

'21 APR 15 P3:02

SENATE

2133

S.B. No. \_\_\_\_\_

RECEIVED BY: \_\_\_\_\_

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INTRODUCED BY SENATOR CHRISTOPHER LAWRENCE "BONG" T. GO

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**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 Insurance Commission (IC) is mandated to regulate and supervise the insurance, pre-need, and health maintenance organization (HMO) industries in accordance with the provisions of Presidential Decree No. 612, or The Insurance Code, as amended, Pre-Need Code of the Philippines, and Executive Order No. 192 (s. 2015).

Statistics show that the insurance, pre-need, and HMO regulated entities continue to grow and 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 Php1.72 trillion, from Php1.54 trillion during the same period of its preceding year. Premiums generated from sale of variable life insurance was recorded at Php20.54 billion, traditional life insurance at Php31.17 billion, and MBA at Php5.88 billion.

On the other hand, for the pre-need industry, as of 2017, premiums generated were recorded at Php17.56 billion. Moreover for HMO, as of the end of 2018, the industry assets grew to Php38.96 billion, from P32.91 billion of its preceding year. Finally, HMO's total revenue grew by 15% to Php45.30 billion, from Php39.32 billion of its preceding year.

In light with the present situation, there is a strong need to enhance the regulation and supervision of the insurance, pre-need, and HMO industries in order to not only fully protect the public, but also to create an environment that is conducive to these industries' continuous robust growth. Thus, the Bangko Sentral ng Pilipinas (BSP), as an independent and accountable body corporate, shall be equipped to discharge the foregoing function by exercising an oversight function over the IC pursuant to the BSP's maintenance of price stability and promotion of financial stability mandates.

This proposed measure seeks to convert the IC into a collegial body composed of five (5) Commissioners who are competent in relevant fields. In addition, to align with the best practices adopted by other Asian Nations states where all financial services are regulated by a single authority, the IC will also be placed under the supervision of the Monetary Board (MB) of the BSP.


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



**SENATOR CHRISTOPHER LAWRENCE "BONG" T. GO**

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**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, is hereby*  
2 *further amended to read as follows:*

3  
4 "SEC. 194. Except as provided in Section 289, no new domestic life or non-life  
5 insurance company shall, in a stock corporation, engage in business in the Philippines  
6 unless possessed of a paid-up capital equal to at least One billion pesos  
7 (P1,000,000,000.00): *Provided,* That a domestic insurance company already doing  
8 business in the Philippines shall have a net worth by June 30, 2013 of Two hundred  
9 fifty million pesos (P250,000,000.00). Furthermore, said company must have by  
10 December 31, 2016, an additional Three hundred million pesos (P300,000,000.00) in  
11 net worth; by December 31, 2019, an additional Three hundred fifty million pesos  
12 (P350,000,000.00) in net worth; and by December 31, 2022, an additional Four  
13 hundred million pesos (P400,000,000.00) in net worth."

14  
15 "The Commissioner may, as a pre-licensing requirement of a new insurance  
16 company, in addition to the paid-up capital stock, require the stockholders to pay in

1 cash to the company in proportion to their subscription interests a contributed surplus  
2 fund of not less than One hundred million pesos (P100,000,000.00). He may also  
3 require such company to submit to him a business plan showing the company's  
4 estimated receipts and disbursements, as well as the basis therefor, for the next  
5 succeeding three (3) years."

6  
7 "If organized as a mutual company, in lieu of such net worth, it must have  
8 available total members equity in an amount to be determined by the Insurance  
9 Commission above all liabilities for losses reported; expenses, taxes, legal reserve, and  
10 reinsurance of all outstanding risks, and the contributed surplus fund equal to the  
11 amounts required of stock corporations. A stock insurance company doing business in  
12 the Philippines may, subject to the pertinent law and regulation which now or hereafter  
13 may be in force, alter its organization and transform itself into a mutual insurance  
14 company."

15  
16 "The [~~Secretary of Finance~~] **MONETARY BOARD OF THE BANGKO SENTRAL**  
17 **NG PILIPINAS** may, upon recommendation of the **COMMISSION** [~~Commissioner,~~  
18 ~~increase~~] **ADJUST** such minimum paid-up capital stock or [~~cash-assets~~] **NET WORTH**  
19 requirement under such terms and conditions as **THE MONETARY BOARD OF THE**  
20 **BANGKO SENTRAL NG PILIPINAS** he may impose, to an amount which, [~~in his~~  
21 ~~opinion his~~] **IN THE OPINION OF THE MONETARY BOARD OF THE BANGKO**  
22 **SENTRAL NG PILIPINAS**, would reasonably assure the safety of the interests of the  
23 policyholders and the public: **PROVIDED, THAT IN THE EXERCISE OF THIS**  
24 **AUTHORITY, THE MONETARY BOARD OF THE BANGKO SENTRAL NG**  
25 **PILIPINAS SHALL, TO THE EXTENT FEASIBLE, CONFORM TO**  
26 **INTERNATIONALLY ACCEPTED STANDARDS, INCLUDING THOSE OF THE**  
27 **INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS, RELATING**  
28 **TO (i) INSURANCE CORE PRINCIPLES AND (ii) INSURANCE CAPITAL**  
29 **STANDARD: PROVIDED, FURTHER, THAT IT MAY ALTER OR SUSPEND**  
30 **COMPLIANCE WITH SUCH MINIMUM PAID-UP CAPITAL STOCK OR NET**  
31 **WORTH REQUIREMENT WHENEVER NECESSARY FOR A MAXIMUM PERIOD**  
32 **OF ONE (1) YEAR: PROVIDED, FINALLY, THAT SUCH REQUIREMENT SHALL**

