

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

'22 JUL 12 P5:11

SENATE
S. No. 425

RECEIVED BY: 

Introduced by Senator Christopher Lawrence "Bong" T. Go

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 an attached agency of the Department of Finance (DOF), pursuant to Executive Order No. 292 (1987), or the "Administrative Code of 1987." The law mandates the IC 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 significantly contribute to the Philippine economy. The Insurance Commission records in 2021 that the insurance industry's contribution to the economy was at its highest at 1.93% during the fourth quarter of the preceding year. The insurance industry's total premiums earned also grew an impressive 61.03%, from Php232.67 billion at the end of 2016 to Php374.67 billion at the end of 2021, with a compounded annual growth rate of 10.00%.

On the other hand, the insurance industry's net income more than doubled from 2016 to 2021, from ₱23.79 billion to ₱48.29 billion, or a growth rate of 102.97% with

a compound annual growth rate of 15.21%. Finally, the aggregate assets of the insurance industry breached Php2 trillion pesos by the end of 2021 at Php2.09 trillion, from Php1.31 trillion in 2016. In 2021, close to 80% of the industry's total assets are from the life insurance industry. The insurance industry's total assets grew by 59.96% from 2016 to 2021, with a compound annual growth rate of 9.85% for the said period.

In light of the present situation, there is a strong need to enhance the regulation and supervision of the insurance, pre-need, and HMO industries to fully protect the public and 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 competent in relevant fields. In addition, to align with the best practices adopted by other Asian nation states where a single authority regulates all financial services, 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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AMENDED, OTHERWISE KNOWN AS "THE INSURANCE CODE"**

*Be it enacted by the Senate and the 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-
5 life insurance company shall, in a stock corporation, engage in business in the
6 Philippines unless possessed of a paid-up capital equal to at least One billion
7 pesos (P1,000,000,000.00): *Provided,* That a domestic insurance company
8 already doing business in the Philippines shall have a net worth by June 30, 2013
9 of Two hundred fifty million pesos (P250,000,000.00). Furthermore, said
10 company must have by December 31, 2016, an additional Three hundred million
11 pesos (P300,000,000.00) in net worth; by December 31, 2019, an additional
12 Three hundred fifty million pesos (P350,000,000.00) in net worth; and by
13 December 31, 2022, an additional Four hundred million pesos (P400,000,000.00)
14 in net worth."
15

1 “The Commissioner may, as a pre-licensing requirement of a new insurance
2 company, in addition to the paid-up capital stock, require the stockholders to pay
3 in cash to the company in proportion to their subscription interests a contributed
4 surplus fund of not less than One hundred million pesos (P100,000,000.00). He
5 may also require such company to submit to him a business plan showing the
6 company’s estimated receipts and disbursements, as well as the basis therefor,
7 for the next succeeding three (3) years.”
8

9 “If organized as a mutual company, in lieu of such net worth, it must have
10 available total members equity in an amount to be determined by the Insurance
11 Commission above all liabilities for losses reported; expenses, taxes, legal
12 reserve, and reinsurance of all outstanding risks, and the contributed surplus
13 fund equal to the amounts required of stock corporations. A stock insurance
14 company doing business in the Philippines may, subject to the pertinent law and
15 regulation which now or hereafter may be in force, alter its organization and
16 transform itself into a mutual insurance company.”
17

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

1 COMPLIANCE WITH SUCH MINIMUM PAID-UP CAPITAL STOCK OR NET
2 WORTH REQUIREMENT WHENEVER NECESSARY FOR A MAXIMUM
3 PERIOD OF ONE (1) YEAR: *PROVIDED, FINALLY*, THAT SUCH
4 REQUIREMENT SHALL BE APPLIED UNIFORMLY TO INSURANCE
5 COMPANIES OF THE SAME CATEGORY. [~~The minimum paid-up capital and~~
6 ~~net worth requirement must remain unimpaired for the continuance of the~~
7 ~~license.~~] The **COMMISSION** Commissioner may require the adoption of the risk-
8 based capital approach and other internationally accepted forms of capital
9 framework."

