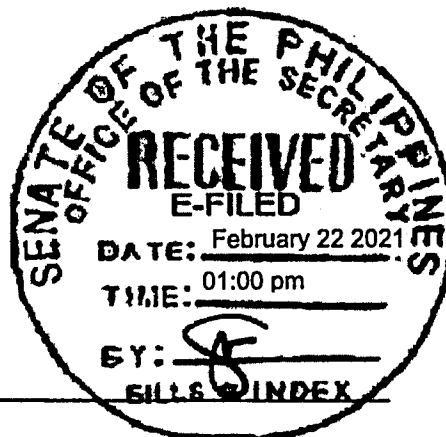


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

SENATE

S. No. 2063



Introduced by Senator Manuel "Lito" M. Lapid

AN ACT
STRENGTHENING THE INSURANCE COMMISSION AND REORGANIZING IT
INTO A COLLEGIAL BODY, AMENDING PRESIDENTIAL DECREE NO. 612, AS
AMENDED, OTHERWISE KNOWN AS "THE INSURANCE CODE"

EXPLANATORY NOTE

The creation of the Insurance Commission can be traced back in 1914 where the Insurance Division of the Bureau of Treasury was tasked to supervise insurance business, with the Insular Treasurer as the *ex-officio* Insurance Commissioner. In 1947, the Insurance Division was merged with the Bureau of Banking under Republic (Rep.) Act No. 275 (s.1948). Thereafter, Presidential Decree (PD) No. 63 (s.1972) and PD No. 612 (1974), as amended, or "The Insurance Code," renamed the Office of the Insurance Commissioner as the Insurance Commission.

Currently, the Insurance Commission is an attached agency of the Department of Finance (DOF), pursuant to Executive Order (EO) No. 292 (1987), or the "Administrative Code of 1987." The Insurance Commission is mandated to regulate and supervise the insurance, including state insurers, pre-need, and Health Maintenance Organization (HMO) industries (collectively, the Regulated Entities), in accordance with the provisions of The Insurance Code, Rep. Act No. 8929, or the "Pre-Need Code of the Philippines," EO No. 192 (s. 2015),¹ and other applicable laws, rules, and regulations.

Statistics show that the foregoing Regulated Entities continue to grow and; hence, make significant contribution to the Philippine economy. In fact, as of second quarter of 2019, for life insurance, non-life insurance, and mutual benefit associations (MBA), the industry asset base grew by 11.79% to P1.72 trillion, from P1.54 trillion during the same period of its preceding year. Premiums generated from sale of variable life insurance was recorded at P20.54 billion, traditional life insurance at P31.17 billion, and MBA at P5.88 billion. On the other hand, for the pre-need industry, as of 2017, premiums generated were recorded at P17.56 billion. Finally, for HMO, as

¹ Transferring the Regulation and Supervision over Health Maintenance Organizations from the Department of Health to the Insurance Commission, Directing the Implementation thereof and for Other Purposes.

of the end of 2018, the industry assets grew to P38.96 billion, from P32.91 billion of its preceding year. Moreover, HMO's total revenue grew by 15% to P45.30 billion, from P39.32 billion of its preceding year.



As the foregoing Regulated Entities continue to significantly grow, the need to strengthen the regulator, *i.e.*, the Insurance Commission, becomes an obvious necessity. In response to this need, it is hereby proposed to further strengthen the Insurance Commission by expanding its power and clearly stating in the law its authority to regulate and supervise each of the Regulated Entities.

Moreover, since the Regulated Entities play a significant role in the financial stability of the Philippines, there is also a need to enhance the regulation and supervision of these entities in order not only to fully protect the public, but also to create an environment that is conducive for these industries' continuous robust growth.

Historically, the Regulated Entities have always been regulated by one person, the Insurance Commissioner. This is in contrast with the general corporate and banking industries that are regulated by collegial bodies — the Securities and Exchange Commission and the Monetary Board of the *Bangko Sentral ng Pilipinas (Bangko Sentral)*, respectively.

Thus, in line with the need to enhance the regulation and supervision of the Regulated Entities and to align the Insurance Commission with the structure of other regulators, the creation of a collegial body that shall regulate and supervise the Regulated Entities is hereby proposed. Likewise, instead of an attachment with the DOF, it is recommended to place the Insurance Commission under the supervision of the Monetary Board of the *Bangko Sentral*, an independent and accountable body corporate, since the latter is equipped with technical expertise and adequate resources to discharge supervisory function over the Insurance Commission. The collegiality will bring stability in the Insurance Commission as its actions in the exercise of its administrative, regulatory, supervisory, and adjudicatory powers shall now require a majority vote of its members, and, except for the adjudicatory power over claims, the exercise of these powers shall be subject to the Monetary Board's supervision.

