidays, vacation leaves and any benefit granted under the  
8 collective bargaining or other agreements with the employer during the period  
9 that he/she is enjoying loss-of-income benefit.

10 (b) Except as otherwise provided, no contract, regulation or device  
11 whatsoever shall operate to deprive the worker or his/her dependents of any part  
12 of the income benefits and medical or related services granted. Existing medical  
13 services being provided by the employer shall be maintained and continued to be  
14 enjoyed by their workers.

15 (c) Benefits shall not be transferable nor liable to tax, attachment,  
16 garnishment, levy or seizure by or under any legal process whatsoever, either  
17 before or after receipt by the person or persons entitled thereto, except to pay  
18 any debt of the worker to the Fund.

19  
20 **ART. 14. PRESCRIPTIVE PERIOD.** No claim for compensation shall be  
21 given due course unless said claim is filed with the Authority within three (3)  
22 years from the time the work-connected disease or injury happened.

23  
24 **ART. 15. PROHIBITION.** No agent, attorney, or other person pursuing or in-  
25 charge of the preparation or filing of any claim for benefit shall demand or charge  
26 for his/her services any fee and any stipulation to the contrary shall be null and  
27 void. The retention or deduction of any amount from any benefit granted for the  
28 payment of fees of such services is prohibited. Violation of this Article shall be  
29 punished by a fine of not less than Five Hundred Pesos nor more than Five

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

3  
4 **C. REHABILITATION OF OCCUPATIONALLY-DISABLED WORKERS**

5 **ART. 16. REHABILITATION SERVICES.** (a) The Authority shall establish a  
6 continuing program designed to meet the individual needs of an occupationally-  
7 disabled worker to restore his/her earning capability. In this regard, the Authority  
8 may maintain or avail of the services of specialized private and public  
9 rehabilitation facilities or centers that can provide the necessary assistance that  
10 respond to the needs of occupationally-disabled workers.

11 (b) Arrangements for placement of vocationally/technically trained  
12 occupationally-disabled workers shall be an integral part of the rehabilitation  
13 program. As an incentive to employers, the Authority may enter into agreements  
14 to share in the payment of wages of re-employed occupationally-disabled  
15 workers subject to the conditions it may provide.

16  
17 **D. WORK CONTINGENCY PREVENTION**

18 **ART. 17. WORK CONTINGENCY PREVENTION.** The Authority shall  
19 establish a continuing program that will increase awareness among employers  
20 and their employees on the importance of work contingency prevention. It shall  
21 ensure that an appropriate culture of occupational health and safety is developed  
22 among them and the general public as well in order that the occurrence of  
23 occupational diseases or injuries is minimized, if not completely prevented. It  
24 shall undertake continuing studies and researches and develop and implement  
25 an information, education, communication and training programs in the field of  
26 work contingency prevention.

27



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

6  
7 **ART. 20. MANAGEMENT AND INVESTMENT OF FUND.** (a) The use,  
8 disposition, investments, disbursements, administration and management of the  
9 Fund including any subsidy, grant or donation received for Program operations  
10 shall be governed by resolution of the Board provided that:

- 11 1. All funds under the management and control of the Authority shall be  
12 subjected to all rules and regulations applicable to all public funds; and
- 13 2. The Authority may disburse each year not more than twelve percent  
14 (12%) of the contributions and investment earnings collected for its  
15 operational expenses.

16 (b) A portion of the Fund that is not needed to meet the current obligations  
17 may be invested under such terms and conditions and rules and regulations as  
18 may be prescribed by the Authority; Provided, that investments shall satisfy the  
19 requirements of liquidity, safety, security and yield in order to ensure the  
20 actuarial solvency of the Fund.

21  
22 **ART. 21. GOVERNMENT GUARANTEE.** The Republic of the Philippines  
23 guarantees the benefits under this Act and accepts general responsibility for the  
24 solvency of the Fund. In case of any deficiency, the same shall be covered by  
25 supplemental appropriations from the national government.

26  
27 **ART. 22. LIABILITIES.** (a) The Fund shall be liable for the compensation  
28 due to the worker or his/her dependents, except when the disability or death is  
29 occasioned by the worker's intoxication, willful intent to injure or kill

1 himself/herself or another, notorious negligence, or otherwise provided under this  
2 Act.

