



HOUSE OF REPRESENTATIVES

H. No. 4867

BY REPRESENTATIVES ANGARA, MANDANAS, APOSTOL, ROMARATE,
HARESCO, EJERCITO, CORTUNA, CALIMBAS-VILLAROSA, PICHAY,
AGGABAO, LICO, LAPUS, VILLAFUERTE, TY, DEFENSOR, HERRERA-DY,
RODRIGUEZ (R.), ROMUALDO AND GUANLAO, PER COMMITTEE REPORT
No. 1246

AN ACT STRENGTHENING THE INSURANCE INDUSTRY, FURTHER
AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE
NO. 612, 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 2, paragraph 2(d) of the Insurance Code, is hereby
2 amended to read as follows:

3 “(d) doing or proposing to do any business in substance
4 equivalent to any of the foregoing in a manner designed to evade
5 the provisions of this Code, INCLUDING THE PRACTICE OF
6 SELF-INSURANCE BY ANY PERSON OR ENTITY EXTENDING LIFE
7 INSURANCE OR SIMILAR PROTECTION TO ITS BORROWERS,
8 DEPOSITORS, CLIENTS OR THIRD PARTIES.”

1 SEC. 2. Section 3 of the Insurance Code is hereby amended to read as
2 follows:

3 “SEC. 3. Any contingent or unknown event, whether past or
4 future, which may damnify a person having an insurable interest, or
5 create a liability against him, may be insured against, subject to the
6 provisions of this chapter.

7 “The consent of the [husband] SPOUSE is not necessary for the
8 validity of an insurance policy taken out by a married [woman]
9 PERSON on [her] THEIR life or that of [her] THEIR children.

10 “[Any minor of the age of eighteen years or more, may,
11 notwithstanding such minority, contract for life, health and accident
12 insurance, with any insurance company duly authorized to do
13 business in the Philippines, provided the insurance is taken on his
14 own life and the beneficiary appointed is the minor’s estate or the
15 minor’s father, mother, husband, wife, child, brother or sister.

16 “The married woman or the minor herein allowed to take out
17 an insurance policy may exercise all the rights and privileges of an
18 owner of a policy.]

19 “All rights, title and interest in the policy of insurance taken
20 out by an original owner of the life or health of [a minor] THE
21 PERSON INSURED shall automatically vest in the [minor] LATTER
22 upon the death of the original owner, unless otherwise provided for
23 in the policy.”

24 SEC. 3. Section 6 of the Insurance Code is hereby amended to read as
25 follows:

1 “SEC. 6. Every [person] CORPORATION, partnership, OR
2 association[, or corporation] duly authorized to transact insurance
3 business as elsewhere provided in this Code, may be an insurer.”

4 SEC. 4. Section 11 of the Insurance Code is hereby amended to read as
5 follows:

6 “SEC. 11. The insured shall have the right to change the
7 beneficiary he designated in the policy, unless he has expressly
8 waived this right in said policy.

9 “NOTWITHSTANDING THE FOREGOING, IN THE EVENT THE
10 INSURED DOES NOT CHANGE THE BENEFICIARY DURING HIS
11 LIFETIME, THE DESIGNATION SHALL BE DEEMED IRREVOCABLE.”

12 SEC. 5. Section 12 of the Insurance Code is hereby amended to read as
13 follows:

14 “SEC. 12. The interest of a beneficiary in a life insurance
15 policy shall be forfeited when the beneficiary is the principal,
16 accomplice, or accessory in willfully bringing about the death of
17 the insured[; in which event, the nearest relative of the insured
18 shall receive the proceeds of said insurance if not otherwise
19 disqualified]. IN SUCH A CASE, THE SHARE FORFEITED SHALL
20 PASS ON TO THE OTHER BENEFICIARIES, UNLESS OTHERWISE
21 DISQUALIFIED. IN THE ABSENCE OF OTHER BENEFICIARIES, THE
22 PROCEEDS SHALL BE PAID IN ACCORDANCE WITH THE POLICY
23 CONTRACT. IF THE POLICY CONTRACT IS SILENT, THE PROCEEDS
24 SHALL BE PAID TO THE ESTATE OF THE INSURED.”

25 SEC. 6. Section 50 of the Insurance Code is hereby amended to read as
26 follows:

27 “SEC. 50. The policy shall be in printed form which may
28 contain blank spaces; and any word, phrase, clause, mark, sign,

1 symbol, signature, number, or word necessary to complete the
2 contract of insurance shall be written on the blank spaces provided
3 therein.

4 "Any rider, clause, warranty or endorsement purporting to be
5 part of the contract of insurance and which is pasted or attached to
6 said policy is not binding on the insured, unless the descriptive title
7 or name of the rider, clause, warranty, or endorsement is also
8 mentioned and written on the blank spaces provided in the policy.

9 "Unless applied for by the insured or owner, any rider, clause,
10 warranty or endorsement issued after the original policy shall be
11 countersigned by the insured or owner, which countersignature
12 shall be taken as his agreement to the contents of such rider, clause,
13 warranty or endorsement."

14 [Group insurance and group annuity policies, however, may be
15 typewritten and need not be in printed form.]

16 SEC. 7. Section 60 of the Insurance Code is hereby amended to read as
17 follows:

18 "SEC. 60. An open policy is one in which the value of the
19 thing insured is not agreed upon, [but is left to be ascertained in
20 case of loss] **AND THE AMOUNT OF THE INSURANCE MERELY
21 REPRESENTS THE INSURER'S MAXIMUM LIABILITY. THE VALUE
22 OF SUCH THING INSURED SHALL BE ASCERTAINED AT THE TIME
23 OF THE LOSS.**"

24 SEC. 8. Section 64 of the Insurance Code is hereby amended to read as
25 follows:

26 "SEC. 64. No policy of insurance other than life shall be
27 cancelled by the insurer except upon prior notice thereof to the
28 insured, and no notice of cancellation shall be effective unless it is

1 based on the occurrence, after the effective date of the policy, of
2 one or more of the following:

3 "(a) non-payment of premium;

4 "(b) conviction of a crime arising out of acts increasing the
5 hazard insured against;

6 "(c) discovery of fraud or material misrepresentation;

7 "(d) discovery of willful or reckless acts or omissions
8 increasing the hazard insured against;

9 "(e) physical changes in the property insured which result in
10 the property becoming uninsurable; [or]

11 "(f) DISCOVERY OF OTHER INSURANCE COVERAGE THAT
12 MAKES THE TOTAL INSURANCE IN EXCESS OF THE VALUE OF THE
13 PROPERTY INSURED; OR

14 "[f](g) a determination by the Commissioner that the
15 continuation of the policy would violate or would place the insurer
16 in violation of this Code."

17 SEC. 9. A new Section 78-A is hereby added to the Insurance Code to
18 read as follows:

19 "SEC. 78-A. EMPLOYEES OF THE REPUBLIC OF THE
20 PHILIPPINES, INCLUDING ITS POLITICAL SUBDIVISIONS AND
21 INSTRUMENTALITIES, AND GOVERNMENT-OWNED OR
22 -CONTROLLED CORPORATIONS, MAY PAY THEIR INSURANCE
23 PREMIUMS AND LOAN OBLIGATIONS THROUGH SALARY
24 DEDUCTION: *PROVIDED*, THAT THE TREASURER, CASHIER,
25 PAYMASTER OR OFFICIAL OF THE ENTITY EMPLOYING THE
26 GOVERNMENT EMPLOYEE IS AUTHORIZED, NOTWITHSTANDING
27 THE PROVISIONS OF ANY EXISTING LAW, RULES AND
28 REGULATIONS TO THE CONTRARY, TO MAKE DEDUCTIONS FROM

1 **THE SALARY, WAGE OR INCOME OF THE LATTER, PURSUANT**
2 **TO THE AGREEMENT BETWEEN THE INSURER AND THE**
3 **GOVERNMENT EMPLOYEE AND TO REMIT SUCH DEDUCTIONS TO**
4 **THE INSURER CONCERNED, AND COLLECT SUCH REASONABLE**
5 **FEE FOR ITS SERVICES.”**

6 **SEC. 10.** Section 81 of the Insurance Code is hereby amended to read
7 as follows:

8 **“SEC. 81.** A person insured is entitled to a return of the
9 premium when the contract is voidable, **AND SUBSEQUENTLY**
10 **ANNULLED UNDER THE PROVISIONS OF THE CIVIL CODE; OR ON**
11 account of the fraud or misrepresentation of the insurer, or of his
12 agent, or on account of facts, or the existence of which the insured
13 was ignorant **OF** without his fault; or when by any default of the
14 insured other than actual fraud, the insurer never incurred any
15 liability under the policy.

16 **“A PERSON INSURED IS NOT ENTITLED TO A RETURN OF**
17 **PREMIUM IF THE POLICY IS ANNULLED, RESCINDED OR IF A**
18 **CLAIM IS DENIED BY REASON OF FRAUD.”**

19 **SEC. 11.** Section 82 of the Insurance Code is hereby amended to read
20 as follows:

21 **“SEC. 82.** In case of an over insurance by several insurers
22 **OTHER THAN LIFE**, the insured is entitled to a ratable return of the
23 premium, proportioned to the amount by which the aggregate sum
24 insured in all the policies exceeds the insurable value of the thing at
25 risk.”

26 **SEC. 12.** A new Section 82-A is hereby added to Title 8, Chapter 1 of
27 the Insurance Code to read as follows:

1 **"SEC. 82-A. AN INSURER MAY CONTRACT AND ACCEPT**
2 **PAYMENTS, IN ADDITION TO REGULAR PREMIUM, FOR THE**
3 **PURPOSE OF PAYING FUTURE PREMIUMS ON THE POLICY OR TO**
4 **INCREASE THE BENEFITS THEREOF."**

5 SEC. 13. Section 88 of the Insurance Code is hereby amended to read
6 as follows:

7 **"SEC. 88. In case of loss upon an insurance against fire, an**
8 **insured[,] is exonerated, if notice thereof be not given to him by an**
9 **insured, or some person entitled to the benefit of the insurance,**
10 **[without unnecessary delay] WITHIN THIRTY DAYS FROM**
11 **OCCURRENCE OF THE LOSS. FOR OTHER NON-LIFE INSURANCE,**
12 **THE NOTICE OF LOSS SHALL BE SUBMITTED WITHIN ONE YEAR.**
13 **IN CASE OF DEATH, AN INSURER IS LIKewise EXONERATED IF**
14 **NOTICE THEREOF BE NOT GIVEN THE INSURER WITHOUT**
15 **UNNECESSARY DELAY FROM DISCOVERY OF DEATH."**

16 SEC. 14. Section 179 of the Insurance Code is hereby amended to read
17 as follows:

18 **"SEC. 179. Life insurance is insurance on human lives and**
19 **insurance appertaining thereto or connected therewith.**

20 **"EVERY CONTRACT OR UNDERTAKING FOR THE PAYMENTS**
21 **OF ANNUITIES INCLUDING CONTRACTS FOR THE PAYMENT OF**
22 **LUMP SUMS UNDER A RETIREMENT PROGRAM WHERE A LIFE**
23 **INSURANCE COMPANY MANAGES OR ACTS AS A TRUSTEE FOR**
24 **SUCH RETIREMENT PROGRAM SHALL BE CONSIDERED A LIFE**
25 **INSURANCE CONTRACT FOR PURPOSES OF THIS CODE."**

26 SEC. 15. Section 180 of the Insurance Code is hereby amended to read
27 as follows:

1 "SEC. 180. An insurance upon life may be made payable on
2 the death of the person, or on his surviving a specified period, or
3 otherwise contingently on the continuance or cessation of life.

4 "Every contract or pledge for the payment of endowments or
5 annuities shall be considered a life insurance contract for purposes
6 of this Code.

7 "In the absence of a judicial guardian, the father, or in the
8 latter's absence or incapacity, the mother, of any minor, who is an
9 insured or a beneficiary under a contract of life, health, or accident
10 insurance, may exercise, in behalf of said minor, any right under
11 the policy, without necessity of court authority or the giving of a
12 bond, where the interest of the minor in the particular act involved
13 does not exceed [twenty thousand] FIVE HUNDRED THOUSAND
14 pesos OR IN SUCH AMOUNT AS MAY BE DETERMINED BY THE
15 COMMISSIONER. Such right may include, but shall not be limited
16 to; obtaining a policy loan, surrendering the policy, receiving the
17 proceeds of the Policy, and giving the minor's consent to any
18 transaction on the policy.

19 "IN THE ABSENCE OR IN CASE OF THE INCAPACITY OF THE
20 FATHER OR MOTHER, THE GRANDPARENT, THE ELDEST BROTHER
21 OR SISTER AT LEAST EIGHTEEN YEARS OF AGE, OR ANY
22 RELATIVE WHO HAS ACTUAL CUSTODY OF THE MINOR INSURED
23 OR BENEFICIARY, SHALL ACT AS A GUARDIAN WITHOUT NEED OF
24 A COURT ORDER OR JUDICIAL APPOINTMENT AS SUCH GUARDIAN,
25 AS LONG AS SUCH PERSON IS NOT OTHERWISE DISQUALIFIED OR
26 INCAPACITATED. PAYMENT MADE BY THE INSURER PURSUANT
27 TO THIS SECTION SHALL RELIEVE SUCH INSURER OF ANY
28 LIABILITY UNDER THE CONTRACT."

1 SEC. 16. A new Title 6 on Microinsurance and Section 183-A are
2 hereby added in Chapter II of the Insurance Code to read as follows:

3 **“TITLE 6. – MICROINSURANCE**

4 **“SEC. 183-A. THE TERM ‘MICROINSURANCE’ SHALL MEAN**
5 **AN ACTIVITY PROVIDING SPECIFIC INSURANCE THAT MEETS THE**
6 **NEEDS OF THE LOW-INCOME SECTOR FOR RISK PROTECTION**
7 **AND RELIEF AGAINST DISTRESS, MISFORTUNE AND OTHER**
8 **CONTINGENT EVENTS. THIS SHALL INCLUDE ALL FORMS OF**
9 **INSURANCE WITH THE FOLLOWING FEATURES:**

10 **“(A) PREMIUMS, CONTRIBUTIONS, FEES OR CHARGES ARE**
11 **COLLECTED/DEDUCTED PRIOR TO THE OCCURRENCE OF THE**
12 **CONTINGENT EVENT; AND**

13 **“(B) GUARANTEED BENEFITS ARE PROVIDED UPON**
14 **OCCURRENCE OF THE CONTINGENT EVENT.**

15 **“NO INSURANCE COMPANY SHALL ENGAGE IN THE BUSINESS**
16 **OF MICROINSURANCE UNLESS IT POSSESSES ALL THE**
17 **REQUIREMENTS AS MAY BE PRESCRIBED BY THE COMMISSIONER.**
18 **THE COMMISSIONER SHALL ISSUE SUCH RULES AND**
19 **REGULATIONS GOVERNING MICROINSURANCE.”**

20 SEC. 17. Section 184 of the Insurance Code is hereby amended to read
21 as follows:

22 **“SEC. 184. For purposes of this Code, the term “insurer” or**
23 **“insurance company” shall include all [individuals,]**
24 **partnerships, associations, COOPERATIVES or corporations,**
25 **including government-owned or -controlled corporations or**
26 **entities, engaged as principals in the insurance business, excepting**
27 **mutual benefit associations. Unless the context otherwise requires,**
28 **the terms shall also include professional reinsurers defined in**

1 section two hundred eighty. "Domestic company" shall include
2 companies formed, organized or existing under the laws of the
3 Philippines. "Foreign company" when used without limitation
4 shall include companies formed, organized, or existing under any
5 laws other than those of the Philippines."

6 SEC. 18. Section 185 of the Insurance Code is hereby amended to read
7 as follows:

8 "SEC. 185. [Corporations formed or organized to save any
9 person or persons or other corporations harmless from loss,
10 damage, or liability arising from any unknown or future or
11 contingent event, or to indemnify or to compensate any person or
12 persons or other corporations for any such loss, damage, or
13 liability, or to guarantee the performance of or compliance with
14 contractual obligations or the payment of debts of others shall be
15 known as 'insurance corporations'.]

16 "The provisions of the Corporation [Law] CODE, AS
17 AMENDED, shall apply to all insurance corporations now or
18 hereafter engaged in business in the Philippines insofar as they do
19 not conflict with the provisions of this chapter."