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

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

29 THE FOREGOING AUTHORITY OF THE MONETARY BOARD OF THE
30 BANGKO SENTRAL NG PILIPINAS SHALL LIKEWISE APPLY TO MUTUAL

1 **BENEFIT ASSOCIATIONS, HEALTH MAINTENANCE ORGANIZATIONS,**
2 **AND PRE-NEED COMPANIES FOR THEIR MINIMUM FUND,**
3 **CAPITALIZATION, OR NET WORTH REQUIREMENT, AS MAY BE**
4 **APPLICABLE, PURSUANT TO THIS ACT'S IMPLEMENTING RULES AND**
5 **REGULATIONS."**

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

17
18 *Sec. 2. Section 253 of Presidential Decree No. 612, as amended, is hereby further*
19 *amended to read as follows:*

20
21 "Section 253. The [~~Commissioner~~] **COMMISSION** shall, at least once a
22 year and whenever [~~he~~] **IT** considers the public interest so demands, cause an
23 examination to be made into the affairs, financial condition and method of
24 business of every insurance company authorized to transact business in the
25 Philippines and of any other person, firm or corporation managing the affairs
26 and/or property of such insurance company. Such company, as well as such
27 managing person, firm or corporation, shall submit to the examiner all such
28 books, papers and securities as he may require and such examiner shall also
29 have the power to examine the officers of such company under oath touching its
30 business and financial condition, and the authority to transact business in the
31 Philippines of any such company shall be suspended by the [~~Commissioner~~]

1 **COMMISSION** if such examination is refused and such company shall not
2 thereafter be allowed to transact further business in the Philippines until it has
3 fully complied with the provisions of this section.”
4

5 “Government-owned or -controlled corporations (**GOCC**) or [entities]
6 **GOVERNMENT AGENCIES** engaged in social [or private] insurance, **SUCH AS**
7 **GOVERNMENT SERVICE INSURANCE SYSTEM, SOCIAL SECURITY**
8 **SYSTEM, PHILIPPINE HEALTH INSURANCE CORPORATION, AND**
9 **PHILIPPINE DEPOSIT INSURANCE CORPORATION**, shall similarly be
10 subject to such examination by the [Commissioner] **COMMISSION** [unless their
11 respective charters otherwise provide]. **THE COMMISSION, THROUGH ITS**
12 **REPRESENTATIVES, SHALL MAKE AN EXAMINATION OF THE**
13 **FINANCIAL CONDITION AND METHODS OF TRANSACTING BUSINESS**
14 **OF THE FOREGOING AT LEAST ONCE EVERY TWO (2) YEARS AND THE**
15 **REPORT OF SAID EXAMINATION SHALL BE SUBMITTED TO THEIR**
16 **GOVERNING BOARD. COPIES OF THE REPORT SHALL ALSO BE**
17 **FURNISHED TO THE MONETARY BOARD OF THE BANGKO SENTRAL NG**
18 **PILIPINAS, THE OFFICE OF THE PRESIDENT OF THE PHILIPPINES, AND**
19 **THE TWO (2) HOUSES OF THE CONGRESS OF THE PHILIPPINES**
20 **WITHIN FIVE (5) DAYS AFTER THE CLOSE OF EXAMINATION. FOR**
21 **EACH EXAMINATION, THE GOCC OR GOVERNMENT AGENCY SHALL PAY**
22 **THE OFFICE OF THE COMMISSION AN AMOUNT EQUAL TO THE ACTUAL**
23 **EXPENSES INCURRED BY THE SAID OFFICE IN THE CONDUCT OF**
24 **EXAMINATION, INCLUDING THE SALARIES OF THE EXAMINERS AND**
25 **ACTUARY OF SUCH EXAMINATION FOR THE ACTUAL TIME SPENT. THE**
26 **FOREGOING SHALL IMPLEMENT THE FINDINGS OF THE COMMISSION**
27 **BASED ON THE EXAMINATION.”**
28

29 *Sec. 3. Section 437 of Presidential Decree No. 612, as amended, is hereby*
30 *replaced with the following:*
31

1 **"SECTION 437. THE COMMISSION. THIS CODE SHALL BE**
2 **ADMINISTERED BY THE INSURANCE COMMISSION, HEREINAFTER**
3 **REFERRED TO AS THE "COMMISSION", AS A COLLEGIAL BODY.**
4

5 **"THE COMMISSION SHALL BE UNDER THE SUPERVISION OF THE**
6 **MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS."**
7