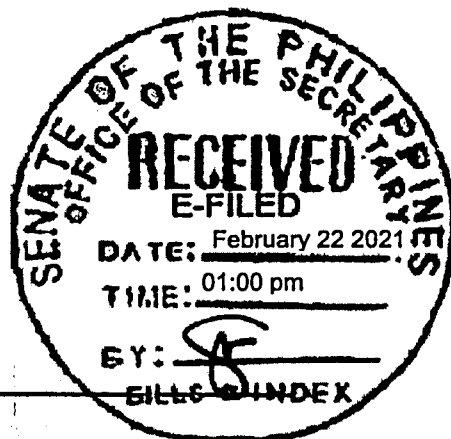
In view of the foregoing, the approval of this bill is earnestly requested.


MANUEL "LITO" M. LAPID
Senator 

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

SENATE

S. No. 2063



Introduced by Senator Manuel "Lapid" M. Lapid

AN ACT
STRENGTHENING THE INSURANCE COMMISSION AND
REORGANIZING IT INTO A COLLEGIAL BODY, AMENDING
PRESIDENTIAL DECREE NO. 612, AS AMENDED, OTHERWISE
KNOWN AS "THE INSURANCE CODE"

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

1 **SECTION 1.** Section 194 of Presidential Decree No. 612, as amended,
2 is hereby further amended to read as follows:

3
4 "Section. 194.
5 xxx.

6 ~~"The Secretary of Finance~~ **MONETARY BOARD OF THE BANGKO**
7 **SENTRAL NG PILIPINAS** may, upon recommendation of the
8 **COMMISSION** Commissioner, increase **ADJUST** such minimum
9 paid-up capital stock or cash assets requirement under such terms
10 and conditions as **THE MONETARY BOARD** he may impose, to an
11 amount which, ~~in his opinion his~~ **IN THE OPINION OF THE**
12 **MONETARY BOARD**, would reasonably assure the safety of the
13 interests of the policyholders and the public. The minimum paid-up
14 capital and net worth requirement must remain unimpaired for the
15 continuance of the license. The **COMMISSION** Commissioner may
16 require the adoption of the risk-based capital approach and other
17 internationally accepted forms of capital framework.

18 xxx.

19 ~~"The President of the Philippines~~ **MONETARY BOARD OF THE**
20 **BANGKO SENTRAL NG PILIPINAS** may order a periodic review,
21 every two (2) years **OR WHEN IT DEEMS NECESSARY**, the capital
22 structure set out above to determine the capital adequacy of the local

1 insurance industry from and after the integration and liberalization of
2 the financial services, including insurance, in the ASEAN Region. For
3 ~~this purpose, a review committee consisting of representatives from~~
4 ~~the Department of Finance (DOF), the Insurance Commission (IC),~~
5 ~~the National Economic and Development Authority (NEDA), the~~
6 ~~Securities and Exchange Commission (SEC) and other agencies which~~
7 ~~the President may designate shall conduct the review and may~~
8 ~~recommend to the President to adopt for implementation the~~
9 ~~necessary capital adjustment."~~

10
11 SEC. 2. Section 253 of Presidential Decree No. 612, as amended, is
12 hereby further amended to read as follows:

13
14 "Section 253. The ~~{Commissioner}~~ **COMMISSION** shall at least once
15 a year and whenever ~~{he}~~ **IT** considers the public interest so
16 demands, cause an examination to be made into the affairs, financial
17 condition and method of business of every insurance company
18 authorized to transact business in the Philippines and of any other
19 person, firm or corporation managing the affairs and/or property of
20 such insurance company. Such company, as well as such managing
21 person, firm or corporation, shall submit to the examiner all such
22 books, papers and securities as he may require and such examiner
23 shall also have the power to examine the officers of such company
24 under oath touching its business and financial condition, and the
25 authority to transact business in the Philippines of any such company
26 shall be suspended by the ~~{Commissioner}~~ **COMMISSION** if such
27 examination is refused and such company shall not thereafter be
28 allowed to transact further business in the Philippines until it has fully
29 complied with the provisions of this section.

