

THIRTEENTH CONGRESS OF)
THE REPUBLIC OF THE PHILIPPINES)
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SENATE
P.S. Res. No. 235

INTRODUCED BY HONORABLE MAR ROXAS

A RESOLUTION URGING THE SENATE COMMITTEE ON BANKS,
FINANCIAL INSTITUTIONS AND CURRENCIES, TO CONDUCT AN INQUIRY,
IN AID OF LEGISLATION, INTO THE FINANCIAL VIABILITY OF
ALL PRE-NEED COMPANIES

WHEREAS, Section 16 of the Securities Regulations Code (R.A. No. 8799) provides for the regulation of the sale of Pre-Need Plans by, among other things, requiring the registration of pre-need plans, licensing persons involved in the sale of pre-need plans, requiring disclosures to prospective plan holders, prescribing advertising guidelines, providing for uniform accounting system, reports and record keeping with respect to such plans, imposing capital, bonding and other financial responsibility, and establishing trust funds for the payment of benefits under such plans;

WHEREAS, the Securities Regulation Code gives the jurisdiction over pre-need companies to the Securities and Exchange Commission (SEC);

WHEREAS, according to SEC data, pre-need education plans posed a 12.69% growth year-on-year last September 2004, with a 19.90% growth in amount of plans sold and a 25.20% growth in initial collection for the same period;

WHEREAS, to ensure that pre-need companies are able to meet its obligations, the SEC established a liquidity reserve fund to cover the benefits due to plan holders during the ensuing year, which shall be 10% of the net value of the trust fund assets;

WHEREAS, despite measures established to support the regulatory framework of the pre-need industry, these remain to be inadequate in protecting the investments of plan holders and in ensuring the long-term stability of the industry;

WHEREAS, recent reports on the pre-need industry uncovered the difficulty of some companies in paying future claims, which parents depend on to cover the educational costs of their children;

WHEREAS, there is an urgent need to stop the practice of selling traditional educational plans in view of the financial difficulties being experienced by some pre-need companies;

WHEREAS, pre-need companies, which are subsidiaries of other companies, should not enter into related party transactions to avoid conflict of interest in the practice of business;

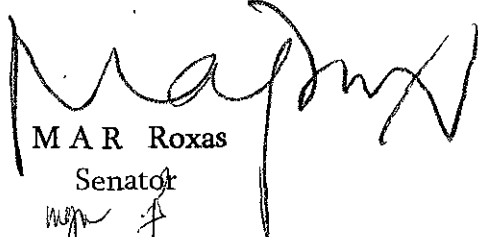
WHEREAS, SEC, as the regulatory agency of the pre-need industry, needs to review the financial capabilities of pre-need companies in fulfilling its obligations to plan holders and report the same to the public to enable users and would-be users make an intelligent decision on investments in such instruments;

WHEREAS, in the interest of plan holders, there is a need to examine the laws regulating investment transactions, specifically related party transactions;

WHEREAS, there is an urgent need to pass legislation to regulate the pre-need industry to protect the plan holders as well as the students whose future depends on these companies;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, to urge the Senate Committee on Banks, Financial Institutions and Currencies, to conduct an inquiry, in aid of legislation, into the financial viability of all pre-need companies to ensure that these companies will be able to honor their obligations and liability towards plan holders.

Adopted,


M A R Roxas
Senator