8 **"THE WORD "SUPERVISION" AS USED IN THIS SECTION SHALL**
9 **INCLUDE THE AUTHORITY OF THE MONETARY BOARD OF THE BANGKO**
10 **SENTRAL NG PILIPINAS TO REVIEW, APPROVE, REVERSE, OR MODIFY**
11 **ACTS AND DECISIONS OF THE COMMISSION; TAKE ACTION AS MAY BE**
12 **NECESSARY FOR THE PERFORMANCE OF OFFICIAL FUNCTIONS,**
13 **INCLUDING RECTIFICATION OF VIOLATIONS, ABUSES AND OTHER**
14 **FORMS OF MALADMINISTRATION; AND REVIEW, REVISE, OR MODIFY**
15 **THE DECISION OF THE COMMISSION IN THE EXERCISE OF ITS**
16 **REGULATORY FUNCTIONS."**
17

18 **"IN THE EXERCISE OF ITS ADMINISTRATIVE AUTHORITY, THE**
19 **COMMISSION SHALL HAVE THE POWER TO DIRECT ITS MANAGEMENT,**
20 **OPERATION AND ADMINISTRATION, REORGANIZE ITS PERSONNEL,**
21 **AND ESTABLISH A HUMAN RESOURCE MANAGEMENT SYSTEM THAT**
22 **SHALL GOVERN ITS SELECTION, HIRING, APPOINTMENT, TRANSFER,**
23 **PROMOTION, OR DISMISSAL OF ALL PERSONNEL: *PROVIDED*, THAT,**
24 **THE APPOINTMENT OF DEPUTY COMMISSIONERS OR OFFICERS OF**
25 **EQUIVALENT RANK, AND ITS REORGANIZATION SHALL BE SUBJECT TO**
26 **THE CONFIRMATION OF THE MONETARY BOARD OF THE BANGKO**
27 **SENTRAL NG PILIPINAS."**

28 **"THE COMMISSION SHALL HAVE THE DUTY TO SEE THAT ALL**
29 **LAWS RELATING TO INSURANCE, INSURANCE COMPANIES AND**
30 **OTHER INSURANCE MATTERS, MUTUAL BENEFIT ASSOCIATIONS,**
31 **TRUSTS FOR CHARITABLE USES, HEALTH MAINTENANCE**

1 ORGANIZATIONS, AND PRE-NEED COMPANIES AS DEFINED UNDER
2 REPUBLIC ACT NO. 9829, ARE FAITHFULLY EXECUTED AND TO
3 PERFORM THE DUTIES IMPOSED UPON THE COMMISSION BY THIS
4 CODE AND OTHER PERTINENT LAWS, AND SHALL,
5 NOTWITHSTANDING ANY EXISTING LAWS TO THE CONTRARY, HAVE
6 THE AUTHORITY TO REGULATE THE ISSUANCE AND SALE OF VARIABLE
7 CONTRACTS AS DEFINED IN SECTION 238 HEREOF AND TO PROVIDE
8 FOR THE LICENSING OF PERSONS SELLING SUCH CONTRACTS, AND TO
9 ISSUE SUCH REASONABLE RULES AND REGULATIONS GOVERNING THE
10 SAME."

11 "THE COMMISSION MAY ISSUE SUCH RULINGS, INSTRUCTIONS,
12 CIRCULARS, ORDERS AND DECISIONS AS MAY BE DEEMED NECESSARY
13 TO SECURE THE ENFORCEMENT OF THE PROVISIONS OF THIS CODE
14 AND OTHER PERTINENT LAWS, TO ENSURE THE EFFICIENT
15 REGULATION OF THE INSURANCE INDUSTRY AND OTHER INDUSTRIES
16 UNDER ITS JURISDICTION IN ACCORDANCE WITH GLOBAL BEST
17 PRACTICES AND TO PROTECT THE PUBLIC.

18 "OTHER THAN THE EXERCISE OF ITS ADJUDICATORY POWERS
19 OVER CLAIMS, ALL RULINGS, ORDERS, DECISIONS, INSTRUCTIONS,
20 AND OTHER ISSUANCES OF THE COMMISSION IN THE EXERCISE OF
21 ITS SUPERVISORY AND REGULATORY POWERS UNDER THIS CODE
22 AND OTHER PERTINENT LAWS SHALL BE FORWARDED TO THE
23 MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS FOR
24 AUTOMATIC REVIEW WITHIN SEVEN (7) CALENDAR DAYS FROM
25 APPROVAL OF THE COMMISSION. IF NO ACTION IS TAKEN BY THE
26 MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS WITHIN
27 THIRTY (30) CALENDAR DAYS FROM RECEIPT OF THE ISSUANCE, IT
28 SHALL BE DEEMED CONFIRMED BY THE MONETARY BOARD."