30
31 Government-owned or -controlled corporations (**GOCC**) or ~~{entities}~~
32 **GOVERNMENT AGENCIES** engaged in social ~~{or private}~~ insurance
33 **SUCH AS THE GOVERNMENT SERVICE INSURANCE SYSTEM,**
34 **SOCIAL SECURITY SYSTEM, PHILIPPINE HEALTH**
35 **INSURANCE CORPORATION AND PHILIPPINE DEPOSIT**
36 **INSURANCE CORPORATION** shall similarly be subject to such
37 examination by the ~~{Commissioner}~~ **COMMISSION** ~~{unless their~~
38 ~~respective charters otherwise provide}~~. **THE COMMISSION,**
39 **THROUGH ITS REPRESENTATIVES, SHALL MAKE AN**
40 **EXAMINATION OF THE FINANCIAL CONDITION AND**
41 **METHODS OF TRANSACTING BUSINESS OF THE FOREGOING**
42 **AT LEAST ONCE EVERY TWO (2) YEARS AND THE REPORT OF**
43 **SAID EXAMINATION SHALL BE SUBMITTED TO THE**
44 **GOVERNING BOARD AND COPIES THEREOF BE FURNISHED**
45 **THE MONETARY BOARD OF THE BANGKO SENTRAL NG**
46 **PILIPINAS, THE OFFICE OF THE PRESIDENT OF THE**
47 **PHILIPPINES AND THE TWO (2) HOUSES OF THE CONGRESS**
48 **OF THE PHILIPPINES WITHIN FIVE (5) DAYS AFTER THE**

1 CLOSE OF EXAMINATION. FOR EACH EXAMINATION, THE
2 GOCC OR GOVERNMENT AGENCY SHALL PAY THE OFFICE OF
3 THE COMMISSION AN AMOUNT EQUAL TO THE ACTUAL
4 EXPENSES INCURRED BY THE SAID OFFICE IN THE CONDUCT
5 OF EXAMINATION, INCLUDING THE SALARIES OF THE
6 EXAMINERS AND OF THE ACTUARY OF SUCH EXAMINATION
7 FOR THE ACTUAL TIME SPENT. THE FOREGOING SHALL
8 IMPLEMENT THE FINDINGS OF THE COMMISSION BASED ON
9 THE EXAMINATION."
10

11
12 SEC. 3. Section 437 of Presidential Decree No. 612, as amended, is
13 hereby further amended to read as follows:
14

15 "SECTION 437. THE COMMISSION. THIS CODE SHALL BE
16 ADMINISTERED BY THE INSURANCE COMMISSION
17 (HEREINAFTER REFERRED TO AS THE "COMMISSION") AS A
18 COLLEGIAL BODY.
19

20 "THE COMMISSION SHALL BE UNDER THE SUPERVISION OF
21 THE MONETARY BOARD OF THE BANGKO SENTRAL NG
22 PILIPINAS.
23

24 "THE WORD "SUPERVISION" AS USED IN THIS SECTION
25 SHALL INCLUDE THE AUTHORITY OF THE MONETARY BOARD
26 OF THE BANGKO SENTRAL NG PILIPINAS TO REVIEW,
27 APPROVE, REVERSE, OR MODIFY ACTS AND DECISIONS OF
28 THE COMMISSION; TAKE ACTION AS MAY BE NECESSARY
29 FOR THE PERFORMANCE OF OFFICIAL FUNCTIONS,
30 INCLUDING RECTIFICATION OF VIOLATIONS, ABUSES AND
31 OTHER FORMS OF MALADMINISTRATION; AND REVIEW,
32 REVISE, OR MODIFY THE DECISION OF THE COMMISSION IN
33 THE EXERCISE OF ITS REGULATORY FUNCTIONS.
34

35 "IN THE EXERCISE OF ITS ADMINISTRATIVE AUTHORITY,
36 THE COMMISSION SHALL HAVE THE POWER TO DIRECT ITS
37 MANAGEMENT, OPERATION AND ADMINISTRATION,
38 REORGANIZE ITS PERSONNEL, AND ESTABLISH A HUMAN
39 RESOURCE MANAGEMENT SYSTEM THAT SHALL GOVERN ITS
40 SELECTION, HIRING, APPOINTMENT, TRANSFER,
41 PROMOTION, OR DISMISSAL OF ALL PERSONNEL,
42 PROVIDED, THAT, THE APPOINTMENT OF DEPUTY
43 COMMISSIONERS OR OFFICERS OF EQUIVALENT RANK, AND
44 ITS REORGANIZATION SHALL BE SUBJECT TO THE

1 **CONFIRMATION OF THE MONETARY BOARD OF THE BANGKO**
2 **SENTRAL NG PILIPINAS.**

3 ~~"The Insurance~~ **COMMISSION** shall have the duty to see that all
4 laws relating to insurance, insurance companies and other insurance
5 matters, mutual benefit associations, trusts for charitable uses,
6 **HEALTH MAINTENANCE ORGANIZATIONS, AND PRE-NEED**
7 **COMPANIES AS DEFINED UNDER REPUBLIC ACT NO. 9829,**
8 are faithfully executed and to perform the duties imposed upon THE
9 COMMISSION ~~him~~ by this Code **AND OTHER PERTINENT LAWS,**
10 and shall, notwithstanding any existing laws to the contrary, have the
11 authority to regulate the issuance and sale of variable contracts as
12 defined in Section 238 hereof and to provide for the licensing of
13 persons selling such contracts, and to issue such reasonable rules and
14 regulations governing the same.