20 SEC. 19. Section 186 of the Insurance Code is hereby amended to read
21 as follows:

22 "SEC. 186. No [person] CORPORATION, partnership, or
23 association of persons shall transact any insurance business in the
24 Philippines except as agent of a [person or] corporation,
25 PARTNERSHIP OR ASSOCIATION authorized to do the business of
26 insurance in the Philippines, unless possessed of the capital and
27 assets required of an insurance corporation doing the same kind of
28 business in the Philippines and invested in the same manner; [nor]

1 OR unless the Commissioner shall have granted [to him or them] a
2 certificate to the effect that [he or they] IT [have] HAS complied
3 with all the provisions of [law which an insurance corporation
4 doing business in the Philippines is required to observe] THIS
5 CODE.

6 "Every [person, partnership, or association] ENTITY receiving
7 any such certificate of authority shall be subject to the insurance
8 AND OTHER APPLICABLE laws of the Philippines and to the
9 jurisdiction and supervision of the Commissioner [in the same
10 manner as if an insurance corporation authorized by the laws of the
11 Philippines to engage in the business of insurance specified in the
12 certificate]."

13 SEC. 20. Section 187 of the Insurance Code, as amended, is hereby
14 further amended to read as follows:

15 "SEC. 187. No insurance company shall transact any
16 insurance business in the Philippines until after it shall have
17 obtained a certificate of authority for that purpose from the
18 Commissioner upon application therefor and payment by the
19 company concerned of the fees hereinafter prescribed.

20 "The Commissioner may refuse to issue a certificate of
21 authority to any insurance company if, in his judgment, such refusal
22 will best promote the interest of the people of this country. No
23 such certificate of authority shall be granted to any such company
24 until the Commissioner shall have satisfied himself by such
25 examination as he may make and such evidence as he may require
26 that such company is qualified by the laws of the Philippines to
27 transact business therein, that the grant of such authority appears to

1 be justified in the light of local economic requirements, and that the
2 *direction and administration, as well as the integrity and*
3 *responsibility of the organizers and administrators, the financial*
4 *organization and the amount of capital, [notwithstanding the*
5 *provisions of section one hundred eighty-eight,] reasonably assure*
6 *the safety of the interests of the policyholders and the public.*

7 "In order to maintain the quality of the management of
8 insurance companies and afford better protection to policyholders
9 and the public in general, any person of good moral character,
10 unquestioned integrity and recognized competence may be elected
11 or appointed director or officer of insurance companies **IN**
12 **ACCORDANCE WITH THE PERTINENT PROVISIONS CONTAINED**
13 **IN THE CORPORATE GOVERNANCE CIRCULARS PRESCRIBED**
14 **BY THE COMMISSIONER. IN ADDITION HERETO, [The] THE**
15 **Commissioner shall prescribe the qualifications of [the]**
16 **DIRECTORS, executive officers and other key officials of insurance**
17 **companies for purposes of this section.**

18 "No person shall concurrently be a Director and/or Officer of
19 an insurance company and an adjustment company.

20 [Incumbent Directors and/or Officers affected by the above
21 provisions are hereby allowed to hold on to their positions until the
22 end of their terms, or two years from the effectivity of this Decree,
23 whichever is shorter.]

24 "Before issuing such certificate of authority, the Commissioner
25 must be satisfied that the name of the company is not that of any
26 other known company transacting a similar business in the
27 Philippines, or a name so similar as to be calculated to mislead
28 the public, **THE COMMISSIONER MAY ISSUE RULES AND**

1 **REGULATIONS ON THE USE OF CORPORATE NAMES OF**
2 **INSURANCE COMPANIES AND OTHER SUPERVISED PERSONS OR**
3 **ENTITIES.**

4 “[Such certificate of authority shall expire on the last day of
5 June of each year and shall be renewed annually if the company is
6 continuing to comply with the provisions of this Code or the
7 circulars, instructions, rulings, or decisions of the Commissioner.]
8 Every company receiving any such certificates of authority shall be
9 subject to the provisions of this Code and other related laws and to
10 the jurisdiction and supervision of the Commissioner.

11 “No insurance company may be authorized to transact in the
12 Philippines the business of life and non-life insurance concurrently,
13 unless specifically authorized to do so[;] **BY THE COMMISSIONER:**
14 *Provided,* That the terms ‘life’ and ‘non-life’ insurance shall be
15 deemed to include health, accident and disability insurance.

16 “No insurance company shall have any equity in an adjustment
17 company and neither shall an adjustment company have any equity
18 in an insurance company.

19 [Insurance companies and adjustment companies presently
20 affected by the above provision shall have two years from the
21 effectivity of this Decree within which to divest of their
22 stockholdings.]

23 **“NO INSURANCE COMPANY ISSUED WITH A VALID**
24 **CERTIFICATE OF AUTHORITY TO TRANSACT INSURANCE**
25 **BUSINESS ANYWHERE IN THE PHILIPPINES BY THE INSURANCE**
26 **COMMISSIONER, SHALL BE BARRED, PREVENTED, OR**
27 **DISENFRANCHISED FROM ISSUING ANY INSURANCE POLICY OR**
28 **FROM TRANSACTING ANY INSURANCE BUSINESS WITHIN THE**

1 SCOPE OR COVERAGE OF ITS CERTIFICATE OF AUTHORITY,
2 ANYWHERE IN THE PHILIPPINES, BY ANY LOCAL GOVERNMENT
3 UNIT OR AUTHORITY, FOR WHATEVER GUISE OR REASON
4 WHATSOEVER, INCLUDING UNDER ANY KIND OF ORDINANCE,
5 ACCREDITATION SYSTEM, OR SCHEME. ANY LOCAL ORDINANCE
6 OR LOCAL GOVERNMENT UNIT REGULATORY ISSUANCE
7 IMPOSING SUCH RESTRICTION OR DISENFRANCHISEMENT ON ANY
8 INSURANCE COMPANY SHALL BE DEEMED NULL AND VOID *AB*
9 *INITIO.*”

10 SEC. 21. Section 188 of the Insurance Code, as amended, is hereby
11 further amended to read as follows:

12 “SEC. 188. Except as provided in section two hundred
13 *eighty-one*, no *NEW domestic LIFE OR NON-LIFE* insurance
14 company shall, in a stock corporation, engage in business in the
15 Philippines unless possessed of a paid-up capital equal to at least
16 five *HUNDRED* million pesos[;]: *Provided*, That a domestic
17 insurance company already doing business in the Philippines [with
18 a paid-up capital stock which is less than five million pesos shall
19 have a paid-up capital stock of at least three million pesos by
20 December thirty-one, nineteen hundred seventy-eight, four million
21 pesos by December thirty-one, nineteen hundred seventy-nine and
22 five million pesos by December thirty-one, nineteen hundred
23 *eighty*; *Provided, Further*, That the Secretary of Finance may,
24 upon recommendation of the Insurance Commissioner, increase
25 such minimum paid-up capital stock requirement, under such terms
26 and conditions as he may impose, to an amount which in his
27 opinion, would reasonably assure the safety of the interests of the
28 policyholders and the public] *SHALL HAVE A PAID-UP CAPITAL BY*

1 **DECEMBER 31, 2012, OF ONE HUNDRED SEVENTY FIVE MILLION**
2 **PESOS FOR AN INSURANCE COMPANY WITH LESS THAN FORTY**
3 **PERCENT (40%) FOREIGN EQUITY, OF THREE HUNDRED FIFTY**
4 **MILLION PESOS FOR AN INSURANCE COMPANY WITH FORTY**
5 **PERCENT (40%) BUT LESS THAN SIXTY PERCENT (60%) FOREIGN**
6 **EQUITY, AND FIVE HUNDRED MILLION PESOS FOR AN INSURANCE**
7 **COMPANY WITH AT LEAST SIXTY PERCENT (60%) FOREIGN**
8 **EQUITY: *PROVIDED, FURTHER,* THAT THE PRESENT RULES OR**
9 **DEPARTMENT ORDERS ON CAPITALIZATION SHALL CONTINUE TO**
10 **APPLY PRIOR TO THE EFFECTIVE DATE OF INCREASE UNDER THIS**
11 **SECTION.**

12 “The Commissioner may, as a pre-licensing requirement of a
13 new insurance company, in addition to the paid-up capital stock,
14 require the stockholders to pay in cash to the company in
15 proportion to their subscription interests a contributed surplus fund
16 of not less than [one] ONE HUNDRED million pesos[, in the case of
17 a life insurance company, or not less than five hundred thousand
18 pesos, in any case of an insurance company other than life]. He
19 may also require such company to submit to him a business plan
20 showing the company’s estimated receipts and disbursements, as
21 well as the basis therefor, for the next succeeding three years.

22 “If organized as a mutual company, in lieu of such capital
23 stock, it must have available cash assets of at least [five million
24 pesos] ONE HUNDRED SEVENTY-FIVE MILLION PESOS AS OF
25 **DECEMBER 31, 2012** above all liabilities for losses reported,
26 expenses, taxes, legal reserve, and reinsurance of all outstanding
27 risks, and the contributed surplus fund equal to the amounts
28 required of stock corporations. A stock insurance company doing

1 business in the Philippines may, subject to the pertinent law and
2 regulation which now [are] or hereafter may be in force, alter its
3 organization and transform itself into a mutual insurance company.

4 "THE SECRETARY OF FINANCE MAY, UPON
5 RECOMMENDATION OF THE COMMISSIONER, INCREASE SUCH
6 MINIMUM PAID-UP CAPITAL STOCK OR CASH ASSETS
7 REQUIREMENT UNDER SUCH TERMS AND CONDITIONS AS HE MAY
8 IMPOSE, TO AN AMOUNT WHICH, IN HIS OPINION, WOULD
9 REASONABLY ASSURE THE SAFETY OF THE INTERESTS OF THE
10 POLICYHOLDERS AND THE PUBLIC. THE MINIMUM PAID-UP
11 CAPITAL REQUIREMENT MUST REMAIN UNIMPAIRED FOR THE
12 CONTINUANCE OF THE LICENSE. THE COMMISSIONER MAY
13 REQUIRE THE ADOPTION OF THE RISK-BASED CAPITAL
14 APPROACH AND OTHER INTERNATIONALLY ACCEPTED FORMS OR
15 CAPITAL FRAMEWORK."

16 SEC. 22. Section 191 of the Insurance Code is hereby amended to read
17 as follows:

18 "SEC. 191. No insurance company organized or existing
19 under the government or laws other than those of the Philippines
20 shall engage in business in the Philippines unless possessed of
21 [paid-up] unimpaired capital or assets and reserve OF NOT LESS
22 THAN FIVE HUNDRED MILLION PESOS, [not less than that herein
23 required of domestic insurance companies,] nor until it shall have
24 deposited with the Commissioner for the benefit and security of the
25 policyholders and creditors of such company in the Philippines,
26 securities satisfactory to the Commissioner consisting of good
27 securities of the Philippines, including new issues of stock of
28 'registered enterprises', as this term is defined in [Republic Act

1 No. 5186, otherwise known as the Investment Incentives Act,]
2 **OMNIBUS INVESTMENTS CODE**, as amended, to the actual market
3 value of not less than **THE AMOUNT HEREIN REQUIRED** [the
4 minimum paid-up capital required of domestic insurance
5 companies]: *Provided*, That at least fifty [*per centum*] **PERCENT**
6 of such securities shall consist of bonds or other evidences of
7 debt of the Government of the Philippines, its political
8 subdivisions and instrumentalities, or of government-owned or
9 -controlled corporations and entities, including the [Central Bank.]
10 **BANGKO SENTRAL NG PILIPINAS: PROVIDED, FURTHER, THAT**
11 [The] the total investment of a foreign insurance company in any
12 registered enterprise shall not exceed twenty [*per centum*]
13 **PERCENT** of the net worth of said foreign insurance company nor
14 twenty [*per centum*] **PERCENT** of the capital of the registered
15 enterprise, unless previously authorized in writing by the
16 Commissioner.

17 "THE COMMISSIONER MAY, AS A PRE-LICENSING
18 REQUIREMENT OF A NEW BRANCH OFFICE OF A FOREIGN
19 INSURANCE COMPANY, IN ADDITION TO THE REQUIRED ASSET OR
20 NET WORTH, REQUIRE THE COMPANY TO HAVE AN ADDITIONAL
21 SURPLUS FUND OF NOT LESS THAN ONE HUNDRED MILLION
22 PESOS.

23 "For purposes of this Code, the net worth of a foreign
24 insurance company shall refer only to its net worth in the
25 Philippines."

26 SEC. 23. Section 192 of the Insurance Code is hereby amended to read
27 as follows:

1 “SEC. 192. The Commissioner shall hold the securities,
2 deposited as [aforesaid] **REQUIRED IN THE IMMEDIATELY**
3 **PRECEDING SECTION**, for the benefit and security of all the
4 policyholders **AND CREDITORS** of the company depositing the
5 same[, but shall]: **PROVIDED, THAT THE COMMISSIONER MAY** as
6 long as the company is solvent, permit the company to collect the
7 interest or dividends on the securities so deposited, and, from time
8 to time, with his assent, to withdraw any of such securities, upon
9 depositing with said Commissioner other like securities, the market
10 value of which shall be equal to the market value of such as may be
11 withdrawn. In the event of any company ceasing to do business in
12 the Philippines the securities deposited as aforesaid shall be
13 returned upon the [company’s making application therefor and
14 proving to the satisfaction of the Commissioner] **COMPANY UPON**
15 **THE COMMISSIONER’S WRITTEN APPROVAL AND ONLY AFTER**
16 **THE COMPANY HAS DULY PROVEN IN ITS APPLICATION**
17 **THEREFOR** that it has no further liability **WHATSOEVER** under any
18 of its policies **NOR TO ANY OF ITS CREDITORS** in the Philippines.”

19 SEC. 24. Title 2 of Chapter III of the Insurance Code is hereby
20 amended to read as follows:

21 “**TITLE 2. – [MARGIN OF SOLVENCY] SOLVENCY**”

22 SEC. 25. Section 194 of the Insurance Code, as amended, is hereby
23 further amended to read as follows:

24 “SEC. 194. An insurance company doing business in the
25 Philippines shall at all times maintain [a margin of solvency which
26 shall be an excess of the value of its admitted assets exclusive of its
27 paid-up capital, in the case of a domestic company, or an excess of
28 the value of its admitted assets in the Philippines, exclusive of its

1 security deposits, in the case of a foreign company, over the
2 amount of its liabilities, unearned premium and reinsurance
3 reserves in the Philippines of at least two *per mille* of the total
4 amount of the insurance in force as of the preceding calendar year
5 on all policies, except term insurance, in the case of a life
6 insurance company, or of at least ten *per centum* of the total
7 amount of its net premium written during the preceding calendar
8 year, in the case of a company other than a life insurance company:
9 *Provided, That, in either case, such margin shall in no event be less*
10 *than five hundred thousand pesos; and Provided, Further, That the*
11 *term 'paid-up capital' shall not include contributed surplus and*
12 *capital paid in excess of par value. Such assets, liabilities and*
13 *reserves shall exclude assets, liabilities and reserves included*
14 *in separate accounts established in accordance with section*
15 *two hundred thirty-seven.] [THE PRESCRIBED SOLVENCY*
16 *REQUIREMENT WHICH SHALL BE BASED ON INTERNATIONALLY*
17 *ACCEPTED SOLVENCY FRAMEWORKS IN THE DETERMINATION*
18 *OF COMPLIANCE WITH THE SOLVENCY REQUIREMENT, THE*
19 *ASSETS, LIABILITIES AND RESERVES OF THE INSURANCE*
20 *COMPANY INCLUDED IN THE SEPARATE VARIABLE ACCOUNTS*
21 *ESTABLISHED IN ACCORDANCE WITH SECTION TWO*
22 *HUNDRED THIRTY-SEVEN SHALL BE EXCLUDED. Whenever*
23 *the aforementioned [margin] SOLVENCY REQUIREMENT be found*
24 *to be less than that herein required to be maintained, the*
25 *Commissioner shall forthwith direct the company to make good*
26 *any such deficiency by cash, to be contributed by all stockholders*
27 *of record in proportion to their respective interests, and paid to the*
28 *treasurer of the company, within fifteen days from receipt of the*

1 order[;]: *Provided*, That the company in the interim shall not be
2 permitted to take any new risk of any kind or character unless and
3 until it make good such deficiency[;]: *Provided, further*, That a
4 stockholder who aside from paying the contribution due from him,
5 pays the contribution due from another stockholder by reason of
6 the failure or refusal of the latter to do so, shall have a lien on the
7 certificates of stock of the insurance company concerned appearing
8 in its books in the name of the defaulting stockholder on the date of
9 default, as well as on any interest[s] or dividend[s] that have
10 accrued or will accrue to the said certificates of stock, until the
11 corresponding payment or reimbursement is made by the defaulting
12 stockholder.”