3 (b) Unless otherwise provided, the liability of the Fund under this Act shall be  
4 exclusive and in place of the liabilities of the employer to the worker or his/her  
5 dependents with respect to work-connected disease, injury or death. The  
6 payment of compensation under this Act shall not bar the recovery of benefits  
7 which the worker may be entitled to under other laws.

8 (c) When the disability or death is caused by circumstances creating a legal  
9 liability against a Third Party, the worker or the dependents in case of his/her  
10 death shall be paid by the Authority under this Act. In case benefit is paid under  
11 this Act, the Authority shall be subrogated to the rights of the worker or the  
12 dependents in case of his/her death in accordance with the law.

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

17

18

## B. CONTRIBUTION

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

26 Remittance of employers' contributions to the Authority shall be made within  
27 the first five (5) days of each month following the month for which they are  
28 applicable. If deemed expedient and advisable by the Authority, the collection  
29 and remittance of contribution may be made quarterly or semi-annually in

1 advance; Provided that, upon separation of a worker, any contribution paid in  
2 advance but not due shall be credited or refunded to his/her employer.

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

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

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

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

15  
16 **ART. 24. DEFAULT.** (a) Any employer who defaults in the payment of such  
17 contributions or refuses or neglects to pay the same after they become due and  
18 payable shall be liable to a surcharge of three percent (3%) for every month of  
19 default in addition to the contributions, both of which shall be collected by the  
20 Authority or its duly authorized representative in the same manner as taxes are  
21 made collectible under the National Internal Revenue Code, as amended.

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

25 (b) Failure or refusal of the employer to pay or remit the contributions herein  
26 prescribed shall not prejudice the right of the employee or his dependents to the  
27 benefits under this Act. If the sickness, injury, disability or death occurs before  
28 the Authority receives any report of the name of his employee, the employer

1 shall be liable to the Authority for the lump sum equivalent to the benefits to  
2 which such employee or his dependents may be entitled.

## 3 4 **CHAPTER V**

### 5 **THE PHILIPPINE WORKERS' COMPENSATION AUTHORITY**

6 **ART. 25. THE PHILIPPINE WORKERS' COMPENSATION AUTHORITY.** The  
7 Philippine Workers' Compensation Authority (PWCA) is hereby established to  
8 implement the Workers' Compensation Program. The Authority shall have the  
9 status and category of a government financial institution.

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

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

18  
19 **ART. 26. POWERS AND FUNCTIONS.** The Authority, as the implementing  
20 agency for the Workers Compensation Program, shall have the following powers  
21 and functions:

- 22 1. To issue rules and regulations necessary for the effective  
23 implementation of the Program;
- 24 2. To assess, review from time to time, fix and adjust the rate of  
25 contributions from all employers, collect the same and manage the  
26 Fund; Provided, that the Authority may assess higher rates of  
27 contributions for employers whose records show a high frequency of  
28 work accidents or occupational diseases;

- 1       3. To settle any claim or dispute arising from this Act with respect to  
2       coverage, entitlement to benefits, collection and payment of  
3       contributions and penalties thereon, or any other matter related thereto  
4       including the power to administer oath and affirmation and to issue  
5       subpoena;
- 6       4. To undertake the necessary actuarial studies and calculations  
7       concerning increases in benefits and the financial stability of the Fund,  
8       the rationalization of the loss-of-income benefits and other benefits for  
9       occupational diseases, injury or death; Provided, that the Authority may  
10      upgrade the benefits and add new ones so long as the actuarial stability  
11      of the Fund shall at all times be ensured;
- 12     5. To organize its office, fix the compensation of and appoint its personnel  
13      who shall be exempted from the provisions of R.A. 6758, develop and  
14      implement programs as may be necessary to promote the welfare and  
15      interest of its employees; and adopt its annual budget of expenditures  
16      chargeable against the twelve percent (12%) operational expenses  
17      provided for in Article 20 (a) (2) hereof;
- 18     6. To sue and be sued in Court;
- 19     7. To acquire, utilize, dispose of property which may be necessary or  
20      expedient for the attainment of the purposes of this Act;
- 21     8. To enter into agreements or contracts for the proper, efficient and stable  
22      administration of the Program;
- 23     9. To receive and accept grants, donations and other forms of financial  
24      assistance from any natural or juridical person, whether domestic or  
25      foreign, or from any international organization;
- 26     10. To submit annually a report to the President of the Philippines covering  
27      its operations, particularly the status of the finances and other activities  
28      in the administration and enforcement of the Program during the