1 **BE APPLIED UNIFORMLY TO INSURANCE COMPANIES OF THE SAME**  
2 **CATEGORY.** [~~The minimum paid-up capital and net worth requirement must remain~~  
3 ~~unimpaired for the continuance of the license.~~] The **COMMISSION** Commissioner  
4 may require the adoption of the risk-based capital approach and other internationally  
5 accepted forms of capital framework."

6 **"THE MINIMUM PAID-UP CAPITAL AND NET WORTH REQUIREMENT**  
7 **MUST REMAIN UNIMPAIRED FOR THE CONTINUANCE OF THE LICENSE. IN**  
8 **CASE AN INSURANCE COMPANY DOES NOT COMPLY WITH THE FOREGOING**  
9 **REQUIREMENT, THE COMMISSION MAY LIMIT OR PROHIBIT THE**  
10 **DISTRIBUTION OF NET PROFITS OF SUCH INSURANCE COMPANY AND MAY**  
11 **REQUIRE THAT PART OR ALL OF THE NET PROFITS BE USED TO INCREASE**  
12 **ITS CAPITAL ACCOUNTS UNTIL THE MINIMUM REQUIREMENT HAS BEEN**  
13 **MET. FURTHERMORE, THE COMMISSION MAY RESTRICT OR PROHIBIT**  
14 **SUCH INSURANCE COMPANY FROM ACQUIRING MAJOR ASSETS AND**  
15 **MAKING NEW INVESTMENTS UNTIL THE MINIMUM REQUIRED CAPITAL**  
16 **RATIO HAS BEEN RESTORED.**

17 **THE MINIMUM PAID-UP CAPITAL AND NET WORTH REQUIREMENT**  
18 **UNDER SECTION 194 OF REPUBLIC ACT NO. 10607, AND ALL PERTINENT**  
19 **RULES ISSUED PURSUANT THERETO, SHALL CONTINUE TO BE IN FORCE**  
20 **UNTIL THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS**  
21 **EXERCISES ITS AUTHORITY TO ADJUST THE MINIMUM PAID-UP CAPITAL**  
22 **STOCK OR NET WORTH REQUIRMENT MENTIONED IN THIS SECTION.**

23 **THE FOREGOING AUTHORITY OF THE MONETARY BOARD OF THE**  
24 **BANGKO SENTRAL NG PILIPINAS SHALL LIKEWISE APPLY TO MUTUAL**  
25 **BENEFIT ASSOCIATIONS, HEALTH MAINTENANCE ORGANIZATIONS, AND**  
26 **PRE-NEED COMPANIES FOR THEIR MINIMUM FUND, CAPITALIZATION, OR**  
27 **NET WORTH REQUIREMENT, AS MAY BE APPLICABLE, PURSUANT TO THIS**  
28 **ACT'S IMPLEMENTING RULES AND REGULATIONS."**

1           “The [~~President of the Philippines~~] **MONETARY BOARD OF THE BANGKO**  
2 **SENTRAL NG PILIPINAS** may order a periodic review, every two (2) years **OR**  
3 **WHEN IT DEEMS NECESSARY**, the capital structure set out above to determine the  
4 capital adequacy of the local insurance industry from and after the integration and  
5 liberalization of the financial services, including insurance, in the ASEAN Region. [~~For~~  
6 ~~this purpose, a review committee consisting of representatives from the Department~~  
7 ~~of Finance (DOF), the Insurance Commission (IC), the National Economic and~~  
8 ~~Development Authority (NEDA), the Securities and Exchange Commission (SEC) and~~  
9 ~~other agencies which the President may designate shall conduct the review and may~~  
10 ~~recommend to the President to adopt for implementation the necessary capital~~  
11 ~~adjustment.~~]

12  
13           **Sec. 2.** *Section 253 of Presidential Decree No. 612, as amended, is hereby further*  
14 *amended to read as follows:*

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

29  
30           “Government-owned or -controlled corporations (**GOCC**) or [~~entities~~]  
31 **GOVERNMENT AGENCIES** engaged in social [~~or private~~] insurance, **SUCH AS**  
32 **GOVERNMENT SERVICE INSURANCE SYSTEM, SOCIAL SECURITY SYSTEM,**