15 ~~"The~~ **COMMISSION** may issue such rulings, instructions, circulars,
16 orders and decisions as may be deemed necessary to secure the
17 enforcement of the provisions of this Code **AND OTHER**
18 **PERTINENT LAWS,** to ensure the efficient regulation of the
19 insurance industry **AND OTHER INDUSTRIES UNDER ITS**
20 **JURISDICTION** in accordance with global best practices and to
21 protect the insuring public. ~~Except as otherwise specified, decisions~~
22 ~~made by the~~ **COMMISSION** ~~shall be appealable to the Secretary of~~
23 ~~Finance.~~

24 ~~"OTHER THAN THE EXERCISE OF ITS ADJUDICATORY~~
25 ~~POWERS, ALL RULINGS, ORDERS, DECISIONS,~~
26 ~~INSTRUCTIONS, AND OTHER ISSUANCES OF THE~~
27 ~~COMMISSION IN THE EXERCISE OF ITS SUPERVISORY AND~~
28 ~~REGULATORY POWERS UNDER THIS CODE AND OTHER~~
29 ~~PERTINENT LAWS SHALL BE FORWARDED TO THE~~
30 ~~MONETARY BOARD FOR AUTOMATIC REVIEW WITHIN~~
31 ~~SEVEN (7) CALENDAR DAYS FROM APPROVAL OF THE~~
32 ~~COMMISSION. IF NO ACTION IS TAKEN BY THE MONETARY~~
33 ~~BOARD WITHIN THIRTY (30) CALENDAR DAYS FROM~~
34 ~~RECEIPT OF THE ISSUANCE, IT SHALL BE DEEMED~~
35 ~~CONFIRMED BY THE MONETARY BOARD.~~

36 ~~"In addition to the foregoing, the~~ **COMMISSION** shall have the
37 following powers and functions:

38 ~~"(a) Formulate policies and recommendations on issues concerning~~
39 ~~the insurance industry, HEALTH MAINTENANCE~~
40 ~~ORGANIZATIONS, AND OTHER INDUSTRIES UNDER ITS~~
41 ~~JURISDICTION, advise Congress and other government agencies~~
42 ~~on all aspects of the insurance industry~~ **INDUSTRIES UNDER ITS**
43 **JURISDICTION** and propose legislation and amendments thereto;

- 1 “(b) Approve, reject, suspend or revoke licenses or certificates of
2 registration provided for by this Code;
- 3 “(c) Impose sanctions for the violation of laws and the rules,
4 regulations and orders issued pursuant thereto;
- 5 “(d) Prepare, approve, amend or repeal rules, regulations and orders,
6 and issue opinions and provide guidance on and supervise compliance
7 with such rules, regulations and orders;
- 8 “(e) Enlist the aid and support of, and/or deputize any and all
9 enforcement agencies of the government in the implementation of its
10 powers and functions under this Code **AND OTHER PERTINENT**
11 **LAWS**;
- 12 “(f) Issue cease and desist orders to prevent fraud or injury to the
13 insuring public;
- 14 “(g) Punish for contempt of the **COMMISSION**, both direct and
15 indirect, in accordance with the pertinent provisions of and penalties
16 prescribed by the Rules of Court;
- 17 “(h) Compel the officers of any registered ~~insurance corporation or~~
18 ~~association~~ **INSTITUTIONS UNDER ITS SUPERVISION** to call
19 meetings of stockholders or members thereof under its supervision;
- 20 “(i) Issue subpoena *duces tecum* and summon witnesses to appear in
21 any proceeding of the Commission and, in appropriate cases, order
22 the examination, search and seizure of all documents, papers, files
23 and records, tax returns, and books of accounts of any entity or
24 person under investigation as may be necessary for the proper
25 disposition of the cases before it, subject to the provisions of existing
26 laws;
- 27 “(j) Suspend or revoke, after proper notice and hearing, the license
28 or certificate of authority of any entity or person under its regulation,
29 upon any of the grounds provided by law;
- 30 “(k) Conduct an examination to determine compliance with laws and
31 regulations if the circumstances so warrant as determined by
32 appropriate rules and regulations;
- 33 “(l) Investigate not oftener than once a year from the last date of
34 examination to determine whether an institution is conducting its
35 business on a safe and sound basis: *Provided*, That, the
36 deficiencies/irregularities found by or discovered by an audit shall be
37 immediately addressed;
- 38 “(m) Inquire into the solvency and liquidity of the institutions under
39 its supervision and enforce prompt corrective action;

1 “(n) To retain and utilize, in addition to its annual budget, all fees,
2 charges and other income derived from the regulation of insurance
3 companies and other supervised persons or entities;

4 “(o) To fix and assess fees, charges and penalties as the
5 **COMMISSION** may find reasonable in the exercise of regulation; and

6 “(p) Exercise such other powers as may be provided by law as well as
7 those which may be implied from, or which are necessary or incidental
8 to the express powers granted the Commission to achieve the
9 objectives and purposes of this Code.