29 "IN ADDITION TO THE FOREGOING, THE COMMISSION SHALL
30 HAVE THE FOLLOWING POWERS AND FUNCTIONS:

1 (A) FORMULATE POLICIES AND RECOMMENDATIONS ON ISSUES
2 CONCERNING THE INSURANCE INDUSTRY, HEALTH MAINTENANCE
3 ORGANIZATIONS, AND OTHER INDUSTRIES UNDER ITS
4 JURISDICTION, ADVISE CONGRESS AND OTHER GOVERNMENT
5 AGENCIES ON ALL ASPECTS OF THE INDUSTRIES UNDER ITS
6 JURISDICTION AND PROPOSE LEGISLATION AND AMENDMENTS
7 THERETO;

8 (B) APPROVE, REJECT, SUSPEND OR REVOKE LICENSES OR
9 CERTIFICATES OF REGISTRATION PROVIDED FOR BY THIS CODE;

10 (C) IMPOSE SANCTIONS FOR THE VIOLATION OF LAWS AND THE
11 RULES, REGULATIONS AND ORDERS ISSUED PURSUANT THERETO;

12 (D) PREPARE, APPROVE, AMEND OR REPEAL RULES, REGULATIONS
13 AND ORDERS, AND ISSUE OPINIONS AND PROVIDE GUIDANCE ON
14 AND SUPERVISE COMPLIANCE WITH SUCH RULES, REGULATIONS
15 AND ORDERS;

16 (E) ENLIST THE AID AND SUPPORT OF, AND/OR DEPUTIZE ANY
17 AND ALL ENFORCEMENT AGENCIES OF THE GOVERNMENT IN THE
18 IMPLEMENTATION OF ITS POWERS AND FUNCTIONS UNDER THIS
19 CODE AND OTHER PERTINENT LAWS;

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

22 (G) PUNISH FOR CONTEMPT OF THE COMMISSION, BOTH DIRECT
23 AND INDIRECT, IN ACCORDANCE WITH THE PERTINENT
24 PROVISIONS OF AND PENALTIES PRESCRIBED BY THE RULES OF
25 COURT;

1 (H) COMPEL THE OFFICERS OF ANY REGISTERED INSTITUTIONS
2 UNDER ITS SUPERVISION TO CALL MEETINGS OF STOCKHOLDERS
3 OR MEMBERS THEREOF UNDER ITS SUPERVISION;

4 (I) ISSUE SUBPOENA *DUCES TECUM* AND SUMMON WITNESSES TO
5 APPEAR IN ANY PROCEEDING OF THE COMMISSION AND, IN
6 APPROPRIATE CASES, ORDER THE EXAMINATION, SEARCH AND
7 SEIZURE OF ALL DOCUMENTS, PAPERS, FILES AND RECORDS, TAX
8 RETURNS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR PERSON
9 UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER
10 DISPOSITION OF THE CASES BEFORE IT, SUBJECT TO THE
11 PROVISIONS OF EXISTING LAWS;

12 (J) SUSPEND OR REVOKE, AFTER PROPER NOTICE AND HEARING,
13 THE LICENSE OR CERTIFICATE OF AUTHORITY OF ANY ENTITY OR
14 PERSON UNDER ITS REGULATION, UPON ANY OF THE GROUNDS
15 PROVIDED BY LAW;

16 (K) CONDUCT AN EXAMINATION TO DETERMINE COMPLIANCE
17 WITH LAWS AND REGULATIONS IF THE CIRCUMSTANCES SO
18 WARRANT AS DETERMINED BY APPROPRIATE RULES AND
19 REGULATIONS;

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

26 (M) INQUIRE INTO THE SOLVENCY AND LIQUIDITY OF THE
27 INSTITUTIONS UNDER ITS SUPERVISION AND ENFORCE PROMPT
28 CORRECTIVE ACTION;

1 (N) TO RETAIN AND UTILIZE, IN ADDITION TO ITS ANNUAL
2 BUDGET, ALL FEES, CHARGES AND OTHER INCOME DERIVED FROM
3 THE REGULATION OF INSURANCE COMPANIES AND OTHER
4 SUPERVISED PERSONS OR ENTITIES;