1 PHILIPPINE HEALTH INSURANCE CORPORATION, AND PHILIPPINE  
2 DEPOSIT INSURANCE CORPORATION, shall similarly be subject to such  
3 examination by the ~~{Commissioner}~~ COMMISSION ~~{unless their respective charters~~  
4 ~~otherwise provide}~~. THE COMMISSION, THROUGH ITS REPRESENTATIVES,  
5 SHALL MAKE AN EXAMINATION OF THE FINANCIAL CONDITION AND  
6 METHODS OF TRANSACTING BUSINESS OF THE FOREGOING AT LEAST ONCE  
7 EVERY TWO (2) YEARS AND THE REPORT OF SAID EXAMINATION SHALL BE  
8 SUBMITTED TO THEIR GOVERNING BOARD. COPIES OF THE REPORT SHALL  
9 ALSO BE FURNISHED TO THE MONETARY BOARD OF THE BANGKO SENTRAL  
10 NG PILIPINAS, THE OFFICE OF THE PRESIDENT OF THE PHILIPPINES, AND  
11 THE TWO (2) HOUSES OF THE CONGRESS OF THE PHILIPPINES WITHIN  
12 FIVE (5) DAYS AFTER THE CLOSE OF EXAMINATION. FOR EACH  
13 EXAMINATION, THE GOCC OR GOVERNMENT AGENCY SHALL PAY THE  
14 OFFICE OF THE COMMISSION AN AMOUNT EQUAL TO THE ACTUAL  
15 EXPENSES INCURRED BY THE SAID OFFICE IN THE CONDUCT OF  
16 EXAMINATION, INCLUDING THE SALARIES OF THE EXAMINERS AND  
17 ACTUARY OF SUCH EXAMINATION FOR THE ACTUAL TIME SPENT. THE  
18 FOREGOING SHALL IMPLEMENT THE FINDINGS OF THE COMMISSION  
19 BASED ON THE EXAMINATION."  
20

21 *Sec. 3. Section 437 of Presidential Decree No. 612, as amended, is hereby replaced*  
22 *with the following:*  
23

24 "SECTION 437. THE COMMISSION. THIS CODE SHALL BE  
25 ADMINISTERED BY THE INSURANCE COMMISSION, HEREINAFTER  
26 REFERRED TO AS THE "COMMISSION", AS A COLLEGIAL BODY.  
27

28 "THE COMMISSION SHALL BE UNDER THE SUPERVISION OF THE  
29 MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS."  
30

31 "THE WORD "SUPERVISION" AS USED IN THIS SECTION SHALL  
32 INCLUDE THE AUTHORITY OF THE MONETARY BOARD OF THE BANGKO

1 **SENTRAL NG PILIPINAS TO REVIEW, APPROVE, REVERSE, OR MODIFY ACTS**  
2 **AND DECISIONS OF THE COMMISSION; TAKE ACTION AS MAY BE**  
3 **NECESSARY FOR THE PERFORMANCE OF OFFICIAL FUNCTIONS,**  
4 **INCLUDING RECTIFICATION OF VIOLATIONS, ABUSES AND OTHER FORMS**  
5 **OF MALADMINISTRATION; AND REVIEW, REVISE, OR MODIFY THE**  
6 **DECISION OF THE COMMISSION IN THE EXERCISE OF ITS REGULATORY**  
7 **FUNCTIONS."**

8  
9 **"IN THE EXERCISE OF ITS ADMINISTRATIVE AUTHORITY, THE**  
10 **COMMISSION SHALL HAVE THE POWER TO DIRECT ITS MANAGEMENT,**  
11 **OPERATION AND ADMINISTRATION, REORGANIZE ITS PERSONNEL, AND**  
12 **ESTABLISH A HUMAN RESOURCE MANAGEMENT SYSTEM THAT SHALL**  
13 **GOVERN ITS SELECTION, HIRING, APPOINTMENT, TRANSFER,**  
14 **PROMOTION, OR DISMISSAL OF ALL PERSONNEL: *PROVIDED*, THAT, THE**  
15 **APPOINTMENT OF DEPUTY COMMISSIONERS OR OFFICERS OF**  
16 **EQUIVALENT RANK, AND ITS REORGANIZATION SHALL BE SUBJECT TO THE**  
17 **CONFIRMATION OF THE MONETARY BOARD OF THE BANGKO SENTRAL NG**  
18 **PILIPINAS."**

19 **"THE COMMISSION SHALL HAVE THE DUTY TO SEE THAT ALL LAWS**  
20 **RELATING TO INSURANCE, INSURANCE COMPANIES AND OTHER**  
21 **INSURANCE MATTERS, MUTUAL BENEFIT ASSOCIATIONS, TRUSTS FOR**  
22 **CHARITABLE USES, HEALTH MAINTENANCE ORGANIZATIONS, AND PRE-**  
23 **NEED COMPANIES AS DEFINED UNDER REPUBLIC ACT NO. 9829, ARE**  
24 **FAITHFULLY EXECUTED AND TO PERFORM THE DUTIES IMPOSED UPON THE**  
25 **COMMISSION BY THIS CODE AND OTHER PERTINENT LAWS, AND SHALL,**  
26 **NOTWITHSTANDING ANY EXISTING LAWS TO THE CONTRARY, HAVE THE**  
27 **AUTHORITY TO REGULATE THE ISSUANCE AND SALE OF VARIABLE**  
28 **CONTRACTS AS DEFINED IN SECTION 238 HEREOF AND TO PROVIDE FOR**  
29 **THE LICENSING OF PERSONS SELLING SUCH CONTRACTS, AND TO ISSUE**  
30 **SUCH REASONABLE RULES AND REGULATIONS GOVERNING THE SAME."**