1 preceding year, including information and recommendations on policies  
2 for the improvement of the Program;

3 11. To perform such other acts as it may deem appropriate for the  
4 attainment of the purposes and proper enforcement of the provisions of  
5 this Act.  
6

7 **ART. 27. THE BOARD OF TRUSTEES.** The corporate powers and functions  
8 of the Authority shall be vested in and exercised by the Board of Trustees  
9 composed of the Secretary of Labor and Employment as Ex-Officio Chairperson,  
10 the President of the Authority as Ex-Officio Vice-Chairperson and the Insurance  
11 Commissioner as ex-officio members and four (4) other members to be  
12 appointed by the President of the Philippines, two (2) of whom shall represent  
13 the labor sector, one (1) coming from the public sector and another one (1) from  
14 the private sector, and two (2) representing the employers' group.

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

17 The appointed members shall hold office for six (6) years, or until their  
18 successors are duly appointed and qualified. Any vacancy in the Board other  
19 than through the expiration of the term shall be filled in the manner in which the  
20 original appointment was made and the appointee shall serve only the unexpired  
21 term of his/her predecessor. The members of the Board shall receive a per diem  
22 of at least Two Thousand Five Hundred Pesos (Php 2, 500.00) for each board  
23 meeting actually attended by them but not to exceed Ten Thousand Pesos (Php  
24 10, 000.00) a month and reasonable transportation and representation  
25 allowances as may be fixed by the Board.  
26

27 **ART. 28. POWERS AND FUNCTIONS OF THE BOARD OF TRUSTEES.**

28 The Board of Trustees shall have the following powers and functions:

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

21

22            **ART. 29. THE PRESIDENT AND OTHER SENIOR OFFICIALS OF THE**  
23            **AUTHORITY.**

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

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

- 1 a) To act as the Chief Executive Officer of the Authority;
- 2 b) To appoint the lower level personnel of the Authority;
- 3 c) To remove, suspend or otherwise discipline the officials and employees
- 4 of the Authority in accordance with existing Civil Service rules and
- 5 regulations; and
- 6 d) To perform other duties as may be assigned to him/her by the Board.

7 2. **Other Senior Officials of the Authority.** The President shall be assisted by

8 two (2) Senior Vice-Presidents who shall be appointed by the Board: one (1)

9 for operations; and one (1) for fund management. The Senior Vice-

10 President for fund management must have actuarial experience.

11

12 **ART. 30. REGIONAL AND FIELD OFFICES.** The Authority shall establish

13 regional and field offices in provinces or chartered cities, or wherever it is

14 deemed necessary, to bring its services closer to the workers.

15 The field offices shall have original and exclusive jurisdiction to settle any

16 dispute arising from this Act with respect to coverage, entitlement to benefits,

17 collection and payment of contributions and penalties thereon, or any other

18 matter related thereto, subject to appeal to the Board.

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20

## CHAPTER VI

21

### RECORDS, REPORTS AND PENAL PROVISIONS

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**ART. 31. RECORD OF DISEASE, INJURY OR DEATH.** All employers shall

maintain a record of their employees' sickness, injuries or death and upon the

request of the Authority shall provide the same to support any or all claims for

benefits under this Act which may be filed by the workers.

Any employer who unreasonably withholds material information relative to

sickness, injury or death of a worker shall be held liable for fifty percent (50%) of

the benefits to which the worker may be found to be entitled, the payment of

which shall accrue to the Fund.

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

4  
5 **ART. 32. PENAL PROVISIONS.** (a) Where the violations consist of failure or  
6 refusal to remit contribution to the Authority, the penalty shall be a fine of not less  
7 than Five Hundred (PhP500.00) but not more than One Thousand  
8 (PhP1,000.00) Pesos multiplied by the total number of employees employed by  
9 the firm and imprisonment of not less than one (1) year. If the offender is a head  
10 of a government agency, political subdivision, government owned or controlled  
11 corporation, or state college or university, he/she shall suffer the additional  
12 penalty of absolute perpetual disqualification from holding public office and from  
13 holding any profession or calling licensed by the government.