5 (O) TO FIX AND ASSESS FEES, CHARGES AND PENALTIES AS THE
6 COMMISSION MAY FIND REASONABLE IN THE EXERCISE OF
7 REGULATION; AND

8 (P) EXERCISE SUCH OTHER POWERS AS MAY BE PROVIDED BY LAW
9 AS WELL AS THOSE WHICH MAY BE IMPLIED FROM, OR WHICH ARE
10 NECESSARY OR INCIDENTAL TO THE EXPRESS POWERS GRANTED
11 THE COMMISSION TO ACHIEVE THE OBJECTIVES AND PURPOSES
12 OF THIS CODE."

13 "THE COMMISSION SHALL INDEMNIFY THE COMMISSIONERS,
14 DEPUTY COMMISSIONERS, AND OTHER OFFICIALS OF THE
15 COMMISSION, INCLUDING PERSONNEL PERFORMING SUPERVISION
16 AND EXAMINATION FUNCTIONS, FOR ALL COSTS AND EXPENSES
17 REASONABLY INCURRED BY SUCH PERSONS IN CONNECTION WITH
18 ANY CIVIL OR CRIMINAL ACTIONS, SUITS OR PROCEEDINGS TO
19 WHICH THEY MAY BE MADE A PARTY TO BY THE REASON OF THE
20 PERFORMANCE OF THEIR DUTIES AND FUNCTIONS, UNLESS THEY ARE
21 FINALLY ADJUDGED IN SUCH ACTIONS, SUITS OR PROCEEDINGS TO
22 BE LIABLE FOR NEGLIGENCE OR MISCONDUCT."

23 "IN THE EVENT OF SETTLEMENT OR COMPROMISE,
24 INDEMNIFICATION SHALL BE PROVIDED ONLY IN CONNECTION WITH
25 SUCH MATTERS COVERED BY THE SETTLEMENT AS TO WHICH THE
26 COMMISSION IS ADVISED BY EXTERNAL COUNSEL THAT THE PERSONS
27 TO BE INDEMNIFIED DID NOT COMMIT ANY NEGLIGENCE OR
28 MISCONDUCT."

1 **"THE COSTS AND EXPENSES INCURRED IN DEFENDING THE**
2 **AFOREMENTIONED ACTION, SUIT OR PROCEEDING MAY BE PAID BY**
3 **THE COMMISSION IN ADVANCE OF THE FINAL DISPOSITION OF SUCH**
4 **ACTION, SUIT OR PROCEEDING UPON RECEIPT OF AN UNDERTAKING**
5 **BY OR ON BEHALF OF THE COMMISSION, DEPUTY COMMISSIONER,**
6 **OFFICER OR EMPLOYEE TO REPAY THE AMOUNT ADVANCED SHOULD**
7 **IT ULTIMATELY BE DETERMINED BY THE COMMISSION THAT THE**
8 **PERSON IS NOT ENTITLED TO BE INDEMNIFIED."**

9 **"THE COMMISSION MAY, FOR PURPOSES OF EFFICIENCY,**
10 **DELEGATE TO THE CHAIRPERSON ANY OF ITS FUNCTIONS, EXCEPT**
11 **FOR DISCRETIONARY POWERS VESTED IN THE COMMISSION."**

12
13 *Sec. 4. New Sections, Sections 437-A, 437-B, 437-C, 437-D, 437-E, AND 437-F,*
14 *are hereby inserted to Presidential Decree No. 612, as amended, to read as follows:*

15
16 **"SEC 437-A – COMPOSITION. THE COMMISSION SHALL BE**
17 **COMPOSED OF FIVE (5) COMMISSIONERS, AS FOLLOWS: A**
18 **CHAIRPERSON AND THREE (3) MEMBERS APPOINTED BY THE**
19 **PRESIDENT WHO SHALL SERVE FULL-TIME FOR A TERM OF (6) SIX**
20 **YEARS EACH, AND ONE (1) SENIOR OFFICER OF THE BANGKO**
21 **SENTRAL NG PILIPINAS TO BE DESIGNATED BY THE GOVERNOR OF**
22 **THE BANGKO SENTRAL NG PILIPINAS AS *EX-OFFICIO***
23 **COMMISSIONER.**