10 “The Commission shall indemnify the **COMMISSIONERS**, Deputy
11 Commissioners, and other officials of the Commission, including
12 personnel performing supervision and examination functions, for all
13 costs and expenses reasonably incurred by such persons in
14 connection with any civil or criminal actions, suits or proceedings to
15 which they may be made a party to by the reason of the performance
16 of their duties and functions, unless they are finally adjudged in such
17 actions, suits or proceedings to be liable for negligence or misconduct.

18 “In the event of settlement or compromise, indemnification shall be
19 provided only in connection with such matters covered by the
20 settlement as to which the Commission is advised by external counsel
21 that the persons to be indemnified did not commit any negligence or
22 misconduct:

23 “The costs and expenses incurred in defending the aforementioned
24 action, suit or proceeding may be paid by the Commission in advance
25 of the final disposition of such action, suit or proceeding upon receipt
26 of an undertaking by or on behalf of the **COMMISSION**, Deputy
27 Commissioner, officer or employee to repay the amount advanced
28 should it ultimately be determined by the Commission that the person
29 is not entitled to be indemnified.

30 **“THE COMMISSION MAY, FOR PURPOSES OF EFFICIENCY,
31 DELEGATE TO THE CHAIRPERSON ANY OF ITS FUNCTIONS,
32 EXCEPT FOR DISCRETIONARY POWERS VESTED IN THE
33 COMMISSION.**

34
35 SEC. 4. New Sections, Sections 437-A, 437-B, 437-C, 437-D, 437-E, AND 437-F,
36 are hereby inserted to Presidential Decree No. 612, as amended, to read as follows:

37
38 **“SEC 437-A – COMPOSITION. THE COMMISSION SHALL BE
39 COMPOSED OF A CHAIRPERSON AND THREE (3)
40 COMMISSIONERS APPOINTED BY THE PRESIDENT WHO
41 SHALL SERVE FULL-TIME FOR A TERM OF (6) SIX YEARS
42 EACH, AND ONE (1) SENIOR OFFICER OF THE BANGKO**

1 **SENTRAL NG PILIPINAS TO BE DESIGNATED BY THE**
2 **GOVERNOR OF THE BANGKO SENTRAL NG PILIPINAS AS EX-**
3 **OFFICIO COMMISSIONER.**
4

5 **"THE CHAIRPERSON SHALL BE THE CHIEF EXECUTIVE**
6 **OFFICER OF THE COMMISSION, WHO SHALL EXECUTE AND**
7 **ADMINISTER THE POLICIES, DECISIONS, ORDERS, AND**
8 **RESOLUTIONS APPROVED BY THE COMMISSION AND SHALL**
9 **HAVE THE GENERAL EXECUTIVE DIRECTION AND**
10 **SUPERVISION OF THE WORK AND OPERATION OF THE**
11 **COMMISSION AND ITS COMMISSIONERS, BODIES, BOARDS,**
12 **OFFICES, PERSONNEL, AND ALL ITS ADMINISTRATIVE**
13 **BUSINESS.**

14
15 **"THE CHAIRPERSON AND ALL COMMISSIONERS APPOINTED**
16 **BY THE PRESIDENT SHALL NOT BE REAPPOINTED MORE**
17 **THAN ONCE.**
18

19 **"SEC. 437-B – QUALIFICATIONS. THE COMMISSIONERS**
20 **MUST BE NATURAL-BORN CITIZENS OF THE PHILIPPINES,**
21 **AT LEAST FORTY (40) YEARS OF AGE FOR THE CHAIRPERSON**
22 **AND AT LEAST THIRTY-FIVE (35) YEARS OF AGE FOR THE**
23 **COMMISSIONS, OF GOOD MORAL CHARACTER, OR**
24 **UNQUESTIONABLE INTEGRITY, OF KNOWN PROBITY AND**
25 **PATRIOTISM, AND WITH RECOGNIZED COMPETENCE IN THE**
26 **INSURANCE, BANKING, ECONOMICS, OR FINANCE**
27 **INDUSTRY. PROVIDED, THAT ONE (1) OF THE**
28 **COMMISSIONERS APPOINTED BY THE PRESIDENT OTHER**
29 **THAN THE CHAIRPERSON MUST BE A LICENSED ACTUARY OR**
30 **MUST HAVE AT LEAST FIVE (5) YEARS OF WORK EXPERIENCE**
31 **IN THE FIELD OF ACTUARIAL DISCIPLINE.**