13 SEC. 26. Section 195 of the Insurance Code is hereby amended to read
14 as follows:

15 “SEC. 195. No domestic insurance corporation shall declare
16 or distribute any dividend on its outstanding stocks except from
17 profits attested in a sworn statement to the Commissioner by the
18 president or treasurer of the corporation to be remaining on hand
19 after retaining unimpaired:

20 “(a) The entire paid-up capital stock;

21 “[b) The margin of solvency required by section one
22 hundred ninety-four;]

23 “[c)](B) In the case of life insurance corporations, the legal
24 reserve fund required by section two hundred eleven;

25 “[d)](C) In the case of corporations other than life, the legal
26 reserve fund required by section two hundred thirteen;

1 “[(e)](D) A sum sufficient to pay all net losses reported, or in
2 the course of settlement, and all liabilities for expenses and taxes.

3 “Any dividend declared or distributed under the preceding
4 paragraph shall be reported to the Commissioner within thirty days
5 after such declaration or distribution.

6 “If the Commissioner finds that any such corporation has
7 declared or distributed any such dividend in violation of this
8 section, he may order such corporation to cease and desist from
9 doing business until the amount of such dividend or the portion
10 thereof in excess of the amount allowed under this section has been
11 restored to said corporation.”

12 SEC. 27. Section 196 of Title 3 of Chapter III of the Insurance Code is
13 hereby amended to read as follows:

14 “SEC. 196. In any determination of the financial condition of
15 any insurance company doing business in the Philippines, there
16 shall be allowed and admitted as assets only such assets owned by
17 the insurance company concerned which consist of:

18 “x x x

19 “**10. MUTUAL FUNDS, REAL ESTATE INVESTMENT TRUSTS,
20 SALARY LOANS, UNIT INVESTMENT TRUST FUNDS AND SPECIAL
21 DEPOSIT ACCOUNTS, SUBJECT TO THE CONDITIONS AS MAY BE
22 PROVIDED FOR BY THE COMMISSIONER.**

23 “[10.]11. Other assets, not inconsistent with the provisions of
24 paragraphs 1 to [9]10 hereof, which are deemed by the
25 Commissioner to be readily realizable and available for the
26 payment of losses and claims at values to be determined by him.”

27 SEC. 28. Section 198 of Title 4 of Chapter III of the Insurance Code is
28 hereby amended to read as follows:

1 “SEC. 198. A LIFE INSURANCE COMPANY MAY LEND TO ANY
2 OF ITS POLICYHOLDERS UPON THE SECURITY OF THE VALUE OF
3 ITS POLICY SUCH SUM AS MAY BE DETERMINED PURSUANT TO
4 THE PROVISIONS OF THE POLICY.

5 “No insurance company shall loan any of its money or deposits
6 to any person, corporation or association, except upon THE
7 SECURITY OF ANY OF THE FOLLOWING: [first mortgage or deeds
8 of trust of unencumbered, improved or unimproved real estate,
9 including condominiums, in cities and centers of population of
10 municipalities in the Philippines when the amount of such loan is
11 not in excess of seventy *per centum* of the market value of such
12 real estate; or upon the security of first mortgages or deeds of trust
13 of actually cultivated, improved and unencumbered agricultural
14 lands in the Philippines when the amount of such loan is not in
15 excess of forty *per centum* of the market value of such land; or
16 upon the purchase money mortgages or like securities received by
17 it upon the sale or exchange of real property acquired pursuant to
18 sections two hundred and two hundred two; or upon bonds or other
19 evidences of debt of the Government of the Philippines or its
20 political subdivisions authorized by law to issue bonds, or upon
21 bonds or other evidences of debt of government-owned or
22 controlled corporations and instrumentalities including the Central
23 Bank, or upon obligations issued or guaranteed by the International
24 Bank for Reconstruction and Development; or upon stocks, bonds
25 or other evidences of debt as are specified in section two hundred.]

26 “[A life insurance company, however, may lend to any of its
27 policyholders upon the security of the value of its policy such sum
28 as may be determined pursuant to the provisions of the policy.]

1 “[Loans granted upon the security of real estate for a period
2 longer than five years shall be amortized in monthly, quarterly,
3 semi-annual or annual installments; *Provided*, That no such loans
4 shall have a maturity in excess of twenty years.]

5 “[The phrase ‘improved real estate’ used above is hereby
6 defined to mean land with permanent building or buildings erected
7 or being erected thereon. Except as otherwise approved by the
8 Commissioner, in case the building or buildings on land do not
9 belong to the owner of the latter, no loan shall be granted on the
10 security of the real estate in question unless both the owner of the
11 building or buildings and the owner of the land sign the deed of
12 mortgage, and unless the owner of the land is the Government of
13 the Philippines or one of its political subdivisions, in which event
14 the owner is not required to sign the deed of mortgage.]

15 **“(A) FIRST MORTGAGE OR DEEDS OF TRUST OF**
16 **REGISTERED, UNENCUMBERED, IMPROVED OR UNIMPROVED**
17 **REAL ESTATE, INCLUDING CONDOMINIUMS, IN CITIES AND**
18 **CENTERS OF POPULATION OF MUNICIPALITIES IN THE**
19 **PHILIPPINES;**

20 **“(B) FIRST MORTGAGES OR DEEDS OF TRUST OF ACTUALLY**
21 **CULTIVATED, IMPROVED AND UNENCUMBERED AGRICULTURAL**
22 **LANDS IN THE PHILIPPINES;**

23 **“(C) PURCHASE MONEY MORTGAGES, LEASE PURCHASE**
24 **AGREEMENTS OR SIMILAR SECURITIES EXECUTED OR RECEIVED**
25 **BY IT ON ACCOUNT OF THE SALE OR EXCHANGE OF REAL**
26 **PROPERTY ACQUIRED PURSUANT TO SECTIONS TWO HUNDRED**
27 **FOUR AND TWO HUNDRED TWO;**

2

1 “(D) BONDS OR OTHER EVIDENCES OF INDEBTEDNESS
2 ISSUED OR GUARANTEED BY THE GOVERNMENT OF THE
3 PHILIPPINES OR ITS POLITICAL SUBDIVISIONS AUTHORIZED BY
4 LAW TO INCUR SUCH OBLIGATIONS OR ISSUE SUCH GUARANTEES
5 OR OF GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS
6 AND INSTRUMENTALITIES INCLUDING THE BANGKO SENTRAL NG
7 PILIPINAS;

8 “(E) OBLIGATIONS ISSUED OR GUARANTEED BY UNIVERSAL
9 BANKS, COMMERCIAL BANKS AND OFFSHORE BANKING UNITS
10 DULY REGISTERED WITH THE BANGKO SENTRAL NG PILIPINAS;

11 “(F) OBLIGATIONS ISSUED OR GUARANTEED BY FOREIGN
12 BANKS OR CORPORATIONS, EACH OF WHICH SHALL HAVE TOTAL
13 NET WORTH OF AT LEAST ONE BILLION UNITED STATES
14 DOLLARS, AS SHOWN IN THEIR FINANCIAL STATEMENTS AS OF
15 THE IMMEDIATELY PRECEDING FISCAL YEAR;

16 “(G) ASSIGNMENTS OF MONETARY INSTRUMENTS SUCH AS
17 CASH DEPOSITS, PROMISSORY NOTES, DEPOSIT CERTIFICATES OR
18 OTHER SIMILAR INSTRUMENTS OF UNIVERSAL BANKS,
19 COMMERCIAL BANKS, INVESTMENT HOUSES OR OTHER
20 FINANCIAL INTERMEDIARIES DULY REGISTERED WITH THE
21 BANGKO SENTRAL NG PILIPINAS;

22 “(H) PLEDGES OF SHARES OF STOCK, BONDS OR
23 OTHER EVIDENCES OF INDEBTEDNESS SPECIFIED IN
24 SECTION TWO HUNDRED;

25 “(I) CHATTEL MORTGAGES OVER EQUIPMENT NOT MORE
26 THAN THREE (3) YEARS OLD; AND

27 “(J) SUCH OTHER SECURITY AS MAY BE APPROVED BY THE
28 COMMISSIONER.

1 “THE LOANS PROVIDED IN THE PRECEDING SUBSECTION
2 SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS:

3 “(1) THE AMOUNT OF LOAN SECURED BY REAL ESTATE
4 MORTGAGE OVER A NON-AGRICULTURAL LAND SHALL NOT
5 EXCEED SEVENTY PERCENT (70%) OF ITS APPRAISED VALUE,
6 AND IN THE CASE OF A LOAN SECURED BY A REAL ESTATE
7 MORTGAGE OVER AN AGRICULTURAL LAND, THE AMOUNT OF
8 LOAN SHALL NOT EXCEED FORTY PERCENT (40%) OF ITS
9 MARKET VALUE: *PROVIDED*, THAT IN NO CASE SHALL SUCH
10 LOAN HAVE A MATURITY PERIOD IN EXCESS OF TWENTY YEARS;

11 “(2) UNLESS APPROVED BY THE COMMISSION, NO LOAN
12 MAY BE GRANTED UPON THE SECURITY OF A MORTGAGE ON
13 IMPROVED REAL ESTATE IF THE IMPROVEMENTS THEREON DO
14 NOT BELONG TO THE OWNER OF THE LAND AND THE OWNER OF
15 THE IMPROVEMENTS DOES NOT SIGN THE DEED OF MORTGAGE.
16 HOWEVER, IF THE OWNER OF THE LAND IS THE GOVERNMENT
17 OF THE PHILIPPINES OR ANY OF ITS POLITICAL SUBDIVISIONS
18 AND A LONG TERM LEASE HAS BEEN EXECUTED IN FAVOR OF THE
19 OWNER OF THE IMPROVEMENTS, THE OWNER OF THE LAND NEED
20 NOT BE A PARTY TO THE DEED OF MORTGAGE. THE EXPIRATION
21 DATE OF THE LEASE SHALL NOT, HOWEVER, PRECEDE THE
22 MATURITY OF THE LOAN. THE PHRASE ‘IMPROVED REAL
23 ESTATE’ AS USED HEREIN SHALL MEAN LAND WITH PERMANENT
24 BUILDING OR BUILDINGS ERECTED THEREON;

25 “(3) PURCHASE MONEY MORTGAGE, LEASE AGREEMENTS
26 OR SIMILAR SECURITIES RECEIVED ON THE SALE OF REAL
27 ESTATE PROPERTY SHALL NOT EXCEED ONE HUNDRED PERCENT
28 (100%) OF THE SELLING PRICE OF SAID PROPERTY, OR ONE

1 HUNDRED PERCENT (100%) OF ITS MARKET VALUE AT THE TIME
2 OF ITS DISPOSITION, WHICHEVER AMOUNT IS LOWER.
3 HOWEVER, IN NO CASE SHALL SUCH MORTGAGE OR AGREEMENT
4 HAVE A MATURITY PERIOD OF TWENTY-FIVE YEARS;

5 “(4) LOANS SECURED BY SHARES OF STOCK OF SOLVENT
6 CORPORATIONS SHALL NOT EXCEED FIFTY PERCENT (50%) OF:
7 (I) THE WEIGHTED AVERAGE MARKET PRICE FOR THE THIRTY
8 (30) DAYS PRECEDING THE APPROVAL OF THE LOAN FOR
9 SHARES LISTED IN THE STOCK EXCHANGE; AND (II) FOR
10 UNLISTED SHARES, THE BOOK VALUE OF SUCH SHARES;

11 “(5) LOANS SECURED BY THE CHATTEL MORTGAGES OVER
12 EQUIPMENT SHALL NOT EXCEED SEVENTY-FIVE PERCENT (75%)
13 OF THE MARKET VALUE OF SAID EQUIPMENT.”

14 SEC. 29. Section 199 of the Insurance Code is hereby amended to read
15 as follows:

16 “SEC. 199. No loan by any insurance company on the security
17 of real estate shall be made unless the title to such real estate shall
18 have first been registered in accordance with the existing Land
19 Registration Act, [or shall be a *titulo real* duly registered,] or
20 [have] HAS been previously registered under the provisions of the
21 existing Mortgage Law AND THE LIEN OR INTEREST OF THE
22 INSURANCE COMPANY AS MORTGAGEE HAS BEEN REGISTERED.”

23 SEC. 30. Section 200 of the Insurance Code is hereby amended to read
24 as follows:

25 “SEC. 200. (1) An insurance company may purchase, hold,
26 own and convey such property, real and personal, as may have
27 been mortgaged, pledged, or conveyed to it in good faith in trust
28 for its benefit by reason of money loaned by it in pursuance of the

1 regular business of the company, and such real or personal property
2 as may have been purchased by it at sales under pledges, mortgages
3 or deeds of trust for its benefit on account of money loaned by it;
4 and such real and personal property as may have been conveyed to
5 it by borrowers in satisfaction and discharge of loans made by the
6 company [to them; *Provided, however,* That any real estate
7 purchased by an insurance company] in payment or by reason of
8 any loan made by [it] **THE COMPANY IN PAYMENT OR BY REASON**
9 **OF ANY LOAN MADE BY IT** shall be sold by the company within
10 twenty years after the title thereto has been vested in it.

11 “(2) An insurance company may purchase, hold, own and
12 convey real and personal property as follows:

13 “(a) The lot with building thereon in which the company
14 conducts and carries on its business.

15 “(b) Bonds or other evidences of [debt] **INDEBTEDNESS** of
16 the Government of the Philippines or its political subdivisions
17 authorized by law to issue bonds at the reasonable market value
18 thereof.

19 “(c) Bonds or other evidences of debt of government-owned or
20 -controlled corporations and entities, including the [Central Bank]
21 **BANGKO SENTRAL NG PILIPINAS.**

22 “(d) Bonds, debentures or other evidences of indebtedness of
23 any solvent corporation or institution created or existing under the
24 laws of the Philippines[;]: *Provided, however,* That the issuing,
25 assuming or guaranteeing entity or its predecessors shall not have
26 defaulted in the payment of interest on any of its securities and that
27 during each of any three including the last two of the five fiscal
28 years next preceding the date of acquisition by such insurance

1 company of such bonds, debentures, or other evidences of
2 indebtedness, the net earnings of the issuing, assuming or
3 guaranteeing institution available for its fixed charges,
4 as hereinafter defined, shall have been not less than one and
5 one-quarter times the total of its fixed charges for such year:
6 [A]And [p]Provided, further, That no life insurance company shall
7 invest in or LOAN upon the obligations of any one institution in the
8 kinds permitted under this sub-section an amount in excess of
9 twenty-five *per centum* of the total admitted assets of such insurer
10 as of December thirty-first next preceding the date of such
11 investment.

12 "As used in this sub-section the term 'net earnings available
13 for fixed charges' shall mean net income after deducting operating
14 and maintenance expenses, taxes other than income taxes,
15 depreciation and depletion; but excluding extraordinary
16 non-recurring items of income or expense appearing in the regular
17 financial statement of the issuing, assuming or guaranteeing
18 institution. The term 'fixed charges' shall include interest on
19 funded and unfunded debt, amortization of debt discount, and
20 rentals for leased properties.

21 "(e) Preferred or guaranteed stocks of any solvent corporation
22 or institution created or existing under the laws of the
23 Philippines[:]; Provided, [however, That the issuing, assuming or
24 guaranteeing entity or its predecessors has paid regular dividends
25 upon its preferred or guaranteed stocks for a period of at least three
26 years next preceding the date of investment in such preferred or
27 guaranteed stocks; Provided, further,] That if the stocks are
28 guaranteed, the amount of stocks so guaranteed is not in excess of

1 fifty *per centum* of the amount of the preferred or common stocks,
2 as the case may be, of the guaranteeing corporation[; and]:
3 [p] *Provided, finally*, That no life insurance company shall invest in
4 or loan upon obligations of any one institution in the kinds
5 permitted under this sub-section an amount in excess of ten *per*
6 *centum* of the total admitted assets of such insurer as of December
7 thirty-first next preceding the date of such investment.

8 “(f) Common stocks of any solvent corporation or institution
9 created or existing under the laws of the Philippines [upon which
10 regular dividends shall have been paid for the three years next
11 preceding the purchase of such stock;]: *Provided, however*, That
12 no life insurance company shall invest in or loan upon the
13 obligations of any one corporation or institution in the kinds
14 permitted under this sub-section an amount in excess of ten *per*
15 *centum* of the total admitted assets of such insurer as of December
16 thirty-first next preceding the date of such investment.