1           **"THE COMMISSION MAY ISSUE SUCH RULINGS, INSTRUCTIONS,**  
2 **CIRCULARS, ORDERS AND DECISIONS AS MAY BE DEEMED NECESSARY TO**  
3 **SECURE THE ENFORCEMENT OF THE PROVISIONS OF THIS CODE AND**  
4 **OTHER PERTINENT LAWS, TO ENSURE THE EFFICIENT REGULATION OF THE**  
5 **INSURANCE INDUSTRY AND OTHER INDUSTRIES UNDER ITS**  
6 **JURISDICTION IN ACCORDANCE WITH GLOBAL BEST PRACTICES AND TO**  
7 **PROTECT THE PUBLIC.**

8           **"OTHER THAN THE EXERCISE OF ITS ADJUDICATORY POWERS OVER**  
9 **CLAIMS, ALL RULINGS, ORDERS, DECISIONS, INSTRUCTIONS, AND OTHER**  
10 **ISSUANCES OF THE COMMISSION IN THE EXERCISE OF ITS SUPERVISORY**  
11 **AND REGULATORY POWERS UNDER THIS CODE AND OTHER PERTINENT**  
12 **LAWS SHALL BE FORWARDED TO THE MONETARY BOARD OF THE BANGKO**  
13 **SENTRAL NG PILIPINAS FOR AUTOMATIC REVIEW WITHIN SEVEN (7)**  
14 **CALENDAR DAYS FROM APPROVAL OF THE COMMISSION. IF NO ACTION IS**  
15 **TAKEN BY THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS**  
16 **WITHIN THIRTY (30) CALENDAR DAYS FROM RECEIPT OF THE ISSUANCE,**  
17 **IT SHALL BE DEEMED CONFIRMED BY THE MONETARY BOARD."**

18           **"IN ADDITION TO THE FOREGOING, THE COMMISSION SHALL HAVE**  
19 **THE FOLLOWING POWERS AND FUNCTIONS:**

20           **(A) FORMULATE POLICIES AND RECOMMENDATIONS ON ISSUES**  
21 **CONCERNING THE INSURANCE INDUSTRY, HEALTH MAINTENANCE**  
22 **ORGANIZATIONS, AND OTHER INDUSTRIES UNDER ITS JURISDICTION,**  
23 **ADVISE CONGRESS AND OTHER GOVERNMENT AGENCIES ON ALL**  
24 **ASPECTS OF THE INDUSTRIES UNDER ITS JURISDICTION AND**  
25 **PROPOSE LEGISLATION AND AMENDMENTS THERETO;**

26           **(B) APPROVE, REJECT, SUSPEND OR REVOKE LICENSES OR**  
27 **CERTIFICATES OF REGISTRATION PROVIDED FOR BY THIS CODE;**

28           **(C) IMPOSE SANCTIONS FOR THE VIOLATION OF LAWS AND THE RULES,**  
29 **REGULATIONS AND ORDERS ISSUED PURSUANT THERETO;**

1 (D) PREPARE, APPROVE, AMEND OR REPEAL RULES, REGULATIONS AND  
2 ORDERS, AND ISSUE OPINIONS AND PROVIDE GUIDANCE ON AND  
3 SUPERVISE COMPLIANCE WITH SUCH RULES, REGULATIONS AND  
4 ORDERS;

5 (E) ENLIST THE AID AND SUPPORT OF, AND/OR DEPUTIZE ANY AND ALL  
6 ENFORCEMENT AGENCIES OF THE GOVERNMENT IN THE  
7 IMPLEMENTATION OF ITS POWERS AND FUNCTIONS UNDER THIS CODE  
8 AND OTHER PERTINENT LAWS;

9 (F) ISSUE CEASE AND DESIST ORDERS TO PREVENT FRAUD OR INJURY  
10 TO THE INSURING PUBLIC;

11 (G) PUNISH FOR CONTEMPT OF THE COMMISSION, BOTH DIRECT AND  
12 INDIRECT, IN ACCORDANCE WITH THE PERTINENT PROVISIONS OF  
13 AND PENALTIES PRESCRIBED BY THE RULES OF COURT;

14 (H) COMPEL THE OFFICERS OF ANY REGISTERED INSTITUTIONS UNDER  
15 ITS SUPERVISION TO CALL MEETINGS OF STOCKHOLDERS OR  
16 MEMBERS THEREOF UNDER ITS SUPERVISION;

17 (I) ISSUE SUBPOENA *DUCES TECUM* AND SUMMON WITNESSES TO  
18 APPEAR IN ANY PROCEEDING OF THE COMMISSION AND, IN  
19 APPROPRIATE CASES, ORDER THE EXAMINATION, SEARCH AND  
20 SEIZURE OF ALL DOCUMENTS, PAPERS, FILES AND RECORDS, TAX  
21 RETURNS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR PERSON  
22 UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER  
23 DISPOSITION OF THE CASES BEFORE IT, SUBJECT TO THE PROVISIONS  
24 OF EXISTING LAWS;