24
25 **"THE CHAIRPERSON SHALL BE THE CHIEF EXECUTIVE OFFICER**
26 **OF THE COMMISSION, WHO SHALL EXECUTE AND ADMINISTER THE**
27 **POLICIES, DECISIONS, ORDERS, AND RESOLUTIONS APPROVED BY**
28 **THE COMMISSION, AND SHALL HAVE THE GENERAL EXECUTIVE**
29 **DIRECTION AND SUPERVISION OF THE WORK AND OPERATION OF**
30 **THE COMMISSION AND ITS COMMISSIONERS, BODIES, BOARDS,**
31 **OFFICES, PERSONNEL, AND ALL ITS ADMINISTRATIVE BUSINESS."**

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

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

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

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

"NO COMMISSIONER SHALL BE EMPLOYED IN ANY INSTITUTION WHICH IS SUBJECT TO SUPERVISION OR

1 EXAMINATION BY THE COMMISSION WITHIN TWO (2) YEARS AFTER
2 THE EXPIRATION OF HIS TERM EXCEPT WHEN HE SERVES AS AN
3 OFFICIAL REPRESENTATIVE OF THE PHILIPPINE GOVERNMENT TO
4 SUCH INSTITUTION.

5 "SECTION 437-D – VACANCY. ANY VACANCY IN THE
6 COMMISSION CREATED BY DEATH, RESIGNATION, OR REMOVAL OF
7 ANY COMMISSIONER SHALL BE FILLED BY THE APPOINTMENT OF A
8 NEW COMMISSIONER TO COMPLETE THE UNEXPIRED PERIOD OF THE
9 TERM OF THE COMMISSIONER CONCERNED."

10 "SECTION 437-E – REMOVAL. EXCEPT FOR THE *EX-OFFICIO*
11 COMMISSIONER FROM THE BANGKO SENTRAL NG PILIPINAS, THE
12 PRESIDENT MAY REMOVE ANY COMMISSIONER FOR ANY OF THE
13 FOLLOWING REASONS:

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

16 (B) IF THE COMMISSIONER IS PHYSICALLY OR MENTALLY
17 INCAPACITATED THAT HE CANNOT PROPERLY DISCHARGE HIS
18 DUTIES AND RESPONSIBILITIES AND SUCH INCAPACITY HAS LASTED
19 FOR MORE THAN SIX (6) MONTHS; OR

20 (C) IF THE COMMISSIONER IS GUILTY OF ACTS OR OPERATIONS
21 WHICH ARE OF FRAUDULENT OR ILLEGAL CHARACTER OR WHICH
22 ARE MANIFESTLY OPPOSED TO THE AIMS AND INTERESTS OF THE
23 COMMISSION; OR

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

26 "SECTION 437-F – MEETINGS. THE COMMISSION SHALL HOLD
27 MEETINGS AT LEAST ONCE A WEEK FOR THE CONDUCT OF BUSINESS

1 **OR AS OFTEN AS MAY BE NECESSARY UPON THE CALL OF THE**
2 **CHAIRPERSON OR UPON THE REQUEST OF TWO (2) OTHER**
3 **COMMISSIONERS. THE NOTICE OF THE MEETING SHALL BE GIVEN TO**
4 **ALL COMMISSIONERS AND THE PRESENCE OF THREE (3)**
5 **COMMISSIONERS SHALL CONSTITUTE A QUORUM. IN THE ABSENCE**
6 **OF THE CHAIRPERSON, THE MOST SENIOR COMMISSIONER SHALL**
7 **ACT AS PRESIDING OFFICER OF THE MEETING."**

8
9 *Sec. 5. Section 438 of Presidential Decree No. 612, as amended, is hereby*
10 *further amended to read as follows:*

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

21 xxx

22
23 *Sec. 6. Section 439 of Presidential Decree No. 612, as amended, is hereby*
24 *further amended to read as follows:*

25
26 **"Section 439.** The [~~Commissioner~~] **COMMISSION** shall have the
27 **PRIMARY AND EXCLUSIVE** power to adjudicate claims and complaints
28 involving any loss, damage or liability for which an insurer may be answerable
29 under any kind of policy or contract of insurance, or for which such insurer may
30 be liable under a contract of suretyship, or for which a reinsurer may be sued
31 under any contract of reinsurance it may have entered into; or for which a
32 mutual benefit association may be held liable under the membership certificates