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

19  
20 **CHAPTER VII**

21 **TRANSITORY PROVISIONS**

22 **ART. 33. SETTLEMENT OF EC CLAIMS.** All employees' compensation  
23 claims which accrued prior to the effectivity of this Act, shall be filed with the  
24 Social Security System (SSS) and the Government Service Insurance System  
25 (GSIS) for claims in the private and government sectors, respectively, and shall  
26 be processed, determined and settled in accordance with the implementing rules  
27 and regulations provided for in P.D. 626, as amended, and such laws, rules and  
28 regulations existing at the time of their accrual. Claims pending before the  
29 Systems as of the effectivity date of this Act shall be processed and settled in

1 accordance with laws, rules and regulations existing at the time their cause of  
2 action accrued. Claims for contingencies that accrued upon the effectivity of this  
3 Act shall be processed in accordance with this Act.

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

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

14  
15 **ART. 34. TRANSFER OF THE STATE INSURANCE FUND ADMINISTERED**  
16 **BY THE SSS AND THE GSIS.** The State Insurance Fund being administered by  
17 the SSS and the GSIS shall be transferred to the Authority within three (3) years  
18 from the effectivity of this Act. The SSS and the GSIS shall, however, continue to  
19 perform the processing of EC claims until such time that such functions are  
20 assumed by the Authority in accordance with Article 51 of this Act.

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

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

1       **ART. 35. SUPPLEMENTAL APPROPRIATIONS FOR THE STATE**  
2       **INSURANCE FUND.** Considering the negative status of the present public sector  
3       State Insurance Fund and to achieve equity in the assignment of benefits  
4       payment, the amount of Three Billion Pesos (PhP3 Billion) is hereby  
5       appropriated from the funds not otherwise appropriated and added to the present  
6       private sector State Insurance Fund to constitute the single Work Contingency  
7       Insurance Fund that shall be under the administration of the Authority upon the  
8       effectivity of this Act.

9  
10       **ART. 36. TRANSFER OF THE EMPLOYEES' COMPENSATION**  
11       **FUNCTIONS OF THE GSIS AND THE SSS TO THE AUTHORITY.** The  
12       functions, assets, equipment, records, and operating procedures of the  
13       Employees' Compensation operations of the GSIS and the SSS shall be  
14       transferred to the Authority within one (1) year from the effectivity of this Act. The  
15       personnel of the Systems who are performing Employees' Compensation  
16       functions shall be given preference in the hiring of the Authority's personnel  
17       especially in the field offices.

18  
19       **ART. 37. FUNDING REQUIREMENTS.** Such amount as may be necessary  
20       to cover the initial operational expenses of the Authority, including the salaries of  
21       incumbent personnel for the current budget year, shall be taken from the  
22       remaining unexpended appropriations of the ECC, OSHC and the employees'  
23       compensation operations of the SSS and GSIS for the calendar year, as duly  
24       approved by the Department of Budget and Management (DBM), which shall be  
25       advanced in their remaining entirety by the SSS and the GSIS; provided, that  
26       where the remaining unexpended appropriations of the ECC, the OSHC and the  
27       employees' compensation operations of the SSS and GSIS for the calendar year  
28       would not be sufficient to finance the operations of the Authority for the  
29       remaining months of the fiscal year, the Authority may appropriate such amount

1 as may be necessary to meet expected expenditures out of the twelve percent  
2 (12%) annual loading fund of the State Insurance Fund.

3  
4 **ART. 38. IMPLEMENTING RULES AND REGULATIONS.** Within one  
5 hundred and twenty (120) days from the completion of the appointments of its  
6 members, the Board of Trustees shall formulate, approve and publish in the  
7 official gazette or in at least two (2) national newspapers of general circulation  
8 the implementing rules and regulations of this Act.

9  
10 **ART. 39. AMENDATORY CLAUSE.** Title II, Book IV of Presidential Decree  
11 No. 442, as amended by P. D. 626, as amended, is hereby amended. All other  
12 laws, executive orders, administrative rules and regulations or parts  
13 thereof which are inconsistent with the provisions of this Act are accordingly  
14 amended, modified or repealed.

15  
16 **ART. 40. SEPARABILITY CLAUSE.** If any provision of this Act is declared  
17 invalid, the other provisions not affected thereby shall remain valid.

18  
19 **ART. 41. EFFECTIVITY.** This Act shall take effect fifteen (15) days after its  
20 publication in the official gazette or in at least two (2) national newspapers of  
21 general circulation whichever comes earlier.

22  
23 *Approved,*