32 **"SEC. 437-C – DISQUALIFICATIONS. IN ADDITION TO THE**
33 **DISQUALIFICATIONS IMPOSED BY REPUBLIC ACT NO. 6713,**
34 **A COMMISSIONER IS DISQUALIFIED FROM BEING A**
35 **DIRECTOR, OFFICER, EMPLOYEE, CONSULTANT, LAWYER,**
36 **AGENT OR STOCKHOLDER OF ANY INSTITUTION WHICH IS**
37 **SUBJECT TO SUPERVISION OR EXAMINATION BY THE**
38 **COMMISSION, IN WHICH CASE SUCH COMMISSIONER**
39 **SHALL RESIGN FROM, AND DIVEST HIMSELF OF ANY AND**
40 **ALL INTERESTS IN SUCH INSTITUTION BEFORE**
41 **ASSUMPTION OF OFFICE AS COMMISSIONER.**

42 **"EXCEPT FOR THE OFFICER APPOINTED BY THE GOVERNOR**
43 **OF BANGKO SENTRAL NG PILIPINAS AS EX-OFFICIO**
44 **COMMISSIONER, COMMISSIONERS SHALL NOT HOLD ANY**

1 OTHER PUBLIC OFFICE OR PUBLIC EMPLOYMENT DURING
2 THEIR TENURE.

3 "NO COMMISSIONER SHALL BE EMPLOYED IN ANY
4 INSTITUTION WHICH IS SUBJECT TO SUPERVISION OR
5 EXAMINATION BY THE COMMISSION WITHIN TWO (2)
6 YEARS AFTER THE EXPIRATION OF HIS TERM EXCEPT WHEN
7 HE SERVES AS AN OFFICIAL REPRESENTATIVE OF THE
8 PHILIPPINE GOVERNMENT TO SUCH INSTITUTION

9 "SECTION 437-D – VACANCY. ANY VACANCY IN THE
10 COMMISSION CREATED BY DEATH, RESIGNATION, OR
11 REMOVAL OF ANY COMMISSIONER SHALL BE FILLED BY THE
12 APPOINTMENT OF A NEW COMMISSIONER TO COMPLETE
13 THE UNEXPIRED PERIOD OF THE TERM OF THE
14 COMMISSIONER CONCERNED.

15 "SECTION 437-E – REMOVAL. EXCEPT FOR THE EX-OFFICIO
16 COMMISSIONER FROM THE BANGKO SENTRAL NG
17 PILIPINAS, THE PRESIDENT MAY REMOVE ANY
18 COMMISSIONER FOR ANY OF THE FOLLOWING REASONS:

19 "(A) IF THE COMMISSIONER IS SUBSEQUENTLY
20 DISQUALIFIED UNDER THE PROVISIONS OF SECTION 437-C
21 OF THIS ACT; OR

22 "(B) IF THE COMMISSIONER IS PHYSICALLY OR MENTALLY
23 INCAPACITATED THAT HE CANNOT PROPERLY DISCHARGE
24 HIS DUTIES AND RESPONSIBILITIES AND SUCH
25 INCAPACITY HAS LASTED FOR MORE THAN SIX (6) MONTHS;
26 OR

27 "(C) IF THE COMMISSIONER IS GUILTY OF ACTS OR
28 OPERATIONS WHICH ARE OF FRAUDULENT OR ILLEGAL
29 CHARACTER OR WHICH ARE MANIFESTLY OPPOSED TO THE
30 AIMS AND INTERESTS OF THE COMMISSION; OR

31 "(D) IF THE COMMISSIONER NO LONGER POSSESSES THE
32 QUALIFICATIONS SPECIFIED IN SECTION 437-B OF THIS
33 ACT.

34 "SECTION 437-F – MEETINGS. THE COMMISSION SHALL
35 HOLD MEETINGS AT LEAST ONCE A WEEK FOR THE CONDUCT
36 OF BUSINESS OR AS OFTEN AS MAY BE. NECESSARY UPON
37 THE CALL OF THE CHAIRPERSON OR UPON THE REQUEST OF
38 (2) COMMISSIONERS. THE NOTICE OF THE MEETING SHALL
39 BE GIVEN TO ALL COMMISSIONERS AND THE PRESENCE OF
40 THREE (3) COMMISSIONERS SHALL CONSTITUTE A

1 **QUORUM. IN THE ABSENCE OF THE CHAIRPERSON, THE**
2 **MOST SENIOR COMMISSIONER SHALL ACT AS PRESIDING**
3 **OFFICER OF THE MEETING.**
4

5 SEC. 5. Section 438 of Presidential Decree No. 612, as amended, is hereby
6 further amended to read as follows:

7
8 **"Section 438.** In addition to the administrative sanctions provided
9 elsewhere in this Code, the **COMMISSION** is hereby authorized, at
10 **ITS** discretion, to impose upon insurance companies, their directors
11 and/or officers and/or agents, for any willful failure or refusal to
12 comply with, or violation of any provision of this Code, or any order,
13 instruction, regulation, or ruling of the **COMMISSION**, or any
14 commission or irregularities, and/or conducting business in an unsafe
15 or unsound manner as may be determined by the **COMMISSION**,
16 the following:
17 xxx."

