

AN ACT TO CREATE AND ESTABLISH A GOVERNMENT SERVICE INSURANCE SYSTEM; TO PROVIDE FOR ITS ADMINISTRATION AND TO APPROPRIATE THE NECESSARY FUNDS THEREFOR.

Commonwealth Act No. 186, November 14, 1936

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/39ae9ffa71eb/>

Be it enacted by the National Assembly of the Philippines:

SECTION 1. Title. - The short title of this Act shall be the "Government Service Insurance Act"

SEC. 2. Definitions.—When used in this Act, the following terms shall, unless the context otherwise indicates, have the following respective meanings:

- "Employee" shall mean any person in the service of the Government of the Commonwealth of the Philippines, its subdivisions, agencies and instrumentalities, including an enlisted man or officer of the Regular Force, Philippine Army, possessing either temporary or permanent civil service status.
- "Board" and "System" shall mean respectively, the "Government Service Insurance Board" and the "Government Service Insurance System" created and established in this Act.
- "Salary, pay, or compensation" shall be so construed as to exclude all bonuses, "fogey," allowances, and overtime pay, or salary, pay or, compensation given in addition to the base pay of the position or rank as fixed by law or regulations.
- "Member" shall mean any employee who is admitted into the Government Service Insurance System in accordance with the provisions of section four hereof.
- "Life insurance" shall mean any form of insurance on life authorized herein, such as limited payment life, endowment, etc.
- "Membership policy" shall mean a life insurance policy for an amount, the annual premium of which is equivalent to six per centum of an employee's basic annual salary or compensation, except that in the case of members of the Regular Force, Philippine Army, the basic premium shall be five per centum of their annual salary or compensation.

SEC. 3. Establishment of Government Service Insurance System.—In order to promote the efficiency and welfare of the employees of the Government of the Philippines and to replace the present pension systems established in Acts Numbered Sixteen hundred and thirty-eight, Thirty hundred and fifty, and Thirty-one hundred and seventy-three, as amended, there is hereby established an institution to be known as the "Government Service Insurance System."

All personnel, facilities, equipment, and leases, and all records, files, correspondence, and other papers of the liquidated pension funds above referred to, as well as all their respective funds, properties, and assets, including their contracts and other obligations and instruments, which under the provisions of the several acts prescribing

for the liquidation of said funds are applicable to the payment of premiums on the insurance policies as herein provided, are hereby transferred to and made a part of the "Government Service Insurance System," to be administered and disposed of by the Government Service Insurance Board herein created and established, subject to the provisions of this Act and of those Acts providing for the liquidation of said funds.

SEC. 4. Scope of application of System.—Regular membership in the system shall be compulsor upon—

- All regularly and permanently appointed employee of the Government of the Commonwealth;
- All regular and permanent employees of the National Assembly;
- All members of the judiciary;
- All officers and enlisted men of the Regular Force, Philippine Army;
- All regular and permanent employees of the Metropolitan Water District;
- Regular and permanent employees of other Government boards or agencies, except the University of the Philippines and the Government-owned or controlled business corporations; and
- Those subject to the provisions of Act Numbered Thirty hundred and fifty, as amended, excluding the persons employed to take the place of teachers on maternity or sick leave, or otherwise employed temporarily: Provided, That any provincial, city or municipal government, or the University of the Philippines or any other corporation owned or controlled by the Government, shall have the option of joining the System, and if it so joins, the membership shall be compulsory upon all its permanent and regular employees, and it shall pay its share of the contribution of three per centum per annum of its employees' basic annual salaries or compensation, plus the extra premiums, if any, due to extra hazards of the member's occupation: Provided, further, That it shall be compulsory for the municipal, city and provincial governments to pay the required government contributions corresponding to the employees now subject to the provisions of Act Numbered Three thousand and fifty, as amended: And provided, finally, That membership shall not include (a) officers or personnel detailed from the Army, the Navy, or the Civil Service of the United States, and (b) employees who are not citizens of the United States or of the Philippines.

SEC. 5. Membership contributions.—Beginning on the last day of the sixth month following the date on which this Act shall take effect or following the date of the member's appointment, commission, or enlistment, if this be a later date, and monthly thereafter, there shall be deducted and withheld from the monthly salary or compensation of each member of the System, three per centum of such monthly salary or compensation and five per centum in case of officers and enlisted men of the Regular Force, Philippine Army, to be applied to the payment of the unpaid premiums of the membership policy issued to such member under the provisions of this Act: Provided, however, That in the case of members who are entitled to credits resulting from the liquidation of any of the pension systems referred to in section three of this Act, only such deductions shall be made as may be found necessary by the Board, due consideration being taken of such arrangement as the said Board may have made in the application of said credits to any insurance policy obtained under the provisions of this Act. A member may pay in advance the total premium on his policy in a lump sum or in partial amount thereof, greater than the salary deductions herein provided, which may be acceptable to the A member no longer in the service shall make his payments directly to the System. All deductions and payments made as herein provided, shall be paid and delivered to the System and the latter shall credit the same to the individual account of the paying member.