25 (J) SUSPEND OR REVOKE, AFTER PROPER NOTICE AND HEARING, THE  
26 LICENSE OR CERTIFICATE OF AUTHORITY OF ANY ENTITY OR PERSON  
27 UNDER ITS REGULATION, UPON ANY OF THE GROUNDS PROVIDED BY  
28 LAW;

1 (K) CONDUCT AN EXAMINATION TO DETERMINE COMPLIANCE WITH  
2 LAWS AND REGULATIONS IF THE CIRCUMSTANCES SO WARRANT AS  
3 DETERMINED BY APPROPRIATE RULES AND REGULATIONS;

4 (L) INVESTIGATE NOT OFTENER THAN ONCE A YEAR FROM THE LAST  
5 DATE OF EXAMINATION TO DETERMINE WHETHER AN INSTITUTION IS  
6 CONDUCTING ITS BUSINESS ON A SAFE AND SOUND BASIS: *PROVIDED,*  
7 THAT, THE DEFICIENCIES/IRREGULARITIES FOUND BY OR  
8 DISCOVERED BY AN AUDIT SHALL BE IMMEDIATELY ADDRESSED;

9 (M) INQUIRE INTO THE SOLVENCY AND LIQUIDITY OF THE  
10 INSTITUTIONS UNDER ITS SUPERVISION AND ENFORCE PROMPT  
11 CORRECTIVE ACTION;

12 (N) TO RETAIN AND UTILIZE, IN ADDITION TO ITS ANNUAL BUDGET,  
13 ALL FEES, CHARGES AND OTHER INCOME DERIVED FROM THE  
14 REGULATION OF INSURANCE COMPANIES AND OTHER SUPERVISED  
15 PERSONS OR ENTITIES;

16 (O) TO FIX AND ASSESS FEES, CHARGES AND PENALTIES AS THE  
17 COMMISSION MAY FIND REASONABLE IN THE EXERCISE OF  
18 REGULATION; AND

19 (P) EXERCISE SUCH OTHER POWERS AS MAY BE PROVIDED BY LAW AS  
20 WELL AS THOSE WHICH MAY BE IMPLIED FROM, OR WHICH ARE  
21 NECESSARY OR INCIDENTAL TO THE EXPRESS POWERS GRANTED THE  
22 COMMISSION TO ACHIEVE THE OBJECTIVES AND PURPOSES OF THIS  
23 CODE."

24 "THE COMMISSION SHALL INDEMNIFY THE COMMISSIONERS,  
25 DEPUTY COMMISSIONERS, AND OTHER OFFICIALS OF THE COMMISSION,  
26 INCLUDING PERSONNEL PERFORMING SUPERVISION AND EXAMINATION  
27 FUNCTIONS, FOR ALL COSTS AND EXPENSES REASONABLY INCURRED BY  
28 SUCH PERSONS IN CONNECTION WITH ANY CIVIL OR CRIMINAL ACTIONS,

1 SUITS OR PROCEEDINGS TO WHICH THEY MAY BE MADE A PARTY TO BY  
2 THE REASON OF THE PERFORMANCE OF THEIR DUTIES AND FUNCTIONS,  
3 UNLESS THEY ARE FINALLY ADJUDGED IN SUCH ACTIONS, SUITS OR  
4 PROCEEDINGS TO BE LIABLE FOR NEGLIGENCE OR MISCONDUCT."

5 "IN THE EVENT OF SETTLEMENT OR COMPROMISE,  
6 INDEMNIFICATION SHALL BE PROVIDED ONLY IN CONNECTION WITH  
7 SUCH MATTERS COVERED BY THE SETTLEMENT AS TO WHICH THE  
8 COMMISSION IS ADVISED BY EXTERNAL COUNSEL THAT THE PERSONS TO  
9 BE INDEMNIFIED DID NOT COMMIT ANY NEGLIGENCE OR MISCONDUCT."

10 "THE COSTS AND EXPENSES INCURRED IN DEFENDING THE  
11 AFOREMENTIONED ACTION, SUIT OR PROCEEDING MAY BE PAID BY THE  
12 COMMISSION IN ADVANCE OF THE FINAL DISPOSITION OF SUCH ACTION,  
13 SUIT OR PROCEEDING UPON RECEIPT OF AN UNDERTAKING BY OR ON  
14 BEHALF OF THE COMMISSION, DEPUTY COMMISSIONER, OFFICER OR  
15 EMPLOYEE TO REPAY THE AMOUNT ADVANCED SHOULD IT ULTIMATELY BE  
16 DETERMINED BY THE COMMISSION THAT THE PERSON IS NOT ENTITLED  
17 TO BE INDEMNIFIED."