18
19 SEC. 6. Section 439 of Presidential Decree No. 612, as amended, is hereby
20 further amended to read as follows:

21
22 **"Section 439.** The **COMMISSION** shall have the **PRIMARY AND**
23 **EXCLUSIVE** power to adjudicate claims and complaints involving any
24 loss, damage or liability for which an insurer may be answerable under
25 any kind of policy or contract of insurance, or for which such insurer
26 may be liable under a contract of suretyship, or for which a reinsurer
27 may be sued under any contract of reinsurance it may have entered
28 into; or for which a mutual benefit association may be held liable
29 under the membership certificates it has issued to its members, where
30 the amount of any **SINGLE CLAIM FOR** such loss, damage or liability,
31 excluding interest, cost and attorney's fees, being claimed or sued
32 upon any kind of insurance, bond, reinsurance contract, or
33 membership does not exceed ~~Five million pesos (P5,000,000.00).~~ **THE**
34 **AMOUNT AS MAY BE DETERMINED BY THE MONETARY BOARD.**

35
36 **"THE COMMISSION SHALL HAVE THE PRIMARY AND**
37 **EXCLUSIVE POWER TO ADJUDICATE ANY AND ALL CLAIMS**
38 **INVOLVING PRE-NEED PLANS AND HEALTH MAINTENANCE**
39 **ORGANIZATION PRODUCTS OR SERVICES IF THE AMOUNT**
40 **OF BENEFITS DOES NOT EXCEED THE AMOUNT AS MAY BE**
41 **DETERMINED BY THE MONETARY BOARD.**

42
43 **"THE DECISION OF THE COMMISSION IN THE EXERCISE OF**
44 **ITS ADJUDICATORY POWER SHALL BE FINAL AND**

1 EXECUTORY. ANY PERSON AGGRIEVED BY AN ORDER OR
2 DECISION OF THE COMMISSION, WHETHER IN RELATION TO
3 ITS SETTLEMENT OF CLAIM OF AN INSURED AND
4 PLANHOLDER, OR IN THE EXERCISE OF ITS REGULATORY
5 AUTHORITY, MAY APPEAL THE ORDER OR DECISION TO THE
6 COURT OF APPEALS BY PETITION FOR REVIEW IN
7 ACCORDANCE WITH THE PERTINENT PROVISIONS OF THE
8 RULES OF COURT. NO ADMINISTRATIVE APPEAL OF THE
9 DECISION OF THE COMMISSION EXERCISING
10 ADJUDICATIVE POWERS UNDER THIS SECTION SHALL BE
11 MADE TO THE BANGKO SENTRAL NG PILIPINAS.
12

13 "THE COMMISSION MAY ORDER THE PAYMENT OR
14 REIMBURSEMENT OF MONEY AND DAMAGES WHICH IS
15 SUBJECT OF THE ACTION FILED BEFORE IT. THE
16 COMMISSION, IN THE EXERCISE OF THEIR ADJUDICATORY
17 POWERS, SHALL HAVE THE POWER TO ADMINISTER OATHS
18 AND AFFIRMATIONS, ISSUE *SUBPOENA DUCES TECUM* AND
19 SUMMON WITNESSES TO APPEAR IN ITS PROCEEDINGS AND
20 IN APPROPRIATE CASES, ORDER THE EXAMINATION,
21 SEARCH AND SEIZURE OF ALL DOCUMENTS, AND BOOKS OF
22 ACCOUNTS OF ANY ENTITY OR PERSON UNDER
23 INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER
24 DISPOSITION OF THE CASES BEFORE IT. FURTHER, THE
25 COMMISSION SHALL HAVE THE AUTHORITY TO PUNISH FOR
26 CONTEMPT, BOTH DIRECT AND INDIRECT, PURSUANT TO
27 THE RULES AND REGULATIONS AS MAY BE ISSUED BY THE
28 COMMISSION. THE COMMISSION SHALL HAVE THE
29 AUTHORITY TO ISSUE RULES ON PROVISIONAL REMEDIES.
30 UPON ISSUANCE OF THE ENTRY OF JUDGMENT, THE
31 COMMISSION MAY, *MOTU PROPRIO* OR UPON MOTION BY
32 THE PROPER PARTY, CAUSE THE EXECUTION OF THE
33 JUDGMENT IN THE CASE FILED BEFORE IT.
34