17 “(G) **SECURITIES ISSUED BY A ‘REGISTERED ENTERPRISE’,**
18 **AS THIS TERM IS DEFINED IN REPUBLIC ACT NO. 5186,**
19 **OTHERWISE KNOWN AS THE INVESTMENT INCENTIVES ACT, AS**
20 **AMENDED: *PROVIDED*, THAT THE TOTAL INVESTMENT OF A**
21 **DOMESTIC NON-LIFE INSURANCE COMPANY IN ANY REGISTERED**
22 **ENTERPRISE SHALL NOT EXCEED TWENTY PERCENT (20%) OF**
23 **THE NET WORTH OF SAID INSURANCE COMPANY AS SHOWN BY ITS**
24 **AFORESAID FINANCIAL STATEMENT UNLESS PREVIOUSLY**
25 **AUTHORIZED BY THE COMMISSIONER.**

26 “[g](h) Certificates, notes and other obligations issued by
27 trustees or receivers of any institution created or existing under the
28 laws of the Philippines which, or the assets of which, are being

1 administered under the direction of any court having
2 jurisdiction[;]: *Provided, however,* That such certificates, notes or
3 other obligations are adequately secured as to principal and
4 interests.

5 “[h](I) Equipment trust obligations or certificates which are
6 adequately secured or other adequately secured instruments
7 evidencing an interest in equipment wholly or in part within the
8 Philippines[;]: *Provided, however,* That there is a right to receive
9 determined portions of rental, purchase or other fixed obligatory
10 payments for the use or purchase of such equipment.

11 “[i](J) Any obligation of any corporation or institution
12 created or existing under the laws of the Philippines which is, on
13 the date of acquisition by the insurer, adequately secured and has
14 qualities and characteristics wherein the speculative elements are
15 not predominant.

16 “[j](K) Such other securities as may be approved by the
17 Commissioner.

18 “(3) Any domestic insurer which has outstanding insurance,
19 annuity or reinsurance contracts in currencies other than the
20 national currency of the Philippines may invest in, or otherwise
21 acquire or loan upon securities and investments in such currency
22 which are substantially of the same kinds, classes and investment
23 grades as those eligible for investment under the foregoing
24 subdivisions of this section; but the aggregate amount of such
25 investments and of such cash in such currency which is at any time
26 held by such insurer shall not exceed one and one-half times the
27 amount of its reserves and other obligations under such contracts or

1 the amount which such insurer is required by the law of any
2 country or possession outside the Republic of the Philippines to
3 invest in such country or possession, whichever shall be greater.”

4 SEC. 31. Section 201 of the Insurance Code is hereby amended to read
5 as follows:

6 “SEC. 201. An insurance company may (1) invest in equities
7 of other financial institutions, and (2) engage in the buying and
8 selling of short-term debt instruments[:]; *Provided*, That any or all
9 of such investments shall be with the prior approval of the
10 Commissioner. **INSURANCE COMPANIES MAY, HOWEVER, INVEST**
11 **IN LISTED EQUITIES OF OTHER FINANCIAL INSTITUTIONS**
12 **WITHOUT NEED OF PRIOR APPROVAL BY THE COMMISSIONER.”**

13 SEC. 32. Section 202 of the Insurance Code is hereby amended to read
14 as follows:

15 “SEC. 202. Any life insurance company may: (a) Acquire or
16 construct housing **PROJECTS** and, in connection with any such
17 project, may acquire land or any interest therein by purchase, lease
18 or otherwise, or use land acquired pursuant to any other provision
19 of this Code. Such company may thereafter own, maintain,
20 manage, collect or receive income from, or sell and convey, any
21 land or interest therein so acquired and any improvements thereon.
22 The aggregate book value of the investments of any such company
23 in all such projects shall not exceed at the time of such investments
24 twenty-five, *per centum* of the total admitted assets of such
25 company on the thirty-first day [if] OF December next preceding:
26 **PROVIDED, THAT THE FUNDS OF THE COMPANY FOR THE**
27 **PAYMENT OF PENDING CLAIMS AND OBLIGATIONS SHALL NOT BE**
28 **USED FOR SUCH INVESTMENTS;**

1 “(b) Acquire real property, other than property to be used
2 primarily for providing housing and property for accommodation
3 of its own business, as an investment for the production of income,
4 or may acquire real property to be improved or developed for such
5 investment purpose pursuant to a program therefor, subject to the
6 condition that the cost of each parcel of real property so acquired
7 under the authority of this paragraph (b), including the estimated
8 cost to the company of the improvement or development thereof,
9 when added to the book value of all other real property held by it
10 pursuant to this paragraph (b), shall not exceed twenty-five *per*
11 *centum* of its admitted assets as of the thirty-first day of December
12 next preceding.”

13 SEC. 33. Section 208 of the Insurance Code is hereby amended to read
14 as follows:

15 “SEC. 208. (1) All bonds or other evidences of indebtedness
16 having a fixed term and rate of interest and held by any life
17 insurance company authorized to do business in this country, if
18 amply secured and if not in default as to principal or interest, shall
19 be valued [as follows: If purchased at par, at the par value; if
20 purchased above or below par, on the basis of the purchase price
21 adjusted so as to bring the value to par at maturity and so as to
22 yield in the meantime the effective rate of interest at which the
23 purchase was made, or in the discretion of the Commissioner, on
24 the basis of the method of calculation commonly known as the *pro*
25 *rata* method. In applying the foregoing rule the purchase price
26 shall in no case be taken at a higher figure than the actual market
27 value at the time of acquisition.] **BASED ON THEIR AMORTIZED**

1 **COST USING THE EFFECTIVE INTEREST METHOD LESS**
2 **IMPAIRMENT AND UNRECOVERABLE AMOUNT BASED ON**
3 **APPROPRIATE MEASUREMENT METHODS WHICH ARE**
4 **GENERALLY ACCEPTED IN THE INDUSTRY AND ACCEPTED BY THE**
5 **COMMISSIONER.** The Commissioner shall have the power to
6 determine the eligibility of any such investment[s] for valuation on
7 the basis of amortization, and may by regulation prescribe or limit
8 the classes of securities so eligible for amortization. All bonds or
9 other evidences of indebtedness which in the judgment of the
10 Commissioner are not amply secured shall not be eligible for
11 amortization and shall be valued in accordance with paragraph
12 two. The Commissioner may, if he finds that the interest of
13 policyholders so permit or require, by official regulation permit or
14 require any class or classes of insurers, other than life insurance
15 companies authorized to do business in this country, to value their
16 bonds or other evidences of indebtedness in accordance with the
17 foregoing rule.

18 “(2) The investments of all insurers authorized to do business
19 in this country, except securities subject to amortization and except
20 as otherwise provided in this chapter, shall be valued, in the
21 discretion of the Commissioner, at their market value[, or at their
22 appraised value, or at prices determined by him as] **AT THEIR**
23 **AMORTIZED COST USING EFFECTIVE INTEREST METHOD LESS**
24 **IMPAIRMENT AND UNRECOVERABLE AMOUNT OR AT VALUATION**
25 representing their fair market value. If the Commissioner finds that
26 in view of the character of investments of any insurer authorized to
27 do business in this country it would be prudent for such insurer to
28 establish a special reserve for possible losses or fluctuations in the

1 values of its investments, he may require such insurer to establish
2 such reserve, reasonable in amount, AND INCLUDE A REPORT
3 THEREON [and may require that such reserve be maintained and
4 reported] in any statement or report of the financial condition of
5 such insurer. The Commissioner may, in connection with any
6 examination or required financial statement of an authorized
7 insurer, require such insurer to furnish him complete financial
8 statements and audited report of the financial condition of any
9 corporation of which the securities are owned wholly or partly by
10 such insurer and may cause an examination to be made of any
11 subsidiary or affiliate of such insurer AS APPROPRIATE TO
12 SPECIFIC INVESTMENTS AS PROVIDED IN APPROPRIATE
13 CIRCULARS ISSUED BY THE COMMISSIONER.

14 “(3) THE STOCK OF AN INSURANCE COMPANY SHALL BE
15 VALUED AS FOLLOWS:

16 “(1) LISTED STOCKS SHALL BE VALUED AT MARKET VALUE
17 AND PERIODICALLY ADJUSTED TO REFLECT MARKET CHANGES
18 THROUGH A SPECIAL VALUATION ACCOUNT TO REFLECT THEIR
19 REALIZABLE VALUE WHEN SOLD;

20 “(II) UNLISTED STOCKS SHALL BE VALUED AT BOOK VALUE
21 BASED ON THE LATEST UNQUALIFIED AUDITED FINANCIAL
22 STATEMENTS OF THE COMPANY WHICH ISSUED SUCH STOCKS;
23 AND

24 “(III) STOCKS OF A CORPORATION UNDER THE CONTROL OF
25 THE INSURER SHALL BE VALUED USING THE EQUITY METHOD
26 WHICH IS THE COST PLUS OR MINUS THE SHARE OF THE
27 CONTROLLING COMPANY IN THE EARNINGS OR LOSSES OF THE
28 CONTROLLED COMPANY AFTER ACQUISITION OF SUCH STOCKS.

1 “[3](4) The stock of an insurance company shall be valued at
2 the lesser of its market value or its book value as shown by its last
3 approved [annual statement] **AUDITED FINANCIAL STATEMENT** or
4 the last report on examination, whichever is more recent. The book
5 value of a share of common stock of an insurance company shall be
6 ascertained by dividing (a) the amount of its capital and surplus
7 less the value of all of its preferred stock, if any, outstanding, by
8 (b) the number of shares of its common stock issued and
9 outstanding. Notwithstanding the foregoing provisions, an insurer
10 may, at its option, value its holdings of stock in a subsidiary
11 insurance company in an amount not less than acquisition cost if
12 such acquisition cost is less than the value determined as
13 hereinbefore provided.

14 “[4](5) Real estate acquired by foreclosure or by deed in lieu
15 thereof, in the absence of a recent appraisal deemed by the
16 Commissioner to be reliable, shall not be valued at an amount
17 greater than the unpaid principal of the defaulted loan at the date of
18 such foreclosure or deed, together with any taxes and expenses
19 paid or incurred by such insurer at such time in connection with
20 such acquisition, and the cost of additions or improvements
21 thereafter paid by such insurer and any **AMOUNT OR AMOUNTS**
22 **THEREAFTER PAID BY SUCH INSURER ON ANY** assessments levied
23 for improvements in connection with the property.

24 “[5](6) Purchase money mortgages received on dispositions
25 of real property held pursuant to section one hundred ninety-eight
26 shall be valued in an amount equivalent to ninety *per centum* of the
27 value of such real property. Purchase money mortgages received
28 on dispositions of real property otherwise held shall be valued in an

1 amount not exceeding ninety *per centum* of the value of such real
2 property as determined by an appraisal made by an appraiser at or
3 about the time of disposition of such real property.

4 “[6](7) The stock if a subsidiary of an insurer shall be
5 valued on the basis of the greater of (i) the value of only such of
6 the assets of such subsidiary as would constitute lawful investments
7 for the insurer if acquired or held directly by the insurer or (ii) such
8 other value determined pursuant to standards and cumulative
9 limitations, contained in a regulation to be promulgated by the
10 Commissioner.

11 “[7](8) Notwithstanding any provision contained in this
12 section or elsewhere in this chapter, if the Commissioner finds that
13 the interests of policyholders so permit or require, he may permit or
14 require any class or classes of insurers authorized to do business in
15 this country to value their investments or any class or classes
16 thereof as of any date heretofore or hereafter in accordance with
17 any applicable valuation or method.”

18 SEC. 34. Section 210 of Title 5 of Chapter III of the Insurance Code is
19 hereby amended to read as follows:

20 “SEC. 210. Every life insurance company, doing business in
21 the Philippines, shall annually make a valuation of all policies,
22 additions thereto, unpaid dividends, and all other obligations
23 outstanding on the thirty-first day of December of the preceding
24 year. All such valuations shall be made [upon the net premium
25 basis,] according to the standard adopted by the company, AS
26 PRESCRIBED BY THE COMMISSIONER IN ACCORDANCE WITH
27 INTERNATIONALLY ACCEPTED ACTUARIAL STANDARDS, which
28 standards shall be stated in its annual report.

1 “Such standard of valuation [whether of the net level premium,
2 full preliminary term, any modified preliminary term, or select and
3 ultimate reserve basis,] shall be according to a standard table of
4 mortality with interest at not more than six *per centum* compound
5 interest. When the preliminary term basis is used, the term
6 insurance shall be limited to the first policy year.

7 “The results of such valuation shall be reported to the
8 Commissioner on or before the thirtieth day of April of each year
9 accompanied by a sworn statement of the company’s actuary
10 certifying to the figures and stating upon what mortality table it is
11 based, upon what rate of interest the valuation is made, and the
12 methods used in arriving at the result obtained.”

13 SEC. 35. Section 213 of the Insurance Code is hereby amended to read
14 as follows:

15 “SEC. 213. Every insurance company, other than life, shall
16 maintain a reserve for unearned premiums on its policies in force,
17 which shall be charged as a liability in any determination of its
18 financial condition. Such reserve shall be [equal to forty *per*
19 *centum* of the gross premiums, less returns and cancellations,
20 received on policies or risks having not more than a year to run,
21 and *pro rata* on all gross premiums received on policies or risks
22 having more than a year to run[:]; *Provided*, That for marine cargo
23 risks the reserve shall be equal to forty *per centum* of the premiums
24 written during the last two months of the calendar year upon all
25 other marine risks not terminated.] **CALCULATED BASED ON THE**
26 **TWENTY-FOURTH (24th) METHOD.”**

1 SEC. 36. Section 215 of Title 6 of Chapter III of the Insurance Code is
2 hereby amended to read as follows:

3 “SEC. 215. No insurance company other than life, whether
4 foreign or domestic, shall retain any risk on any one subject of
5 insurance in an amount exceeding twenty *per centum* of its net
6 worth. For purposes of this section, the term ‘subject of insurance’
7 shall include all properties or risks insured by the same insurer that
8 customarily are considered by non-life company underwriters to be
9 subject to loss or damage from the same occurrence of any hazard
10 insured against.

11 “Reinsurance ceded as authorized under the succeeding title
12 shall be deducted in determining the risk retained. As to surety
13 risks, deduction shall also be made of the amount assumed by any
14 other company authorized to transact surety business and the value
15 of any security mortgaged, pledged, or held subject to the surety’s
16 control and for the surety’s protection.

17 **“THE COMMISSIONER MAY ISSUE REGULATIONS PROVIDING**
18 **FOR A MAXIMUM LIMIT ON THE OVERALL RETAINED RISKS OF**
19 **INSURERS TO SERVE AS A CATASTROPHE LOSS LIMIT MEASURE,**
20 **AS WELL AS TO PRESCRIBE A MANDATORY CATASTROPHE COVER**
21 **REQUIREMENT FOR THE SAME.”**

22 SEC. 37. Section 220 of the Insurance Code is hereby amended to read
23 as follows:

24 “SEC. 220. Every insurance company authorized to do
25 business in the Philippines shall report to the Commissioner on
26 forms prescribed by him the particulars of reinsurance treaties [as
27 of the first day of January of the year following the approval of this
28 Code and shall thereafter similarly report to the Commissioner

1 particulars of] OR any new treaties or changes in existing treaties
2 **WITHIN THREE (3) MONTHS FROM THEIR EFFECTIVITY.”**

3 SEC. 38. Section 225 of the Insurance Code is hereby amended to read as
4 follows:

5 “SEC. 225. Within thirty days after [receipt of the annual
6 statement approved by the Commissioner] **THE APPROVAL OF THE**
7 **BOARD OF DIRECTORS**, every insurance company doing business in
8 the Philippines shall publish in [two] A newspaper[s] of general
9 circulation [in the City of Manila, one published in English and one
10 in Pilipino, a full synopsis of] its annual **AUDITED** financial
11 statement showing fully the conditions of its business, and setting
12 forth its resources and liabilities **IN ACCORDANCE WITH SUCH**
13 **FORM PRESCRIBED BY THE COMMISSIONER.”**

14 SEC. 39. A new Section 225-A is hereby added in Title 8 of Chapter III
15 of this Code to read as follows:

16 “SEC. 225-A. **THE COMMISSIONER SHALL HAVE THE**
17 **AUTHORITY TO MAKE, AMEND, AND RESCIND SUCH ACCOUNTING**
18 **RULES AND REGULATIONS AS MAY BE NECESSARY TO CARRY OUT**
19 **THE PROVISIONS OF THIS CODE, AND DEFINE ACCOUNTING,**
20 **TECHNICAL AND TRADE TERMS USED IN THIS CODE: PROVIDED,**
21 **THAT SUCH SHALL BE IN ACCORDANCE WITH INTERNATIONALLY**
22 **ACCEPTED ACCOUNTING STANDARDS. AMONG OTHER THINGS,**
23 **THE COMMISSIONER MAY PRESCRIBE THE FORM OR FORMS IN**
24 **WHICH REQUIRED INFORMATION SHALL BE SET FORTH, THE**
25 **ITEMS OR DETAILS TO BE SHOWN IN THE BALANCE SHEET AND**
26 **INCOME STATEMENT, AND THE METHODS TO BE FOLLOWED IN**
27 **THE PREPARATION OF ACCOUNTS, APPRAISAL OR VALUATION OF**

1 **ASSETS AND LIABILITIES, DETERMINATION OF RECURRING AND**
2 **NONRECURRING INCOME, DIFFERENTIATION OF INVESTMENT**
3 **AND OPERATING INCOME, AND IN THE PREPARATION, WHERE**
4 **THE COMMISSIONER DEEMS IT NECESSARY OR DESIRABLE, OF**
5 **CONSOLIDATED BALANCE SHEETS OR INCOME ACCOUNTS OF ANY**
6 **PERSON DIRECTLY OR INDIRECTLY CONTROLLING OR**
7 **CONTROLLED BY THE INSURANCE COMPANY.”**

8 SEC. 40. Paragraphs (g) and (i) of Section 228 of this Code are hereby
9 amended as follows:

10 “SEC. 228. x x x

11 “(g) A provision that the insurer will issue to the policyholder
12 for delivery to each person insured [an individual certificate setting
13 forth] a statement as to the insurance protection to which he is
14 entitled, to whom the insurance benefits are payable, and the rights
15 set forth in paragraphs (h), (i) and (j) following.