18 "THE COMMISSION MAY, FOR PURPOSES OF EFFICIENCY, DELEGATE  
19 TO THE CHAIRPERSON ANY OF ITS FUNCTIONS, EXCEPT FOR  
20 DISCRETIONARY POWERS VESTED IN THE COMMISSION."  
21

22 *Sec. 4. New Sections, Sections 437-A, 437-B, 437-C, 437-D, 437-E, AND 437-F, are*  
23 *hereby inserted to Presidential Decree No. 612, as amended, to read as follows:*  
24

25 "SEC 437-A – COMPOSITION. THE COMMISSION SHALL BE  
26 COMPOSED OF FIVE (5) COMMISSIONERS, AS FOLLOWS: A CHAIRPERSON  
27 AND THREE (3) MEMBERS APPOINTED BY THE PRESIDENT WHO SHALL  
28 SERVE FULL-TIME FOR A TERM OF (6) SIX YEARS EACH, AND ONE (1)  
29 SENIOR OFFICER OF THE BANGKO SENTRAL NG PILIPINAS TO BE

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

3  
4 "THE CHAIRPERSON SHALL BE THE CHIEF EXECUTIVE OFFICER OF  
5 THE COMMISSION, WHO SHALL EXECUTE AND ADMINISTER THE POLICIES,  
6 DECISIONS, ORDERS, AND RESOLUTIONS APPROVED BY THE  
7 COMMISSION, AND SHALL HAVE THE GENERAL EXECUTIVE DIRECTION AND  
8 SUPERVISION OF THE WORK AND OPERATION OF THE COMMISSION AND  
9 ITS COMMISSIONERS, BODIES, BOARDS, OFFICES, PERSONNEL, AND ALL  
10 ITS ADMINISTRATIVE BUSINESS."

11  
12 "THE COMMISSIONERS APPOINTED BY THE PRESIDENT SHALL NOT  
13 BE REAPPOINTED MORE THAN ONCE."

14  
15 "SEC. 437-B – QUALIFICATIONS. THE COMMISSIONERS MUST BE  
16 NATURAL-BORN CITIZENS OF THE PHILIPPINES, AT LEAST FORTY (40)  
17 YEARS OF AGE FOR THE CHAIRPERSON AND AT LEAST THIRTY-FIVE (35)  
18 YEARS OF AGE FOR THE MEMBERS, OF GOOD MORAL CHARACTER, OF  
19 UNQUESTIONABLE INTEGRITY, OF KNOWN PROBITY AND PATRIOTISM,  
20 AND WITH RECOGNIZED COMPETENCE IN THE INSURANCE, BANKING,  
21 ECONOMICS, OR FINANCE INDUSTRY: *PROVIDED*, THAT ONE (1) OF THE  
22 MEMBERS APPOINTED BY THE PRESIDENT MUST BE A LICENSED ACTUARY  
23 OR MUST HAVE AT LEAST FIVE (5) YEARS OF WORK EXPERIENCE IN THE  
24 FIELD OF ACTUARIAL DISCIPLINE."

25 "SEC. 437-C – DISQUALIFICATIONS. IN ADDITION TO THE  
26 DISQUALIFICATIONS IMPOSED BY REPUBLIC ACT NO. 6713, A  
27 COMMISSIONER IS DISQUALIFIED FROM BEING A DIRECTOR, OFFICER,  
28 EMPLOYEE, CONSULTANT, LAWYER, AGENT, OR STOCKHOLDER OF ANY  
29 INSTITUTION WHICH IS SUBJECT TO SUPERVISION OR EXAMINATION BY  
30 THE COMMISSION, IN WHICH CASE SUCH COMMISSIONER SHALL RESIGN

1 FROM, AND DIVEST HIMSELF OF ANY AND ALL INTERESTS IN SUCH  
2 INSTITUTION BEFORE ASSUMPTION OF OFFICE AS COMMISSIONER."

3 "EXCEPT FOR THE OFFICER APPOINTED BY THE GOVERNOR OF  
4 BANGKO SENTRAL NG PILIPINAS AS *EX-OFFICIO* COMMISSIONER,  
5 COMMISSIONERS SHALL NOT HOLD ANY OTHER PUBLIC OFFICE OR PUBLIC  
6 EMPLOYMENT DURING THEIR TENURE."

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

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

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

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

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

1 (C) IF THE COMMISSIONER IS GUILTY OF ACTS OR OPERATIONS WHICH  
2 ARE OF FRAUDULENT OR ILLEGAL CHARACTER OR WHICH ARE MANIFESTLY  
3 OPPOSED TO THE AIMS AND INTERESTS OF THE COMMISSION; OR

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

6 "SECTION 437-F – MEETINGS. THE COMMISSION SHALL HOLD  
7 MEETINGS AT LEAST ONCE A WEEK FOR THE CONDUCT OF BUSINESS OR AS  
8 OFTEN AS MAY BE NECESSARY UPON THE CALL OF THE CHAIRPERSON OR  
9 UPON THE REQUEST OF TWO (2) OTHER COMMISSIONERS. THE NOTICE OF  
10 THE MEETING SHALL BE GIVEN TO ALL COMMISSIONERS AND THE  
11 PRESENCE OF THREE (3) COMMISSIONERS SHALL CONSTITUTE A QUORUM.  
12 IN THE ABSENCE OF THE CHAIRPERSON, THE MOST SENIOR  
13 COMMISSIONER SHALL ACT AS PRESIDING OFFICER OF THE MEETING."