1 it has issued to its members, where the amount of any **SINGLE CLAIM FOR**
2 such loss, damage or liability, excluding interest, cost and attorney's fees, being
3 claimed or sued upon any kind of insurance, bond, reinsurance contract, or
4 membership does not exceed [~~Five million pesos (P5,000,000.00)~~]. **THE**
5 **AMOUNT AS MAY BE DETERMINED BY THE MONETARY BOARD OF THE**
6 **BANGKO SENTRAL NG PILIPINAS."**

7
8 **"THE COMMISSION SHALL HAVE THE PRIMARY AND EXCLUSIVE**
9 **POWER TO ADJUDICATE ANY AND ALL CLAIMS INVOLVING PRE-NEED**
10 **PLANS AND HEALTH MAINTENANCE ORGANIZATION PRODUCTS OR**
11 **SERVICES IF THE AMOUNT OF BENEFITS DOES NOT EXCEED THE**
12 **AMOUNT AS MAY BE DETERMINED BY THE MONETARY BOARD OF THE**
13 **BANGKO SENTRAL NG PILIPINAS."**

14
15 **"ANY PERSON AGGRIEVED BY AN ORDER OR DECISION OF THE**
16 **COMMISSION, WHETHER IN RELATION TO ITS SETTLEMENT OF**
17 **CLAIM OF AN INSURED, PLANHOLDER, OR MEMBER, OR IN ANY**
18 **OTHER MATTER INVOLVING ITS EXERCISE OF ADJUDICATORY**
19 **POWER OVER CLAIMS, MAY APPEAL THE ORDER OR DECISION TO THE**
20 **COURT OF APPEALS BY PETITION FOR REVIEW IN ACCORDANCE**
21 **WITH THE PERTINENT PROVISIONS OF THE RULES OF COURT. NO**
22 **ADMINISTRATIVE APPEAL OF THE DECISION OF THE COMMISSION**
23 **EXERCISING ADJUDICATORY POWERS UNDER THIS SECTION SHALL**
24 **BE MADE TO THE BANGKO SENTRAL NG PILIPINAS."**

25
26 **"THE COMMISSION MAY ORDER THE PAYMENT OR**
27 **REIMBURSEMENT OF MONEY AND DAMAGES WHICH IS SUBJECT OF**
28 **THE ACTION FILED BEFORE IT. THE COMMISSION, IN THE EXERCISE**
29 **OF ITS ADJUDICATORY POWERS, SHALL HAVE THE POWER TO**
30 **ADMINISTER OATHS AND AFFIRMATIONS, ISSUE *SUBPOENA DUCES***
31 ***TECUM* AND SUMMON WITNESSES TO APPEAR IN ITS PROCEEDINGS**
32 **AND IN APPROPRIATE CASES, ORDER THE EXAMINATION, SEARCH**

1 **AND SEIZURE OF ALL DOCUMENTS, AND BOOKS OF ACCOUNTS OF**
2 **ANY ENTITY OR PERSON UNDER INVESTIGATION AS MAY BE**
3 **NECESSARY FOR THE PROPER DISPOSITION OF THE CASES BEFORE**
4 **IT. FURTHER, THE COMMISSION SHALL HAVE THE AUTHORITY TO**
5 **PUNISH FOR CONTEMPT, BOTH DIRECT AND INDIRECT, PURSUANT**
6 **TO THE RULES AND REGULATIONS AS MAY BE ISSUED BY THE**
7 **COMMISSION. THE COMMISSION SHALL HAVE THE AUTHORITY TO**
8 **ISSUE RULES ON PROVISIONAL REMEDIES. UPON ISSUANCE OF THE**
9 **ENTRY OF JUDGMENT, THE COMMISSION MAY, *MOTU PROPRIO* OR**
10 **UPON MOTION BY THE PROPER PARTY, CAUSE THE EXECUTION OF**
11 **THE JUDGMENT IN THE CASE FILED BEFORE IT."**

12
13 "The power of the {Commissioner} **COMMISSION** does not cover the
14 relationship between [the insurance company] **INSTITUTIONS OR ENTITIES**
15 **UNDER ITS SUPERVISION** and **THEIR** [its] agents **OR** brokers but is limited
16 to adjudicating claims and complaints filed [by the insured] against the
17 insurance company, **MUTUAL BENEFIT ASSOCIATIONS, PRE-NEED**
18 **COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS.**

19
20 "The {Commissioner} **COMMISSION** may authorize any officer or group
21 of officers under him to conduct investigation, inquiry and/or hearing and decide
22 claims and he may issue rules governing the conduct of adjudication and
23 resolution of cases. The Rules of Court shall have suppletory application.