16 “x x x

17 “(i) A provision that if the group policy terminates or is
18 amended so as to terminate the insurance of any class of insured
19 persons, every person insured thereunder at the date of such
20 termination whose insurance terminates and who has been so
21 insured for five years prior to such termination date shall be
22 entitled to have issued to him by the insurer an individual policy of
23 life insurance subject to the same limitations as set forth in
24 paragraph (h), except that the group policy may provide that the
25 amount of such individual policy shall not exceed [the smaller of
26 (a)] the amount of the person’s life insurance protection ceasing
27 [less the amount of any life insurance for what he is or becomes
28 eligible under any group policy issued or reinstated by the same or

1 another reinsurer within thirty days after such termination, and (b)
 2 two thousand pesos].

3 "x x x."

4 SEC. 41. A new Section 244-A is hereby added in Title 11 of Chapter
 5 III of this Code to read as follows:

6 "SEC. 244-A. IT SHALL BE UNLAWFUL FOR ANY PERSON OR
 7 ENTITY TO KNOWINGLY PRESENT OR CAUSE TO BE PRESENTED
 8 ANY FRAUDULENT CLAIM OR DOCUMENT FOR THE PAYMENT OF A
 9 LOSS UNDER A CONTRACT OF INSURANCE. ANY PERSON WHO
 10 VIOLATES THIS SECTION SHALL BE HELD LIABLE UNDER THE
 11 APPLICABLE PROVISIONS OF THE REVISED PENAL CODE."

12 SEC. 42. A new Section 246-A is hereby added in Title 12 of Chapter
 13 III of this Code to read as follows:

14 "SEC. 246-A. NO EXTERNAL AUDITOR OR AUDITING FIRM
 15 SHALL BE ENGAGED BY SUPERVISED PERSONS OR ENTITIES
 16 UNLESS IT HAS BEEN ISSUED AN ACCREDITATION CERTIFICATE
 17 BY THE COMMISSIONER. THE ACCREDITATION CERTIFICATE
 18 SHALL BE VALID UNTIL JUNE 30 OF THE THIRD YEAR FROM
 19 ISSUANCE UNLESS IT IS REVOKED OR SUSPENDED. THE
 20 COMMISSIONER SHALL ISSUE RULES AND REGULATIONS TO
 21 GOVERN THE ACCREDITATION OF THE EXTERNAL AUDITOR AND
 22 THE REVOCATION OR SUSPENSION OF THE ACCREDITATION."

23 SEC. 43. Section 248 of this Code is hereby amended by adding a new
 24 paragraph to read as follows:

25 "x x x

26 "NO INSURANCE COMPANY, LIFE OR NON-LIFE, OR ANY
 27 PROFESSIONAL REINSURER, ORDERED TO BE LIQUIDATED BY THE
 28 COMMISSIONER UNDER THE PROVISIONS HEREUNDER MAY BE

1 REHABILITATED OR AUTHORIZED TO TRANACT A NEW,
2 INSURANCE OR REINSURANCE BUSINESS, AS THE CASE MAY BE.”

3 SEC. 44. Section 250 of Title 15 of Chapter III of the Insurance Code is
4 hereby deleted:

5 [SEC. 250. In case of liquidation of an insurance company,
6 after payment of the cost of the proceedings, including reasonable
7 expenses and fees incurred in the liquidation to be allowed by the
8 Court, the Commissioner shall pay all allowed claims against such
9 company, under order of the Court, in accordance with their legal
10 priority.]

11 SEC. 45. Paragraphs (4) and (8) of Section 271 of the Insurance Code
12 are hereby amended to read as follows:

13 “SEC. 271. x x x

14 “(4) The presence in person or by proxy of five *per centum* of
15 the members entitled to vote at any meeting shall constitute a
16 quorum for the transaction of business, INCLUDING THE
17 AMENDMENT OF THE ARTICLES OF INCORPORATION AND/OR THE
18 BYLAWS unless otherwise provided by the [by-laws] BYLAWS.

19 “x x x

20 “(8) All insurers mutualized under the provisions of this
21 chapter shall be subject to all other applicable provisions of this
22 Code [and of the Corporation Law]. THE PROVISIONS OF THE
23 CORPORATION CODE SHALL APPLY IN A SUPPLEMENTARY MANNER.”

24 SEC. 46. A new Section 272-A is hereby added in Title 17 of Chapter
25 III of this Code to read as follows:

26 “SEC. 272-A. A DOMESTIC MUTUAL LIFE INSURANCE
27 COMPANY DOING BUSINESS IN THE PHILIPPINES MAY CONVERT
28 ITSELF INTO AN INCORPORATED STOCK LIFE INSURANCE

1 COMPANY BY DEMUTUALIZATION. TO THAT END, IT MAY
2 PROVIDE AND CARRY OUT A PLAN FOR THE CONVERSION BY
3 COMPLYING WITH THE REQUIREMENTS OF THIS TITLE.

4 "THE CONVERSION OF A DOMESTIC MUTUAL LIFE
5 INSURANCE COMPANY TO AN INCORPORATED STOCK LIFE
6 INSURANCE COMPANY SHALL BE CARRIED OUT PURSUANT TO A
7 CONVERSION PLAN DULY APPROVED BY THE COMMISSIONER.

8 "THE COMMISSIONER SHALL PROMULGATE SUCH RULES
9 AND REGULATIONS AS MAY BE DEEMED NECESSARY TO CARRY
10 OUT THE PROVISIONS OF THIS TITLE.

11 "ALL CONVERTED INSURERS UNDER THE PROVISIONS OF
12 THIS TITLE SHALL BE SUBJECT TO ALL OTHER APPLICABLE
13 PROVISIONS OF THIS CODE. THE PROVISIONS OF THE
14 CORPORATION CODE SHALL APPLY IN A SUPPLETORY MANNER."

15 SEC. 47. Section 274 of the Insurance Code is hereby amended to read
16 as follows:

17 "SEC. 274. The Commissioner shall publish the application
18 for withdrawal [daily for a period of one week in two] ONCE A
19 WEEK FOR THREE CONSECUTIVE WEEKS IN A newspaper[s] of
20 general circulation [in the City of Manila, one in English and the
21 other in Pilipino]. The expenses of such publication shall be paid
22 by the insurance company filing such application."

23 SEC. 48. Section 280 of Title 19 of Chapter III of the Insurance Code is
24 hereby amended to read as follows:

25 "SEC. 280. Except as otherwise provided in this Code, no
26 [person,] partnership, association or corporation shall transact any
27 business in the Philippines as a professional reinsurer until it shall
28 have obtained a certificate of authority for that purpose from the

1 Commissioner upon application therefor and payment by such
2 [person, partnership, association or corporation] ENTITY of the
3 fees hereinafter prescribed. As used in this Code, the term
4 'professional reinsurer' shall mean any [person, partnership,
5 association or corporation] ENTITY that transacts solely and
6 exclusively reinsurance business in the Philippines.

7 "The Commissioner may refuse to issue a certificate of
8 authority to any such [person, partnership, association of
9 corporation] ENTITY [if, in his judgment,] WHEN such refusal will
10 best promote public interest. No such certificate of authority shall
11 be granted to any such [person, partnership, association or
12 corporation] ENTITY unless and until the Commissioner [shall
13 have] IS satisfied [himself] by such examination [as he may make]
14 and such evidence as [he] may BE required that such [person,
15 partnership, association or corporation] ENTITY is qualified by the
16 laws of the Philippines to transact business therein as a professional
17 reinsurer.

18 "Before issuing such certificate of authority, the
19 Commissioner [or] must be satisfied that the name of the applicant
20 is not that of any other known company transacting insurance or
21 reinsurance business in the Philippines, or a name so similar as to
22 be calculated to mislead the public.

23 "[Such certificate of authority shall expire on the last day of
24 June of each year and shall be renewed annually if such person,
25 partnership, association, or corporation is continuing to comply
26 with the provisions of this Code, or the circulars, instructions,

1 rulings, or decisions of the Commissioner and such other pertinent
2 laws, rules and regulations.] **SUCH CERTIFICATE OF AUTHORITY**
3 **SHALL EXPIRE ON THE LAST DAY OF JUNE THE THIRD YEAR**
4 **FOLLOWING ITS ISSUANCE UNLESS IT IS RENEWED.**

5 "Every [such person, partnership, association, or corporation]
6 ENTITY receiving such certificate of authority shall be subject to
7 the provisions of this Code and other related laws, and to the
8 jurisdiction and supervision of the Commissioner."

9. SEC. 49. Section 281 of the Insurance Code, as amended, is hereby
10 further amended to read as follows:

11 "SEC. 281. Any [person,] partnership, association, or
12 corporation authorized to transact solely reinsurance business must
13 have a [paid-up capital stock] CAPITALIZATION of at least [ten
14 million] **TWO BILLION pesos PAID IN CASH**[, twenty-five *per*
15 *centum*] **of which AT LEAST FIFTY PERCENT (50%) IS PAID-UP**
16 **AND THE REMAINING PORTION THEREOF IS CONTRIBUTED**
17 **SURPLUS, WHICH IN NO CASE SHALL BE LESS THAN FOUR**
18 **HUNDRED MILLION PESOS OR SUCH CAPITALIZATION AS MAY BE**
19 **DETERMINED BY THE SECRETARY OF FINANCE, UPON THE**
20 **RECOMMENDATION OF THE COMMISSIONER: PROVIDED, THAT**
21 **TWENTY-FIVE PERCENT (25%) OF THE PAID-UP CAPITAL** must be
22 invested in securities satisfactory to the Commissioner, consisting
23 of bonds or other evidences of debt of the Government of the
24 Philippines or its political subdivisions or instrumentalities, or of
25 government-owned or controlled corporations and entities,
26 including the [Central Bank of the Philippines] **BANGKO SENTRAL**
27 **NG PILIPINAS**, and deposited with the Commissioner, and the
28 remaining seventy-five *per centum* in such other securities as may

1 be allowed and permitted by the Commissioner, which securities
2 shall at all times be maintained free from any lien or
3 encumbrance[;]: *Provided, THAT THE AFORESAID CAPITAL*
4 *REQUIREMENT IS WITHOUT PREJUDICE TO OTHER*
5 *REQUIREMENTS TO BE IMPOSED UNDER ANY RISK-BASED*
6 *CAPITAL METHOD THAT MAY BE ADOPTED BY THE*
7 *COMMISSIONER [That reinsurers already doing business as such in*
8 *the Philippines shall comply with the requirement of this section by*
9 *increasing their respective capital as herein provided not later than*
10 *December thirty-one, nineteen hundred eighty;]: *Provided,**
11 *[further] FINALLY, That the provisions of this chapter applicable to*
12 *insurance companies shall [so] AS far as practicable be likewise*
13 *applicable to professional reinsurers."*

14 SEC. 50. Section 299 of Title 1 of Chapter IV of the Insurance Code, as
15 amended, is hereby further amended to read as follows:

16 "SEC. 299. No insurance company doing business in the
17 Philippines, nor any agent thereof, shall pay any commission or
18 other compensation to any person for services in obtaining
19 insurance, unless such person shall have first procured from the
20 Commissioner a license to act as an insurance agent of such
21 company or as an insurance broker as hereinafter provided.

22 "No person shall act as an insurance agent or as an insurance
23 broker in the solicitation or procurement of applications for
24 insurance, or receive for services in obtaining insurance, any
25 commission or other compensation from any insurance company
26 doing business in the Philippines, or any agent thereof, without first
27 procuring a license so to act from the Commissioner, which must
28 be renewed [annually on the first day of January, or within six

1 months] **EVERY THREE (3) YEARS** thereafter. Such license shall
2 be issued by the Commissioner only upon the written application of
3 the person desiring it, such application if for a license to act as
4 insurance agent, being approved [and countersigned] **OR**
5 **ENDORSED** by the company such person desires to represent, and
6 shall be upon a form prescribed by the Commissioner giving such
7 information as he may require, and upon payment of the
8 corresponding fee hereinafter prescribed. The Commissioner shall
9 satisfy himself as to the competence and trustworthiness of the
10 applicant and shall have the right to refuse to issue or renew and to
11 suspend or revoke any such license in his discretion. [No such
12 license shall be valid after the thirtieth day of June of the year
13 following its issuance unless it is renewed.] **THE LICENSE SHALL**
14 **EXPIRE AFTER THE THIRTIETH DAY OF JUNE OF THE THIRD YEAR**
15 **FOLLOWING THE DATE OF ISSUANCE UNLESS IT IS RENEWED."**

16 SEC. 51. Section 300 of the Insurance Code is hereby amended to read
17 as follows:

18 "SEC. 300. Any person who for compensation solicits or obtains
19 insurance on behalf of any insurance company or transmits for a person
20 other than himself an application for a policy or contract of insurance to
21 or from such company or offers or assumes to act in the negotiating of
22 such insurance shall be an insurance agent within the intent of this
23 section and shall thereby become liable to all the duties, requirements,
24 liabilities and penalties to which an insurance agent is subject.

25 "AN INSURANCE AGENT IS AN INDEPENDENT CONTRACTOR AND
26 NOT AN EMPLOYEE OF THE COMPANY REPRESENTED. 'INSURANCE
27 AGENT' INCLUDES AN AGENCY LEADER, AGENCY MANAGER, OR THEIR
28 EQUIVALENT.

1 **“SINCE THE INSURANCE INDUSTRY IS IMBUED WITH PUBLIC**
2 **INTEREST, THE INSURANCE COMPANIES UPON APPROVAL OF THE**
3 **COMMISSION MAY EXERCISE WIDE LATITUDE IN SUPERVISING THE**
4 **ACTIVITIES OF THEIR INSURANCE AGENTS TO ENSURE THE**
5 **PROTECTION OF THE INSURING PUBLIC.”**

6 SEC. 52. Section 303 of the Insurance Code is hereby amended to read
7 as follows:

8 “SEC. 303. The Commissioner shall, in order to determine the
9 competence of every applicant to have the kind of license applied for,
10 require such applicant to submit to a written examination and to pass the
11 same to the satisfaction of the Commissioner. [Such examination shall
12 be held at such times and places as the Commissioner shall from time to
13 time determine.] **THE COMMISSIONER MAY DELEGATE OR AUTHORIZE**
14 **THE ADMINISTRATION OF THE EXAMINATION TO AN INDEPENDENT**
15 **ORGANIZATION, SUBJECT TO SUCH CONDITIONS THAT THE**
16 **COMMISSIONER MAY PROVIDE.”**

17 SEC. 53. Section 306 of the Insurance Code is hereby amended to read
18 as follows:

19 “SEC. 306. The premium, or any portion thereof, which an
20 insurance agent or insurance broker collects from an insured and
21 which is to be paid to an insurance company because of the
22 assumption of liability through the issuance of policies or contracts
23 of insurance, shall be held by the agent or broker in a fiduciary
24 capacity and shall not be misappropriated or converted to his own
25 use or illegally withheld by the agent or broker.

26 “Any insurance company which delivers to an insurance agent
27 or insurance broker a policy or contract of insurance shall be
28 deemed to have authorized such agent or broker to receive on its

1 behalf payment of any premium which is due on such policy or
2 contract of insurance at the time of its issuance or delivery or
3 which becomes due thereon.