14  
15 *Sec. 5. Section 438 of Presidential Decree No. 612, as amended, is hereby further*  
16 *amended to read as follows:*

17  
18 "Section 438. In addition to the administrative sanctions provided elsewhere  
19 in this Code, the ~~{Insurance Commissioner}~~ **COMMISSION** is hereby authorized, at  
20 ~~{his}~~ **ITS** discretion, to impose upon insurance companies, their directors and/or  
21 officers and/or agents, for any willful failure or refusal to comply with, or violation of  
22 any provision of this Code, or any order, instruction, regulation, or ruling of the  
23 ~~{Insurance Commissioner}~~ **COMMISSION**, or any commission or irregularities, and/or  
24 conducting business in an unsafe or unsound manner as may be determined by the  
25 ~~{Insurance Commissioner}~~ **COMMISSION**, the following:

26 xxx

27  
28 *Sec. 6. Section 439 of Presidential Decree No. 612, as amended, is hereby further*  
29 *amended to read as follows:*

1           **"Section 439.** The ~~[Commissioner]~~ **COMMISSION** shall have the **PRIMARY**  
2 **AND EXCLUSIVE** power to adjudicate claims and complaints involving any loss,  
3 damage or liability for which an insurer may be answerable under any kind of policy  
4 or contract of insurance, or for which such insurer may be liable under a contract of  
5 suretyship, or for which a reinsurer may be sued under any contract of reinsurance it  
6 may have entered into; or for which a mutual benefit association may be held liable  
7 under the membership certificates it has issued to its members, where the amount of  
8 any **SINGLE CLAIM FOR** such loss, damage or liability, excluding interest, cost and  
9 attorney's fees, being claimed or sued upon any kind of insurance, bond, reinsurance  
10 contract, or membership does not exceed [~~Five million pesos (P5,000,000.00)~~]. **THE**  
11 **AMOUNT AS MAY BE DETERMINED BY THE MONETARY BOARD OF THE**  
12 **BANGKO SENTRAL NG PILIPINAS."**

13  
14           **"THE COMMISSION SHALL HAVE THE PRIMARY AND EXCLUSIVE**  
15 **POWER TO ADJUDICATE ANY AND ALL CLAIMS INVOLVING PRE-NEED**  
16 **PLANS AND HEALTH MAINTENANCE ORGANIZATION PRODUCTS OR**  
17 **SERVICES IF THE AMOUNT OF BENEFITS DOES NOT EXCEED THE AMOUNT**  
18 **AS MAY BE DETERMINED BY THE MONETARY BOARD OF THE BANGKO**  
19 **SENTRAL NG PILIPINAS."**

20  
21           **"ANY PERSON AGGRIEVED BY AN ORDER OR DECISION OF THE**  
22 **COMMISSION, WHETHER IN RELATION TO ITS SETTLEMENT OF CLAIM OF**  
23 **AN INSURED, PLANHOLDER, OR MEMBER, OR IN ANY OTHER MATTER**  
24 **INVOLVING ITS EXERCISE OF ADJUDICATORY POWER OVER CLAIMS, MAY**  
25 **APPEAL THE ORDER OR DECISION TO THE COURT OF APPEALS BY PETITION**  
26 **FOR REVIEW IN ACCORDANCE WITH THE PERTINENT PROVISIONS OF THE**  
27 **RULES OF COURT. NO ADMINISTRATIVE APPEAL OF THE DECISION OF THE**  
28 **COMMISSION EXERCISING ADJUDICATORY POWERS UNDER THIS**  
29 **SECTION SHALL BE MADE TO THE BANGKO SENTRAL NG PILIPINAS."**

30  
31           **"THE COMMISSION MAY ORDER THE PAYMENT OR REIMBURSEMENT**  
32 **OF MONEY AND DAMAGES WHICH IS SUBJECT OF THE ACTION FILED**



1 BEFORE IT. THE COMMISSION, IN THE EXERCISE OF ITS ADJUDICATORY  
2 POWERS, SHALL HAVE THE POWER TO ADMINISTER OATHS AND  
3 AFFIRMATIONS, ISSUE *SUBPOENA DUCES TECUM* AND SUMMON  
4 WITNESSES TO APPEAR IN ITS PROCEEDINGS AND IN APPROPRIATE  
5 CASES, ORDER THE EXAMINATION, SEARCH AND SEIZURE OF ALL  
6 DOCUMENTS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR PERSON  
7 UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER  
8 DISPOSITION OF THE CASES BEFORE IT. FURTHER, THE COMMISSION  
9 SHALL HAVE THE AUTHORITY TO PUNISH FOR CONTEMPT, BOTH DIRECT  
10 AND INDIRECT, PURSUANT TO THE RULES AND REGULATIONS AS MAY BE  
11 ISSUED BY THE COMMISSION. THE COMMISSION SHALL HAVE THE  
12 AUTHORITY TO ISSUE RULES ON PROVISIONAL REMEDIES. UPON  
13 ISSUANCE OF THE ENTRY OF JUDGMENT, THE COMMISSION MAY, *MOTU*  
14 *PROPRIO* OR UPON MOTION BY THE PROPER PARTY, CAUSE THE  
15 EXECUTION OF THE JUDGMENT IN THE CASE FILED BEFORE IT."