35 "The power of the **COMMISSION** does not cover the relationship
36 between the ~~insurance-company~~ INSTITUTIONS/ENTITIES UNDER
37 ITS SUPERVISION and THEIR ~~its~~ agents/brokers but is limited to
38 adjudicating claims and complaints filed by ~~the insured~~ against the
39 insurance company, **MUTUAL BENEFIT ASSOCIATIONS, PRE-
40 NEED COMPANIES AND HEALTH MAINTENANCE
41 ORGANIZATIONS.**
42

43 "The **COMMISSION** may authorize any officer or group of officers
44 under him to conduct investigation, inquiry and/or hearing and decide
45 claims and he may issue rules governing the conduct of adjudication
46 and resolution of cases. The Rules of Court shall have suppletory
47 application.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43

"The party filing an action pursuant to the provisions of this section thereby submits his person to the jurisdiction of the **COMMISSION**. The **COMMISSION** shall acquire jurisdiction over the person of the impleaded party or parties in accordance with and pursuant to the provisions of the Rules of Court.

~~"The authority to adjudicate granted to the Commissioner under this section shall be concurrent with that of the civil courts, but the filing of a complaint with the Commissioner shall preclude the civil courts from taking cognizance of a suit involving the same subject matter.~~

~~"Any decision, order or ruling rendered by the Commissioner after a hearing shall have the force and effect of a judgment. Any party may appeal from a final order, ruling or decision of the Commissioner by filing with the Commissioner within thirty (30) days from receipt of copy of such order, ruling or decision notice of appeal to the Court of Appeals in the manner provided for in the Rules of Court for appeals from the Regional Trial Court to the Court of Appeals.~~

~~"For the purpose of any proceeding under this section, the **COMMISSION**, or any officer thereof designated [by him] is empowered to administer oaths and affirmation, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, documents, or contracts or other records which are relevant or material to the inquiry.~~

"A full and complete record shall be kept of all proceedings had before the **COMMISSION**, or the officers thereof designated by him, and all testimony shall be taken down and transcribed by a stenographer appointed by the **COMMISSION**.

"In order to promote party autonomy in the resolution of cases, the **COMMISSION** shall establish a system for resolving cases through the use of alternative dispute resolution."

SEC. 7. Amendments to the Insurance Code. All references in Presidential Decree No. 612, as amended, referring to the "Insurance Commissioner" "and "Commissioner" shall be amended to "Commission." Moreover, all references in Presidential Decree No. 612, as amended, referring to the "Secretary of Finance" shall be amended to "the Monetary Board of the Bangko Sentral ng Pilipinas."

1 **SEC. 8. Transitory Provisions.** – The Insurance Commission shall be made
2 operational by the performance of the following acts:

3
4 (A) The President shall constitute the Commission by appointing the Chairperson
5 and three (3) Commissioners, one of whom must be a licensed actuary or
6 must have at least five (5) years of work experience in the field of actuarial
7 discipline, within sixty (60) calendar days from the effectivity of this Act;

8
9 (B) The Governor of the Bangko Sentral ng Pilipinas shall designate an Ex-Officio
10 Commissioner within sixty (60) calendar days from the effectivity of this Act;

11
12 (C) The Chairperson first appointed shall hold office for six (6) years. Of the
13 Commissioners first appointed by the President, one shall hold office for six
14 (6) years and the other two (2) Commissioners shall hold office for three (3)
15 years;

16
17 For purposes of implementing this Act, the Commission is hereby
18 authorized to provide for its reorganization, to streamline its structure and
19 operations, upgrade its human resource component to enable it to effectively
20 and efficiently perform its functions and exercise its powers under this Act,
21 subject to the approval of the Monetary Board of the Bangko Sentral ng
22 Pilipinas. The Commission shall be accountable for the payment of separation
23 benefits to the affected officials, including the Deputy Commissioners, and
24 personnel, whether regular or casual/contractual, pursuant to existing laws.

25
26 **SEC. 7. Separability Clause.** — If any provision of this Act shall be held
27 unconstitutional or invalid, the other provisions not otherwise affected shall
28 remain in full force and effect.

29
30 **SEC. 8. Repealing Clause.** — All laws, decrees, executive orders, rules
31 and regulations or parts thereof which are contrary to or inconsistent with this
32 Act are hereby repealed, amended or modified accordingly.

33
34 **SEC. 9. Effectivity.** — This Act shall take effect fifteen (15) days after its
35 complete publication either in the Official Gazette or in a newspaper of general
36 circulation.

37
38 *Approved,*