4 **“IN ORDER TO ENSURE FAITHFUL PERFORMANCE BY THE**
5 **INSURANCE AGENT OR INSURANCE BROKER OF THESE FIDUCIARY**
6 **RESPONSIBILITIES, THE INSURANCE COMMISSIONER SHALL**
7 **PRESCRIBE THE MINIMUM TERMS AND CONDITIONS ON SUCH**
8 **MATTERS IN THE STANDARD AGENCY OR BROKERS AGREEMENT**
9 **BETWEEN THE AGENTS AND/OR THE BROKER WITH THE**
10 **INSURANCE COMPANIES.”**

11 SEC. 54. Section 309 of the Insurance Code is hereby amended to read
12 as follows:

13 “SEC. 309. Except as otherwise provided by law or treaty, it
14 shall be unlawful for any person, partnership, association or
15 corporation in the Philippines, for himself or itself, or for some
16 other person, partnership, association or corporation, either to
17 procure, receive or forward applications of insurance in, or to issue
18 or to deliver or accept policies or contracts of insurance of or for,
19 any insurance company or companies not authorized to transact
20 business in the Philippines, covering risks, life or non-life, situated
21 in the Philippines; and any such person, partnership, association or
22 corporation violating the provisions of this section shall be deemed
23 guilty of a penal offense, and upon conviction thereof, shall for
24 each such offense be punished by a fine of [ten]TWO HUNDRED
25 FIFTY thousand pesos, or imprisonment of six months, or both at
26 the discretion of the court[:]; *Provided*, That the provisions of this
27 section shall not apply to reinsurance.”

1 SEC. 55. Section 315 of the Insurance Code is hereby amended to read
2 as follows:

3 “SEC. 315. The application for a certificate of registration as
4 resident agent filed with the Commissioner must be accompanied
5 with[: (a)] a copy of the power of attorney, duly notarized and
6 authenticated by the Philippine Consul in the place where such
7 foreign insurer or broker is domiciled, empowering the applicant to
8 act as resident agent and to receive notices, summons and legal
9 processes for and in behalf of such foreign insurer or broker in
10 connection with any action or legal proceeding against such foreign
11 insurer or broker[; and (b) a copy of the corresponding certificate
12 issued by the Board of Investments as required under Section 4 of
13 Republic Act No. 5455, if such foreign insurer or broker is not
14 otherwise exempt from such requirement].”

15 SEC. 56. Section 317 of the Insurance Code, as amended, is hereby
16 further amended to read as follows:

17 “SEC. 317. No certificate of registration issued to a resident
18 agent shall be valid after the thirtieth day of June of the **THIRD** year
19 following its issuance unless it is renewed.

20 “The Commissioner may, after due notice and hearing, recall
21 or cancel the certificate of registration issued to a resident agent for
22 violation of any existing laws, rule or regulation or any provision
23 of this Code.”

24 SEC. 57. Section 322 of the Insurance Code, as amended, is hereby
25 further amended to read as follows:

26 “SEC. 322. No certificate of registration issued to an
27 underwriter shall be valid after the thirtieth day of June of the
28 **THIRD** year following its issuance unless it is renewed.

1 “The Commissioner may, after due notice and hearing, also
2 suspend or cancel such certificate for violation of existing laws,
3 rules and regulations or of any provision of this Code.”

4 SEC. 58. Section 328 of the Insurance Code, as amended, is hereby
5 further amended to read as follows:

6 “SEC. 328. [No] ANY adjuster’s license issued hereunder
7 shall be valid until after the thirtieth day of June of the **THIRD** year
8 following the issuance of such license unless it is renewed.”

9 SEC. 59. Section 336 of the Insurance Code, as amended, is hereby
10 further amended to read as follows:

11 “SEC. 336. Any person may be officially accredited by the
12 Commissioner to act as [any] AN actuary in any life insurance
13 company or in any mutual benefit association authorized to do
14 business in the Philippines upon application therefor and the
15 payment of the corresponding fee hereinafter prescribed[;]:
16 *Provided, That:* (1) he is a fellow of good standing of the Actuarial
17 Society of the Philippines at the time of his appointment and
18 remains in such good standing during the tenure of his engagement;
19 or (2) in the case of one who is not a fellow of the Actuarial
20 Society of the Philippines, he meets all the requirements of the said
21 Society for accreditation as a fellow of the Society, and has been
22 given permission by the pertinent government authorities in the
23 Philippines to render services in the Philippines, in the event that
24 he is not a citizen of the Philippines.

25 “**THE REGISTRATION OF THE ACTUARY SHALL BE**
26 **SUSPENDED OR REVOKED BY THE COMMISSIONER ON THE**
27 **FOLLOWING GROUNDS:**

1 **“(A) FAILURE TO ADEQUATELY PERFORM REQUIRED**
2 **FUNCTIONS AND DUTIES UNDER THIS CODE;**

3 **“(B) FAILURE TO DISCLOSE CONFLICT OF INTEREST;**

4 **“(C) FAILURE TO COMPLY WITH THE CODE OF CONDUCT OF**
5 **THE ACTUARIAL SOCIETY OF THE PHILIPPINES; OR**

6 **“(D) SUCH OTHER GROUNDS THAT MAY BE DETERMINED BY**
7 **THE COMMISSIONER.**

8 **“NO ACTUARY ENGAGED BY A LIFE INSURANCE COMPANY**
9 **SHALL BE AT THE SAME TIME A STOCKHOLDER OR A DIRECTOR**
10 **OF THE BOARD, CHIEF EXECUTIVE OFFICER OR CHIEF FINANCIAL**
11 **OFFICER OF THE COMPANY OR HOLD ANY POSITION THAT THE**
12 **COMMISSIONER MAY DETERMINE TO HAVE AN INHERENT**
13 **CONFLICT OF INTEREST TO THE POSITION OF AN ACTUARY.**

14 **“No certificate of registration issued under this Title shall be**
15 **valid after the thirtieth day of June of the THIRD year following its**
16 **issuance unless it is renewed.”**

17 **SEC. 60. A new Title 6-A on External Auditors and a new**
18 **Section 338-A are hereby added in Chapter IV of the Insurance Code to read**
19 **as follows:**

20 **“TITLE 6-A. – EXTERNAL AUDITORS**

21 **“SEC. 338-A. NO EXTERNAL AUDITOR SHALL BE ENGAGED**
22 **BY SUPERVISED PERSONS OR ENTITIES UNLESS IT HAS BEEN**
23 **ISSUED AN ACCREDITATION CERTIFICATE BY THE**
24 **COMMISSIONER. THE ACCREDITATION CERTIFICATE SHALL BE**
25 **VALID UNTIL JUNE 30 OF THE THIRD YEAR FROM ISSUANCE**
26 **UNLESS IT IS REVOKED OR SUSPENDED. THE COMMISSIONER**
27 **SHALL ISSUE RULES AND REGULATIONS TO GOVERN THE**
28 **ACCREDITATION OF THE EXTERNAL AUDITOR AND THE**
29 **REVOCATION OR SUSPENSION OF THE ACCREDITATION.”**

1 SEC. 61. Section 363 of the Insurance Code is hereby amended to read
2 as follows:

3 “SEC. 363. If the Commissioner, after notice and hearing,
4 finds that any insurance company, rating organization, agent,
5 broker or other person has violated any of the provisions of this
6 title, it shall order the payment of a fine not to exceed [five
7 hundred] TWENTY-FIVE THOUSAND pesos for each such offense,
8 and shall immediately SUSPEND OR revoke the license issued to
9 such insurance company, rating organization, agent, or broker. The
10 issuance, procurement or negotiation of a single policy or contract
11 of insurance shall be deemed a separate offense.”

12 SEC. 62. A new Section 364-A is hereby added in Title 8 of Chapter IV
13 of the Insurance Code to read as follows:

14 “SEC. 364-A. THE COMMISSIONER, IN CONSULTATION WITH
15 THE DULY ACCREDITED ASSOCIATIONS REPRESENTING THE
16 INSURANCE INDUSTRY, SHALL ADOPT AND PROMULGATE A CODE
17 OF CONDUCT TO PROMOTE INTEGRITY, HONESTY AND
18 ETHICAL BUSINESS PRACTICES AMONG INSURANCE AGENTS,
19 DISTRIBUTORS AND OTHER INTERMEDIARIES.”

20 SEC. 63. A new Title 9 on Bancassurance and Sections 364-B to 364-D
21 are hereby added in Chapter IV of the Insurance Code to read as follows:

22 “TITLE 9. – BANCASSURANCE

23 “SEC. 364-B. THE TERM ‘BANCASSURANCE’ SHALL MEAN
24 THE PRESENTATION AND SALE TO BANK CUSTOMERS BY AN
25 INSURANCE COMPANY OF ITS INSURANCE PRODUCTS WITHIN OR
26 OUTSIDE THE PREMISES OF THE HEAD OFFICE OF SUCH BANK
27 DULY LICENSED BY THE BANGKO SENTRAL NG PILIPINAS OR ANY
28 OF ITS BRANCHES UNDER SUCH RULES AND REGULATIONS WHICH

1 THE COMMISSIONER MAY PROMULGATE. TO ENGAGE IN
 2 BANCASSURANCE, THE BANK IS NOT REQUIRED TO HAVE EQUITY
 3 OWNERSHIP OF THE INSURANCE COMPANY. NO INSURANCE
 4 COMPANY SHALL ENGAGE IN THE BUSINESS OF BANCASSURANCE
 5 UNLESS IT POSSESSES ALL THE REQUIREMENTS AS MAY BE
 6 PRESCRIBED BY THE COMMISSIONER.

7 "NO INSURANCE PRODUCT UNDER THIS SECTION, WHETHER
 8 LIFE OR NON-LIFE, SHALL BE ISSUED OR DELIVERED UNLESS IN
 9 THE FORM PREVIOUSLY APPROVED BY THE COMMISSIONER."

10 "SEC. 364-C. PERSONNEL TASKED TO PRESENT AND SELL
 11 INSURANCE PRODUCTS WITHIN THE BANK PREMISES SHALL BE
 12 DULY LICENSED BY THE COMMISSIONER AND SHALL BE SUBJECT
 13 TO THE RULES AND REGULATIONS OF THIS ACT."

14 "SEC. 364-D. THE COMMISSIONER, IN COORDINATION WITH
 15 THE BANGKO SENTRAL NG PILIPINAS, SHALL PROMULGATE
 16 RULES AND REGULATIONS TO EFFECTIVELY SUPERVISE THE
 17 BUSINESS OF BANCASSURANCE."

18 SEC. 64. Section 378 of the Insurance Code is hereby amended by
 19 adding a new paragraph to read as follows:

20 "SEC. 378. x x x

21 "IN CASE OF ANY DAMAGE SUSTAINED BY A MOTOR VEHICLE
 22 COVERED BY COMPREHENSIVE INSURANCE, THE CLAIM SHALL
 23 LIE AGAINST THE INSURER OF THE VEHICLE WITHOUT
 24 PREJUDICE TO THE RIGHT OF THE PARTY PAYING THE CLAIM
 25 TO RECOVER AGAINST THE OWNER OR INSURER OF THE
 26 MOTOR VEHICLE RESPONSIBLE FOR THE ACCIDENT. THE
 27 COMPREHENSIVE INSURANCE SHALL NOT REQUIRE THE OWNER
 28 OF THE DAMAGED VEHICLE TO PAY ANY PARTICIPATION FEE FOR

1 **THE COST OF THE REPAIR OR THE REPLACEMENT OF PARTS**
2 **THEREOF: *PROVIDED*, THAT THE DAMAGE SUSTAINED WAS NOT**
3 **DUE TO THE FAULT OR NEGLIGENCE OF THE OWNER OR**
4 **AUTHORIZED DRIVER OF THE DAMAGED MOTOR VEHICLE.”**

5 SEC. 65. Section 391 of the Insurance Code is hereby amended to read
6 as follows:

7 “SEC. 391. A mutual benefit association, before it may
8 transact as such, must first secure a license from the Commissioner.
9 The application for such license shall be filed with the
10 Commissioner together with certified true copies of the articles of
11 incorporation or the constitution and [by-laws] **BYLAWS** of the
12 association, and all amendments thereto, and such other documents
13 or testimonies as the Commissioner may require.

14 “**No license shall be granted to a mutual benefit association**
15 **until the Commissioner shall have been satisfied by such**
16 **examination as he may make and such evidence as he may require**
17 **that the association is qualified under existing laws to operate and**
18 **transact business as such. The Commissioner may refuse to issue a**
19 **license to any mutual benefit association if, in his judgment, such**
20 **refusal will best promote the interest of the members of such**
21 **association and of the people of this country. Any license issued**
22 **shall expire on the last day of June of the **THIRD** year following its**
23 **issuance and, upon proper application, may be renewed if the**
24 **association is continuing to comply with existing laws, rules and**
25 **regulations, orders, instructions, rulings and decisions of the**
26 **Commissioner. Every association receiving any such license shall**
27 **be subject to the supervision of the Commissioner[;]: *Provided*,**
28 **That no such license shall be granted to any such association if**
29 **such association has no actuary.”**

1 [All mutual benefit associations existing and licensed as such
2 under the provisions of Article Eight, Chapter Forty-One of the
3 Revised Administrative Code, as amended by Act No. 3612, shall,
4 upon effectivity of this Code, surrender their respective licenses to
5 the Commissioner and apply for new licenses under the provisions
6 of this Code if they still desire to continue operating as such mutual
7 benefit associations.]

8 SEC. 66. Section 408 of the Insurance Code is hereby amended to read
9 as follows:

10 "SEC. 408. To secure the enforcement of any provision under
11 this title, the Commissioner may issue such rules, rulings,
12 instructions, orders and circulars[, subject to the approval of the
13 Secretary of Finance]."

14 SEC. 67. Section 413 of the Insurance Code is hereby amended to read
15 as follows:

16 "SEC. 413. All trustees shall, before entering in the
17 performance of the duties of their trust, obtain a certificate [or] OF
18 registration from the Commissioner. **THE REGISTRATION SHALL**
19 **EXPIRE ON JUNE 30 OF THE THIRD YEAR FOLLOWING ITS**
20 **ISSUANCE UNLESS IT IS RENEWED.**

21 [Trustees who are already discharging the duties of their trust
22 on the date this Code becomes effective may continue as such,
23 subject to the provisions of this Code.]

24 "All provisions of this Code governing mutual benefit
25 associations and such other provisions herein, whenever practicable
26 and necessary, shall be applicable to trusts for charitable uses."

1 SEC. 68. A new Section 413-A is hereby added in Title 2 of Chapter
2 VII of the Insurance Code to read as follows:

3 **“SEC. 413-A. THE TREASURER OF A CHARITABLE TRUST**
4 **SHALL FILE A FIDELITY BOND IN THE AMOUNT COMMENSURATE**
5 **WITH THE VALUE OF THE TRUST PROPERTY IN HIS CUSTODY, AS**
6 **MAY BE DETERMINED BY THE COMMISSIONER.”**

7 SEC. 69. A new Chapter VII-A on Trust Business in General and
8 Sections 413-B to 413-E are hereby added to the Insurance Code to read
9 as follows:

10 **“CHAPTER VII-A**

11 **“TRUST BUSINESS IN GENERAL**

12 **“SEC. 413-B. A LIFE INSURANCE COMPANY DULY**
13 **AUTHORIZED BY THE COMMISSIONER MAY ENGAGE IN TRUST**
14 **BUSINESS: *PROVIDED,* THAT THE SAME SHALL BE RELATED TO,**
15 **INHERENT IN OR IN FURTHERANCE OF ITS INSURANCE BUSINESS.**
16 **SUCH TRUST BUSINESS SHALL INCLUDE, BUT NOT BE LIMITED TO,**
17 **THE MANAGEMENT AND CUSTODY OF RETIREMENT FUNDS UNDER**
18 **REPUBLIC ACT NO. 4917, ESCROW FUNDS, PRE-NEED FUNDS,**
19 **PERSONAL EQUITY AND RETIREMENT ACCOUNT (PERA) FUNDS,**
20 **AND SUCH OTHER ASSETS AS MAY BE PRESCRIBED BY THE**
21 **INSURANCE COMMISSION.**

22 **“OTHER TRUST BUSINESSES NOT OTHERWISE INCLUDED IN**
23 **THE FOREGOING PARAGRAPH MAY BE PURSUED BY THE**
24 **INSURANCE COMPANY PROVIDED A LICENSE TO THAT EFFECT**
25 **WILL BE SECURED FROM THE BANGKO SENTRAL NG PILIPINAS.**

26 **“ASSETS UNDER TRUST MANAGEMENT SHALL REPRESENT**
27 **ALL FUNDS, PROPERTIES AND SECURITIES WHICH, THE**
28 **INSURANCE COMPANY ACTING AS TRUSTEE, SHALL MANAGE,**

1 ADMINISTER, HOLD AND TAKE CUSTODY FOR THE BENEFIT OF
2 OTHERS. IN THE PERFORMANCE OF ITS TRUST BUSINESS, SUCH
3 ASSETS SHALL BE KEPT SEPARATE AND DISTINCT FROM THE
4 GENERAL BUSINESS OF THE INSURANCE COMPANY.