16  
17 "The power of the {Commissioner} **COMMISSION** does not cover the  
18 relationship between [~~the insurance company~~] **INSTITUTIONS OR ENTITIES**  
19 **UNDER ITS SUPERVISION** and **THEIR** [its] agents **OR** brokers but is limited to  
20 adjudicating claims and complaints filed [~~by the insured~~] against the insurance  
21 company, **MUTUAL BENEFIT ASSOCIATIONS, PRE-NEED COMPANIES AND**  
22 **HEALTH MAINTENANCE ORGANIZATIONS.**

23  
24 "The {Commissioner} **COMMISSION** may authorize any officer or group of  
25 officers under him to conduct investigation, inquiry and/or hearing and decide claims  
26 and he may issue rules governing the conduct of adjudication and resolution of cases.  
27 The Rules of Court shall have suppletory application.

28  
29 "The party filing an action pursuant to the provisions of this section thereby  
30 submits his person to the jurisdiction of the {Commissioner} **COMMISSION**. The  
31 {Commissioner} **COMMISSION** shall acquire jurisdiction over the person of the

1 impleaded party or parties in accordance with and pursuant to the provisions of the  
2 Rules of Court.

3  
4 ~~{The authority to adjudicate granted to the Commissioner under this section  
5 shall be concurrent with that of the civil courts, but the filing of a complaint with the  
6 Commissioner shall preclude the civil courts from taking cognizance of a suit involving  
7 the same subject matter.}~~

8  
9 ~~{Any decision, order or ruling rendered by the Commissioner after a hearing  
10 shall have the force and effect of a judgment. Any party may appeal from a final order,  
11 ruling or decision of the Commissioner by filing with the Commissioner within thirty  
12 (30) days from receipt of copy of such order, ruling or decision notice of appeal to the  
13 Court of Appeals in the manner provided for in the Rules of Court for appeals from the  
14 Regional Trial Court to the Court of Appeals.}~~

15  
16 ~~{For the purpose of any proceeding under this section, the Commissioner, or  
17 any officer thereof designated [by him] is empowered to administer oaths and  
18 affirmation, subpoena witnesses, compel their attendance, take evidence, and require  
19 the production of any books, papers, documents, or contracts or other records which  
20 are relevant or material to the inquiry.}~~

21  
22 "A full and complete record shall be kept of all proceedings had before the  
23 ~~{Commissioner}~~ **COMMISSION**, or the officers thereof designated by him, and all  
24 testimony shall be taken down and transcribed by a stenographer appointed by the  
25 ~~{Commissioner}~~ **COMMISSION**.

26  
27 "In order to promote party autonomy in the resolution of cases, the  
28 ~~{Commissioner}~~ **COMMISSION** shall establish a system for resolving cases through  
29 the use of alternative dispute resolution.

30  
31 **Sec. 7.** Amendments to the Insurance Code. All other references in Presidential  
32 Decree No. 612, as amended, referring to the "Insurance Commissioner" "and

1 "Commissioner" shall be amended to "Commission." Moreover, all references in  
2 Presidential Decree No. 612, as amended, referring to the "Secretary of Finance" shall  
3 be amended to "the Monetary Board of the Bangko Sentral ng Pilipinas."  
4

5 **Sec. 8. *Transitory Provisions.*** – The Insurance Commission shall be made  
6 operational by the performance of the following acts:  
7

8 (A) The President shall constitute the Commission by appointing the Chairperson  
9 and three (3) members of the Commission, within sixty (60) calendar days from  
10 the effectivity of this Act;  
11

12 (B) The Governor of the Bangko Sentral ng Pilipinas shall designate an Ex-Officio  
13 Commissioner within sixty (60) calendar days from the effectivity of this Act;  
14

15 (C) The Chairperson first appointed shall hold office for six (6) years. Of the  
16 members of the Commission first appointed by the President, one shall hold  
17 office for six (6) years and the other two (2) members shall hold office for three  
18 (3) years;  
19

20 For purposes of implementing this Act, the Commission is hereby authorized to  
21 provide for its reorganization, to streamline its structure and operations, upgrade its  
22 human resource component to enable it to effectively and efficiently perform its  
23 functions and exercise its powers under this Act, subject to the approval of the  
24 Monetary Board of the Bangko Sentral ng Pilipinas. The Commission shall be  
25 accountable for the payment of separation benefits to the affected officials, including  
26 the existing Commissioner and Deputy Commissioners, and personnel, whether regular  
27 or casual/contractual, pursuant to existing laws.  
28

29 **Sec. 9. *Separability Clause.*** — If any provision of this Act shall be held  
30 unconstitutional or invalid, the other provisions not otherwise affected shall remain in  
31 full force and effect.  
32

1     **Sec. 10. *Repealing Clause.*** — All laws, decrees, executive orders, rules and  
2 regulations or parts thereof which are contrary to or inconsistent with this Act are  
3 hereby repealed, amended or modified accordingly.

4  
5     **Sec. 11. *Effectivity.*** — This Act shall take effect fifteen (15) days after its complete  
6 publication either in the Official Gazette or in a newspaper of general circulation.

Approved,