24
25 "The party filing an action pursuant to the provisions of this section
26 thereby submits his person to the jurisdiction of the {Commissioner}
27 **COMMISSION**. The {Commissioner} **COMMISSION** shall acquire jurisdiction
28 over the person of the impleaded party or parties in accordance with and
29 pursuant to the provisions of the Rules of Court.

30
31 ~~{The authority to adjudicate granted to the Commissioner under this~~
32 ~~section shall be concurrent with that of the civil courts, but the filing of a~~

1 ~~complaint with the Commissioner shall preclude the civil courts from taking~~
2 ~~cognizance of a suit involving the same subject matter.]~~

3
4 ~~[Any decision, order or ruling rendered by the Commissioner after a~~
5 ~~hearing shall have the force and effect of a judgment. Any party may appeal~~
6 ~~from a final order, ruling or decision of the Commissioner by filing with the~~
7 ~~Commissioner within thirty (30) days from receipt of copy of such order, ruling~~
8 ~~or decision notice of appeal to the Court of Appeals in the manner provided for~~
9 ~~in the Rules of Court for appeals from the Regional Trial Court to the Court of~~
10 ~~Appeals.]~~

11
12 ~~[For the purpose of any proceeding under this section, the Commissioner,~~
13 ~~or any officer thereof designated [by him] is empowered to administer oaths~~
14 ~~and affirmation, subpoena witnesses, compel their attendance, take evidence,~~
15 ~~and require the production of any books, papers, documents, or contracts or~~
16 ~~other records which are relevant or material to the inquiry.]~~

17
18 "A full and complete record shall be kept of all proceedings had before
19 the ~~[Commissioner]~~ **COMMISSION**, or the officers thereof designated by him,
20 and all testimony shall be taken down and transcribed by a stenographer
21 appointed by the ~~[Commissioner]~~ **COMMISSION**.

22
23 "In order to promote party autonomy in the resolution of cases, the
24 ~~[Commissioner]~~ **COMMISSION** shall establish a system for resolving cases
25 through the use of alternative dispute resolution.

26
27 Sec. 7. Amendments to the Insurance Code. All other references in Presidential
28 Decree No. 612, as amended, referring to the "Insurance Commissioner" "and
29 "Commissioner" shall be amended to "Commission." Moreover, all references in
30 Presidential Decree No. 612, as amended, referring to the "Secretary of Finance" shall
31 be amended to "the Monetary Board of the Bangko Sentral ng Pilipinas."
32

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) members of the Commission, within sixty (60) calendar days from
6 the effectivity of this Act;

7
8 (B) The Governor of the Bangko Sentral ng Pilipinas shall designate an Ex-Officio
9 Commissioner within sixty (60) calendar days from the effectivity of this Act;

10
11 (C) The Chairperson first appointed shall hold office for six (6) years. Of the
12 members of the Commission first appointed by the President, one shall hold
13 office for six (6) years and the other two (2) members shall hold office for three
14 (3) years;

15
16 For purposes of implementing this Act, the Commission is hereby authorized to
17 provide for its reorganization, to streamline its structure and operations, upgrade its
18 human resource component to enable it to effectively and efficiently perform its
19 functions and exercise its powers under this Act, subject to the approval of the
20 Monetary Board of the Bangko Sentral ng Pilipinas. The Commission shall be
21 accountable for the payment of separation benefits to the affected officials, including
22 the existing Commissioner and Deputy Commissioners, and personnel, whether regular
23 or casual/contractual, pursuant to existing laws.

24
25 Sec. 9. *Separability Clause.* — If any provision of this Act shall be held
26 unconstitutional or invalid, the other provisions not otherwise affected shall remain in
27 full force and effect.

28
29 Sec. 10. *Repealing Clause.* — All laws, decrees, executive orders, rules and
30 regulations or parts thereof which are contrary to or inconsistent with this Act are
31 hereby repealed, amended or modified accordingly.

32

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

Approved,