5 "THE INVESTMENT OF FUNDS HELD IN TRUST BY THE
6 INSURANCE COMPANIES UNDER THIS SECTION SHALL BE SUBJECT
7 TO THE SAME REQUIREMENTS APPLICABLE TO THE INVESTMENT
8 OF THE ASSETS OF LIFE INSURANCE COMPANIES, AS PROVIDED
9 FOR UNDER THIS CODE.

10 "THE COMMISSIONER SHALL PROMULGATE SUCH RULES
11 AND REGULATIONS AS MAY BE NECESSARY TO REGULATE THE
12 CONDUCT OF TRUST BUSINESS BY INSURANCE COMPANIES."

13 "SEC. 413-C. A TRUST ENTITY SHALL ADMINISTER
14 PROPERTY UNDER ITS CUSTODY WITH THE DILIGENCE THAT A
15 PRUDENT MAN WOULD EXERCISE IN THE CONDUCT OF AN
16 ENTERPRISE OF A LIKE CHARACTER AND WITH SIMILAR AIMS.
17 NO TRUST ENTITY SHALL, FOR THE ACCOUNT OF THE TRUSTOR
18 OR THE BENEFICIARY OF THE TRUST, PURCHASE OR ACQUIRE
19 PROPERTY FROM, OR SELL, TRANSFER, ASSIGN OR LEND MONEY
20 OR PROPERTY TO, OR PURCHASE DEBT INSTRUMENTS OF ANY OF
21 THE DEPARTMENTS, DIRECTORS, OFFICERS, STOCKHOLDERS, OR
22 EMPLOYEES OF THE TRUST ENTITY, RELATIVES WITHIN THE
23 FIRST DEGREE OF CONSANGUINITY OR AFFINITY, OR THE
24 RELATED INTERESTS, OF SUCH DIRECTORS, OFFICERS AND
25 STOCKHOLDERS, UNLESS PRIOR TO THE TRANSACTION, SUCH
26 TRANSACTION IS SPECIFICALLY AUTHORIZED BY THE TRUSTOR
27 AND THE RELATIONSHIP BETWEEN THE TRUSTEE AND THE
28 OTHER PARTY INVOLVED IN THE TRANSACTION IS FULLY

1 DISCLOSED TO THE TRUSTOR OR BENEFICIARY OF THE TRUST.
2 THE INSURANCE COMMISSION SHALL PROMULGATE SUCH RULES
3 AND REGULATIONS AS MAY BE NECESSARY TO REGULATE THE
4 CONDUCT OF TRUST BUSINESS BY INSURANCE COMPANIES.”

5 “SEC. 413-D. THE TRUST BUSINESS AND ALL FUNDS,
6 PROPERTIES OR SECURITIES RECEIVED BY ANY TRUST ENTITY
7 AS EXECUTOR, ADMINISTRATOR, TRUSTEE, RECEIVER, OR
8 DEPOSITARY SHALL BE KEPT SEPARATE AND DISTINCT FROM THE
9 GENERAL BUSINESS OF THE INSURANCE COMPANY, OR ALLIED
10 INSURANCE COMPANY INCLUDING ALL OTHER FUNDS,
11 PROPERTIES, AND ASSETS OF SUCH TRUST ENTITY. THE
12 ACCOUNTS OF ALL SUCH FUNDS, PROPERTIES, OR SECURITIES
13 SHALL LIKEWISE BE KEPT SEPARATE AND DISTINCT FROM THE
14 ACCOUNTS OF THE GENERAL BUSINESS OF THE TRUST ENTITY.”

15 “SEC. 413-E. NO ASSETS HELD BY A TRUST ENTITY IN ITS
16 CAPACITY AS TRUSTEE SHALL BE SUBJECT TO ANY CLAIM OTHER
17 THAN THOSE OF THE PARTIES INTERESTED IN THE SPECIFIC
18 TRUSTS.”

19 SEC. 70. A new Chapter VII-B on Registration, Responsibilities and
20 Oversight of Self-Regulatory Organizations and Sections 413-F to 413-K are
21 hereby added to the Insurance Code to read as follows:

22 “CHAPTER VII-B

23 “REGISTRATION, RESPONSIBILITIES AND OVERSIGHT OF

24 “SELF-REGULATORY ORGANIZATIONS

25 “SEC. 413-F. THE COMMISSIONER SHALL HAVE THE POWER
26 TO REGISTER AS A SELF-REGULATORY ORGANIZATION, OR
27 OTHERWISE GRANT LICENSES, AND TO REGULATE, SUPERVISE,
28 EXAMINE, SUSPEND OR OTHERWISE DISCONTINUE, AS A

1 CONDITION FOR THE OPERATION OF ORGANIZATIONS WHOSE
2 OPERATIONS ARE RELATED TO OR CONNECTED WITH THE
3 INSURANCE MARKET SUCH AS, BUT NOT LIMITED TO,
4 ASSOCIATIONS OF INSURANCE COMPANIES, WHETHER LIFE OR
5 NON-LIFE, REINSURERS, ACTUARIES, AGENTS, BROKERS,
6 DEALERS, MUTUAL BENEFIT ASSOCIATIONS, TRUSTS, RATING
7 AGENCIES, AND OTHER PERSONS REGULATED BY THE
8 COMMISSIONER, WHICH ARE ENGAGED IN THE BUSINESS
9 REGULATED BY THIS CODE.

10 “THE COMMISSIONER MAY PRESCRIBE RULES AND
11 REGULATIONS WHICH ARE NECESSARY OR APPROPRIATE IN THE
12 PUBLIC INTEREST OR FOR THE PROTECTION OF INVESTORS TO
13 GOVERN SELF-REGULATORY ORGANIZATIONS AND OTHER
14 ORGANIZATIONS LICENSED OR REGULATED PURSUANT TO THE
15 AUTHORITY GRANTED HEREUNDER INCLUDING, BUT NOT
16 LIMITED TO, THE REQUIREMENT OF COOPERATION WITHIN AND
17 AMONG ALL PARTICIPANTS IN THE INSURANCE MARKET TO
18 ENSURE TRANSPARENCY AND FACILITATE EXCHANGE OF
19 INFORMATION.”

20 “SEC. 413-G. AN ASSOCIATION CANNOT BE REGISTERED
21 AS A SELF-REGULATORY ORGANIZATION UNLESS THE
22 COMMISSIONER DETERMINES THAT:

23 “(A) THE ASSOCIATION IS SO ORGANIZED AND HAS THE
24 CAPACITY TO BE ABLE TO CARRY OUT THE PURPOSES OF THIS
25 CODE AND TO COMPLY WITH, AND TO ENFORCE COMPLIANCE BY
26 ITS MEMBERS AND PERSONS ASSOCIATED WITH ITS MEMBERS,
27 WITH THE PROVISIONS OF THIS CODE, THE RULES AND
28 REGULATIONS THEREUNDER, AND THE RULES OF THE
29 ASSOCIATION.

1 **“(B) THE RULES OF THE ASSOCIATION, NOTWITHSTANDING**
2 **ANYTHING IN THE CORPORATION CODE TO THE CONTRARY,**
3 **PROVIDE THE FOLLOWING:**

4 **“(1) QUALIFICATIONS AND THE DISQUALIFICATIONS ON**
5 **MEMBERSHIP OF THE ASSOCIATION;**

6 **“(2) A FAIR REPRESENTATION OF ITS MEMBERS TO SERVE**
7 **ON THE BOARD OF DIRECTORS OF THE ASSOCIATION AND IN THE**
8 **ADMINISTRATION OF ITS AFFAIRS, AND THAT ANY NATURAL**
9 **PERSON ASSOCIATED WITH A JURIDICAL ENTITY THAT IS A**
10 **MEMBER SHALL ALSO BE DEEMED TO BE A MEMBER FOR THIS**
11 **PURPOSE;**

12 **“(3) THE PRESIDENT OF THE ASSOCIATION AND AT LEAST**
13 **TWO (2) INDEPENDENT DIRECTORS AS MEMBERS OF THE BOARD**
14 **OF DIRECTORS OF THE ASSOCIATION;**

15 **“(4) EQUITABLE ALLOCATION OF REASONABLE DUES, FEES,**
16 **AND OTHER CHARGES AMONG MEMBERS AND OTHER PERSONS**
17 **USING ANY FACILITY OR SYSTEM WHICH THE ASSOCIATION**
18 **OPERATES OR CONTROLS;**

19 **“(5) TO PROTECT THE INSURING PUBLIC, THE PREVENTION**
20 **OF FRAUDULENT AND MANIPULATIVE ACTS AND PRACTICES TO**
21 **PROTECT THE INSURING PUBLIC AND THE PROMOTION OF JUST**
22 **AND EQUITABLE PRINCIPLES OF BUSINESS;**

23 **“(6) MEMBERS AND PERSONS ASSOCIATED WITH ITS**
24 **MEMBERS SUBJECT TO DISCIPLINE FOR VIOLATION OF ANY**
25 **PROVISION OF THIS CODE, THE RULES OR REGULATIONS**
26 **THEREUNDER, OR THE RULES OF THE ASSOCIATION;**

27 **“(7) FAIR PROCEDURE FOR THE DISCIPLINING OF MEMBERS**
28 **AND PERSONS ASSOCIATED WITH MEMBERS; AND**

1 “(8) THE PROHIBITION OR LIMITATION OF ACCESS TO
2 SERVICES OFFERED BY THE ASSOCIATION OR A MEMBER
3 THEREOF.”

4 “SEC. 413-H. A SELF-REGULATORY ORGANIZATION MAY
5 EXAMINE AND VERIFY THE QUALIFICATIONS OF AN APPLICANT
6 TO BECOME A MEMBER IN ACCORDANCE WITH PROCEDURES
7 ESTABLISHED BY THE RULES OF THE ASSOCIATION.

8 “A SELF-REGULATORY ORGANIZATION SHALL DENY
9 MEMBERSHIP OR CONDITION THE MEMBERSHIP OF AN ENTITY, IF
10 IT DOES NOT MEET THE STANDARDS OF FINANCIAL
11 RESPONSIBILITY, OPERATIONAL CAPABILITY, TRAINING,
12 EXPERIENCE, OR COMPETENCE THAT ARE PRESCRIBED BY THE
13 RULES OF THE ASSOCIATION; OR HAS ENGAGED, AND THERE IS A
14 REASONABLE LIKELIHOOD IT WILL AGAIN ENGAGE, IN ACTS OR
15 PRACTICES INCONSISTENT WITH JUST AND EQUITABLE
16 PRINCIPLES OF FAIR TRADE.

17 “A SELF-REGULATORY ORGANIZATION MAY DENY
18 MEMBERSHIP TO AN ENTITY NOT ENGAGED IN A TYPE OF
19 BUSINESS IN WHICH THE RULES OF THE ASSOCIATION REQUIRE
20 MEMBERS TO BE ENGAGED.”

21 “SEC. 413-I. UPON THE FILING OF AN APPLICATION FOR
22 REGISTRATION AS A SELF-REGULATORY ORGANIZATION UNDER
23 THIS TITLE, THE COMMISSIONER SHALL HAVE NINETY (90) DAYS
24 WITHIN WHICH TO EITHER GRANT REGISTRATION OR INSTITUTE
25 A PROCEEDING TO DETERMINE WHETHER REGISTRATION
26 SHOULD BE DENIED. IN THE EVENT PROCEEDINGS ARE
27 INSTITUTED, THE COMMISSIONER SHALL HAVE TWO HUNDRED

1 SEVENTY (270) DAYS WITHIN WHICH TO CONCLUDE SUCH
2 PROCEEDINGS AT WHICH TIME HE SHALL, BY ORDER, GRANT OR
3 DENY SUCH REGISTRATION."

4 "SEC. 413-J. EVERY SELF-REGULATORY ORGANIZATION
5 SHALL COMPLY WITH THE PROVISIONS OF THIS CODE, THE
6 RULES AND REGULATIONS THEREUNDER, AND ITS OWN RULES,
7 AND ENFORCE COMPLIANCE THEREWITH BY ITS MEMBERS,
8 PERSONS ASSOCIATED WITH ITS MEMBERS OR ITS PARTICIPANTS,
9 NOTWITHSTANDING ANY PROVISION OF THE CORPORATION
10 CODE TO THE CONTRARY."

11 "SEC. 413-K. EACH SELF-REGULATORY ORGANIZATION
12 SHALL SUBMIT TO THE COMMISSIONER FOR PRIOR APPROVAL
13 ANY PROPOSED RULE OR AMENDMENT THERETO, TOGETHER
14 WITH A CONCISE STATEMENT OF THE REASON AND EFFECT OF
15 THE PROPOSED AMENDMENT.

16 "WITHIN SIXTY (60) DAYS AFTER SUBMISSION OF A
17 PROPOSED AMENDMENT, THE COMMISSIONER SHALL, BY ORDER,
18 APPROVE THE PROPOSED AMENDMENT. OTHERWISE, THE SAME
19 MAY BE MADE EFFECTIVE BY THE SELF-REGULATORY
20 ORGANIZATION.

21 "IN THE EVENT OF AN EMERGENCY REQUIRING ACTION
22 FOR THE PROTECTION OF THE INSURING PUBLIC, A
23 SELF-REGULATORY ORGANIZATION MAY PUT A PROPOSED
24 AMENDMENT INTO EFFECT SUMMARILY: *PROVIDED, HOWEVER,*
25 *THAT A COPY OF THE SAME SHALL BE IMMEDIATELY SUBMITTED*
26 *TO THE COMMISSIONER.*

1 **"THE COMMISSIONER IS FURTHER AUTHORIZED, IF**
2 **AFTER MAKING APPROPRIATE REQUEST IN WRITING TO A**
3 **SELF-REGULATORY ORGANIZATION THAT SUCH ORGANIZATION**
4 **EFFECT ON ITS OWN BEHALF SPECIFIED CHANGES IN ITS RULES**
5 **AND PRACTICES AND, AFTER DUE NOTICE AND HEARING, IT**
6 **DETERMINES THAT SUCH CHANGES HAVE NOT BEEN EFFECTED,**
7 **AND THAT SUCH CHANGES ARE NECESSARY, BY RULE OR**
8 **REGULATION OR BY ORDER, MAY ALTER, ABROGATE OR**
9 **SUPPLEMENT THE RULES OF SUCH SELF-REGULATORY**
10 **ORGANIZATION INSOFAR AS NECESSARY OR APPROPRIATE TO**
11 **EFFECT SUCH CHANGES IN RESPECT OF SUCH MATTERS AS:**

12 **"(A) SAFEGUARDS IN RESPECT OF THE FINANCIAL**
13 **RESPONSIBILITY OF MEMBERS AND ADEQUATE PROVISION**
14 **AGAINST THE EVASION OF FINANCIAL RESPONSIBILITY THROUGH**
15 **THE USE OF CORPORATE FORMS OR SPECIAL PARTNERSHIPS;**

16 **"(B) THE SUPERVISION OF MARKET PRACTICES;**

17 **"(C) THE MANNER, METHOD AND PLACE OF SOLICITING**
18 **BUSINESS;**

19 **"(D) THE FIXING OF REASONABLE RATES OF FEES,**
20 **INTEREST, LISTING AND OTHER CHARGES, BUT NOT RATES OF**
21 **COMMISSION; AND SELF-REGULATORY ORGANIZATION; AND**

22 **"(E) THE SUPERVISION, AUDITING AND DISCIPLINING OF**
23 **MEMBERS.**

24 **"IN ADDITION TO THE GENERAL POWERS OF THE**
25 **COMMISSIONER OVER THE ENTITIES UNDER SUPERVISION, THE**
26 **COMMISSIONER, AFTER DUE NOTICE AND HEARING, IS**
27 **AUTHORIZED, IN THE PUBLIC INTEREST AND TO PROTECT THE**
28 **INSURING PUBLIC:**

1 “(1) TO SUSPEND FOR A PERIOD NOT EXCEEDING TWELVE
2 (12) MONTHS OR TO REVOKE THE REGISTRATION OF A
3 SELF-REGULATORY ORGANIZATION, OR TO CENSURE OR IMPOSE
4 LIMITATIONS ON THE ACTIVITIES, FUNCTIONS AND OPERATIONS
5 OF SUCH SELF-REGULATORY ORGANIZATION, IF THE
6 COMMISSION FINDS THAT SUCH A SELF-REGULATORY
7 ORGANIZATION HAS WILLFULLY VIOLATED OR IS UNABLE TO
8 COMPLY WITH ANY PROVISION OF THIS CODE OR OF THE RULES
9 AND REGULATIONS THEREUNDER, OR ITS OWN RULES, OR HAS
10 FAILED TO ENFORCE COMPLIANCE THEREWITH BY A MEMBER
11 OF, PERSON ASSOCIATED WITH A MEMBER, OR A PARTICIPANT IN
12 SUCH SELF-REGULATORY ORGANIZATION;

13 “(2) TO EXPEL FROM A SELF-REGULATORY ORGANIZATION
14 ANY MEMBER THEREOF OR ANY PARTICIPANT THEREIN WHO IS
15 FOUND TO HAVE WILLFULLY VIOLATED ANY PROVISION OF THIS
16 CODE OR SUSPEND FOR A PERIOD NOT EXCEEDING TWELVE (12)
17 MONTHS FOR VIOLATION OF ANY PROVISION OF THIS CODE OR
18 ANY OTHER LAWS ADMINISTERED BY THE COMMISSION, OR THE
19 RULES AND REGULATIONS THEREUNDER, OR EFFECTED,
20 DIRECTLY OR INDIRECTLY, ANY TRANSACTION FOR ANY PERSON
21 WHO, SUCH MEMBER OR PARTICIPANT HAD REASON TO BELIEVE,
22 WAS VIOLATING IN RESPECT OF SUCH TRANSACTION ANY OF
23 SUCH PROVISIONS; AND

24 “(3) TO REMOVE FROM OFFICE OR CENSURE ANY OFFICER
25 OR DIRECTOR OF A SELF-REGULATORY ORGANIZATION IF IT
26 FINDS THAT SUCH OFFICER OR DIRECTOR HAS VIOLATED ANY
27 PROVISION OF THIS CODE, ANY OTHER LAW ADMINISTERED BY
28 THE COMMISSIONER, THE RULES OR REGULATIONS

1 THEREUNDER AND THE RULES OF SUCH SELF-REGULATORY
2 ORGANIZATION, OR HAS ABUSED HIS AUTHORITY, OR WITHOUT
3 REASONABLE JUSTIFICATION OR EXCUSE HAS FAILED TO
4 ENFORCE COMPLIANCE WITH ANY OF SUCH PROVISIONS.”

5 “SEC. 413-L. (A) A SELF-REGULATORY ORGANIZATION IS
6 AUTHORIZED TO DISCIPLINE A MEMBER OF OR PARTICIPANT IN
7 SUCH SELF-REGULATORY ORGANIZATION, OR ANY PERSON
8 ASSOCIATED WITH A MEMBER, INCLUDING SUSPENDING OR
9 EXPELLING SUCH MEMBER OR PARTICIPANT, OR SUSPENDING OR
10 BARRING SUCH PERSON FROM BEING ASSOCIATED WITH A
11 MEMBER, IF ENGAGED IN ACTS OR PRACTICES INCONSISTENT
12 WITH JUST AND EQUITABLE PRINCIPLES OF FAIRNESS OR
13 IN WILLFUL VIOLATION OF ANY PROVISION OF THIS CODE, ANY
14 OTHER LAW ADMINISTERED BY THE COMMISSION, THE RULES OR
15 REGULATIONS THEREUNDER, OR THE RULES OF THE
16 SELF-REGULATORY ORGANIZATION. IN ANY DISCIPLINARY
17 PROCEEDING BY A SELF-REGULATORY ORGANIZATION (OTHER
18 THAN A SUMMARY PROCEEDING PURSUANT TO PARAGRAPH (B)
19 OF THIS SECTION) THE SELF-REGULATORY ORGANIZATION
20 SHALL BRING SPECIFIC CHARGES, PROVIDE NOTICE TO THE
21 PERSON CHARGED, AFFORD THE PERSON CHARGED WITH AN
22 OPPORTUNITY TO DEFEND AGAINST THE CHARGES, AND KEEP A
23 RECORD OF THE PROCEEDINGS. A DETERMINATION TO IMPOSE A
24 DISCIPLINARY SANCTION SHALL BE SUPPORTED BY A WRITTEN
25 STATEMENT OF THE OFFENSE, A SUMMARY OF THE EVIDENCE
26 PRESENTED AND A STATEMENT OF THE SANCTION IMPOSED.

1 “(B) A SELF-REGULATORY ORGANIZATION MAY
2 SUMMARILY: (1) SUSPEND A MEMBER, PARTICIPANT OR PERSON
3 ASSOCIATED WITH A MEMBER WHO HAS BEEN OR IS
4 EXPELLED OR SUSPENDED FROM ANY OTHER SELF-REGULATORY
5 ORGANIZATION; OR (2) SUSPEND A MEMBER WHO THE
6 SELF-REGULATORY ORGANIZATION FINDS TO BE IN SUCH
7 FINANCIAL OR OPERATING DIFFICULTY THAT THE MEMBER OR
8 PARTICIPANT CANNOT BE PERMITTED TO CONTINUE TO
9 DO BUSINESS AS A MEMBER WITH SAFETY TO INVESTORS,
10 CREDITORS, OTHER MEMBERS, PARTICIPANTS OR THE
11 SELF-REGULATORY ORGANIZATION: *PROVIDED*, THAT THE
12 SELF-REGULATORY ORGANIZATION IMMEDIATELY NOTIFIES THE
13 COMMISSION OF THE ACTION TAKEN. ANY PERSON AGGRIEVED
14 BY A SUMMARY ACTION PURSUANT TO THIS PARAGRAPH SHALL
15 BE PROMPTLY AFFORDED AN OPPORTUNITY FOR A HEARING BY
16 THE ASSOCIATION IN ACCORDANCE WITH THE PRECEDING
17 PARAGRAPH. THE COMMISSIONER, BY ORDER, MAY STAY A
18 SUMMARY ACTION ON HIS OWN OR UPON APPLICATION BY ANY
19 PERSON AGGRIEVED THEREBY, IF THE COMMISSIONER
20 DETERMINES SUMMARILY OR AFTER DUE NOTICE AND HEARING
21 (WHICH HEARING MAY CONSIST SOLELY OF THE SUBMISSION OF
22 AFFIDAVITS OR PRESENTATION OF ORAL ARGUMENTS), THAT A
23 STAY IS CONSISTENT WITH THE PUBLIC INTEREST AND THE
24 PROTECTION OF THE INSURING PUBLIC.

25 “(C) A SELF-REGULATORY ORGANIZATION SHALL
26 PROMPTLY NOTIFY THE COMMISSION OF ANY DISCIPLINARY
27 SANCTION ON ANY MEMBER THEREOF OR PARTICIPANT THEREIN,
28 ANY DENIAL OF MEMBERSHIP OR PARTICIPATION IN SUCH

1 ORGANIZATION, OR THE IMPOSITION OF ANY DISCIPLINARY
2 SANCTION ON A PERSON ASSOCIATED WITH A MEMBER OR A BAR
3 OF SUCH PERSON FROM BECOMING SO ASSOCIATED. WITHIN
4 THIRTY (30) DAYS AFTER SUCH NOTICE, ANY AGGRIEVED PERSON
5 MAY APPEAL TO THE COMMISSIONER FROM, OR THE
6 COMMISSIONER ON ITS OWN MOTION WITHIN SUCH PERIOD,
7 MAY INSTITUTE REVIEW OF, THE DECISION OF THE
8 SELF-REGULATORY ORGANIZATION, AT THE CONCLUSION OF
9 WHICH, AFTER DUE NOTICE AND HEARING (WHICH MAY CONSIST
10 SOLELY OF REVIEW OF THE RECORD BEFORE THE SELF-
11 REGULATORY ORGANIZATION), THE COMMISSIONER SHALL
12 AFFIRM, MODIFY OR SET ASIDE THE SANCTION. IN SUCH
13 PROCEEDING, THE COMMISSIONER SHALL DETERMINE
14 WHETHER THE AGGRIEVED PERSON HAS ENGAGED OR OMITTED
15 TO ENGAGE IN THE ACTS AND PRACTICES AS FOUND BY THE
16 SELF-REGULATORY ORGANIZATION, WHETHER SUCH ACTS AND
17 PRACTICES CONSTITUTE WILLFUL VIOLATIONS OF THIS CODE,
18 ANY OTHER LAW ADMINISTERED BY THE COMMISSION, THE
19 RULES OR REGULATIONS THEREUNDER, OR THE RULES OF THE
20 SELF-REGULATORY ORGANIZATION AS SPECIFIED BY SUCH
21 ORGANIZATION, WHETHER SUCH PROVISIONS WERE APPLIED IN A
22 MANNER CONSISTENT WITH THE PURPOSES OF THIS CODE, AND
23 WHETHER, WITH DUE REGARD FOR THE PUBLIC INTEREST AND
24 THE PROTECTION OF INVESTORS, THE SANCTION IS EXCESSIVE
25 OR OPPRESSIVE.”

26 SEC. 71. Section 414 of Title 1 of Chapter VIII of the Insurance Code
27 hereby amended to read as follows:

1 “SEC. 414. THE INSURANCE COMMISSIONER SHALL BE
2 APPOINTED BY THE PRESIDENT OF THE REPUBLIC OF THE
3 PHILIPPINES FOR A TERM OF SIX (6) YEARS WITHOUT
4 REAPPOINTMENT AND WHO SHALL SERVE AS SUCH UNTIL THE
5 SUCCESSOR SHALL HAVE BEEN APPOINTED AND QUALIFIED. IF
6 THE INSURANCE COMMISSIONER IS REMOVED BEFORE THE
7 EXPIRATION OF HIS TERM OF OFFICE, THE REASON FOR THE
8 REMOVAL MUST BE PUBLISHED.

9 “The Insurance Commissioner shall have the duty to see that
10 all laws relating to insurance, insurance companies and other
11 insurance matters, mutual benefit associations, and trusts for
12 charitable uses are faithfully executed and to perform the duties
13 imposed upon him by this Code, and shall, notwithstanding any
14 existing laws to the contrary, have sole and exclusive authority to
15 regulate the issuance and sale of variable contracts as defined in
16 section two hundred thirty-two HEREOF and to provide for the
17 licensing of persons selling such contracts, and to issue such
18 reasonable rules and regulations governing the same.

19 “The Commissioner may issue such rulings, instructions,
20 circulars, orders and decision as [he] may BE deemed necessary to
21 secure the enforcement of the provisions of this Code, TO ENSURE
22 THE EFFICIENT REGULATION OF THE INSURANCE INDUSTRY IN
23 ACCORDANCE WITH GLOBAL BEST PRACTICES AND TO PROTECT
24 THE INSURING PUBLIC [subject to the approval of the Secretary of
25 Finance]. Except as otherwise specified, decisions made by the
26 Commissioner shall be appealable to the Secretary of Finance.

27 “IN ADDITION TO THE FOREGOING, THE COMMISSIONER
28 SHALL HAVE THE FOLLOWING POWERS AND FUNCTIONS:

1 “(A) FORMULATE POLICIES AND RECOMMENDATIONS ON
2 ISSUES CONCERNING THE INSURANCE INDUSTRY, ADVISE
3 CONGRESS AND OTHER GOVERNMENT AGENCIES ON ALL
4 ASPECTS OF THE INSURANCE INDUSTRY AND PROPOSE
5 LEGISLATION AND AMENDMENTS THERETO;

6 “(B) APPROVE, REJECT, SUSPEND OR REVOKE LICENSES OR
7 CERTIFICATES OF REGISTRATION PROVIDED FOR BY THIS CODE;

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

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

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

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

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

25 “(H) COMPEL THE OFFICERS OF ANY REGISTERED
26 INSURANCE CORPORATION OR ASSOCIATION TO CALL MEETINGS
27 OF STOCKHOLDERS OR MEMBERS THEREOF UNDER ITS
28 SUPERVISION;

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

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

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

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

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

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

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

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

13 “EXCEPT FOR GROSS NEGLIGENCE OR MISCONDUCT, THE
14 COMMISSIONER, DEPUTY COMMISSIONER, OFFICERS OR
15 EMPLOYEES OF THE COMMISSION SHALL BE EXEMPT FROM, AND
16 SHALL NOT BE HELD LIABLE FOR, ANY ACTION OR SUIT IN
17 CONNECTION WITH OR RELATED TO THE PERFORMANCE OF
18 THEIR DUTIES AND FUNCTIONS AS PROVIDED FOR IN THIS ACT,
19 THE INSURANCE CODE OF 1978, AS AMENDED, CIRCULARS OR
20 RULES AND REGULATIONS PROMULGATED BY THE COMMISSION
21 OR OTHER APPLICABLE LAWS AND PERTINENT RULES AND
22 REGULATIONS. THE COMMISSION SHALL INDEMNIFY THE
23 COMMISSIONER, DEPUTY COMMISSIONER, OFFICERS OR
24 EMPLOYEES OF THE COMMISSION PERFORMING SUCH DUTIES
25 AND FUNCTIONS, FOR ALL COSTS AND EXPENSES REASONABLY
26 INCURRED IN CONNECTION WITH ANY CIVIL OR CRIMINAL

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

6 “THE COSTS AND EXPENSES INCURRED IN DEFENDING THE
7 AFOREMENTIONED ACTION, SUIT OR PROCEEDING MAY BE PAID
8 BY THE COMMISSIONER IN ADVANCE OF THE FINAL DISPOSITION
9 OF SUCH ACTION, SUIT OR PROCEEDING UPON RECEIPT OF AN
10 UNDERTAKING BY OR ON BEHALF OF THE COMMISSIONER,
11 DEPUTY COMMISSIONER, OFFICERS OR EMPLOYEES TO REPAY
12 THE AMOUNT ADVANCED SHOULD IT ULTIMATELY BE
13 DETERMINED BY THE COMMISSION THAT THE PERSON ENTITLED
14 TO BE INDEMNIFIED AS PROVIDED IN THIS SECTION.”

15 SEC. 72. Section 415 of Title 1 of Chapter VIII of the Insurance Code
16 is hereby amended to read as follows:

17 “SEC. 415. In addition to the administrative sanctions
18 provided elsewhere in this Code, the Insurance Commissioner is
19 hereby authorized, at his discretion, to impose upon insurance
20 companies, their directors' and/or officers and/or agents, for any
21 willful failure or refusal to comply with, or violation of any
22 provision of this Code, or any order, instruction, regulation, or
23 ruling of the Insurance Commissioner, or any commission of
24 irregularities, and/or conducting business in an unsafe or unsound
25 manner as may be determined by the Insurance Commissioner, the
26 following:

1 “(a) fines OF not LESS THAN FIVE THOUSAND PESOS AND
2 NOT MORE THAN TWO HUNDRED THOUSAND PESOS [in excess of
3 five hundred pesos a day]; and

4 “(b) suspension, or after due hearing, removal of directors
5 and/or officers and/or agents.”

6 SEC. 73. Section 416, first paragraph, of the Insurance Code, as
7 amended, is hereby further amended to read as follows:

8 “SEC. 416. The Commissioner shall have the power to
9 adjudicate claims and complaints involving any loss, damage or
10 liability for which an insurer may be answerable under any kind of
11 policy or contract of insurance, or for which such insurer may be
12 liable under a contract of suretyship, or for which a reinsurer may
13 be sued under any contract of reinsurance it may have entered into,
14 or for which a mutual benefit association may be held liable under
15 the membership certificates it has issued to its members, where the
16 amount of any such loss, damage or liability, excluding interests,
17 cost and attorney’s fees, being claimed or sued upon any kind of
18 insurance, bond, reinsurance contract, or membership certificate
19 does not exceed in any single claim one [hundred thousand]
20 MILLION pesos.

21 “x x x.”

22 SEC. 74. Section 419 of the Insurance Code is hereby amended to read
23 as follows:

24 “SEC. 419. Any person, company or corporation subject to
25 the supervision and control of the Commissioner who violates any
26 provision of this Code, for which no penalty is provided, shall be

1 deemed guilty of a penal offense, and upon conviction be punished
2 by a fine not exceeding [ten] TWO HUNDRED thousand pesos or
3 imprisonment of six months, or both, at the discretion of the court.

4 "If the offense is committed by a company or corporation, the
5 officers, directors, or other persons responsible for its operation,
6 management, or administration, unless it can be proved that they
7 have taken no part in the commission of the offense, shall likewise
8 be guilty of a penal offense, and upon conviction be punished by a
9 fine not exceeding [ten] TWO HUNDRED thousand pesos or
10 imprisonment of six months, or both, at the discretion of the court."

11 SEC. 75. This Act shall take effect upon its approval.

Approved,

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