SEC. 6. Government contribution.—Beginning with the year nineteen hundred and thirty-seven, and annually thereafter, there shall be included in the total sums appropriated for salary or compensation of each regular

member in the National Government service, except officers and enlisted men of the Philippine Army, an amount equivalent to three per centum of his basic salary or compensation, plus the extra premium on his membership policy due to extra hazards of his occupation, as the Government's contribution for the payment of the premiums on the insurance of its employees as provided in this Act: Provided, That at the termination of maturity of the membership policy, the Government's contributions shall cease unless the member acquires a new membership policy, which, however, shall be granted only upon satisfactory evidence of insurability and upon payment by him of all extra premiums that may be required by such new policy: And provided, further. That if a member is transferred from one branch. office. or agency of the Government to another, the former shall be relieved of paying further for such member its contributions, which the latter in turn shall assume and continue to pay, appropriating therefor the necessary amounts.

The appropriation for this purpose for the year nineteen hundred and thirty-seven shall be in an amount equal to the total estimated deductions from the basic salary or compensation of each such regular member as authorized in section five hereof. The Metropolitan Water District and all the Government boards or agencies subject to compulsory membership under the provisions of section four herein, shall, for the same purpose, also provide in their annual appropriations the necessary amounts for their contributions to the System on the basis of three per centum of the basic salary or compensation of their permanent employees, plus the corresponding extra premiums due to extra hazards, if there be any. Provincial, city, and municipal governments, the corporations owned or controlled by the Government, and the University of the Philippines shall, likewise, appropriate annually, if they join the System, an amount equivalent to three per centum of the basic salary or pay of their respective permanent employees, plus the corresponding extra premiums due to extra hazards if there be any. The said provincial, city, and municipal governments shall, likewise, appropriate the necessary amounts for their contribution to the compulsory insurance of their respective employees under the System, as provided in section four hereof. Likewise, such portion of the annual appropriation for the Philippine Army as may be necessary for the payment of extra premiums on the membership policies of officers and enlisted men thereof shall be transferred monthly to the System for the purposes provided herein.

SEC. 7. Additional contributions.—The Board is hereby authorized and empowered, in carrying out the provisions of this Act, to supplement the individual contributions of members with moneys received in the form of donations, gifts, legacies, or bequests, or otherwise, and to receive and deposit to the credit of the System, and invest all moneys which may be donated by private individuals, organizations, or corporations.

SEC. 8. Membership insurance.—Effective on the last day of the sixth month following the date on which this Act shall take effect or following the date of the inember' B appointment, commission, or enlistment, if this be a later date, each officer or enlisted man of the Regular Force,

Philippine Army, shall be automatically insured and granted the corresponding membership policy for an amount the annual premium of which is equivalent to five per centum of his current basic annual salary, and any other regular member of the System, for an amount the annual premium of which is equivalent to six per centum of his basic current annual salary: Provided, however, That in the case of an increase in the amount of the six per cent contribution made by and for a member, the face value of his policy shall be increased by an amount corresponding to said increase, computed by the Board on the basis of the remaining period of the policy and of other conditions and contingencies affecting the risk and value thereof.

SEC. 9. Effect of dismissal or separation from service.— Upon dismissal for cause of a member of the^ysteinTthe benefits under his membership policy shall be automatically forfeited to the System, except one-half of the cash or surrender value, which amount shall be paid to such member, Or in case of death, to his beneficiary. In other cases of separation before maturity of a policy, the Government contributions shall cease, and the.insured member shall

have the following options: (a) to collect the cash surrender value of the policy; or (b) to continue the policy by paying the full premiums thereof; or (c) to obtain a paid up or extended term insurance in such amount or period, respectively, as the paid premiums may warrant, in accordance with the conditions contained in said policy; or (d) to avail himself of such other options as may be provided in the policy.

SEC. 10. Optional insurance.—Upon application to the Board and on satisfactory evidence of insurability, each member may obtain, at any time, additional life insurance as he may desire, subject to the provisions of sections four-teen hereof: Provided, That the amount of said additional life insurance shall be in multiple of one hundred pesos and that its aggregate amount shall not exceed an amount (to the nearest hundred pesos) equal to one-half of his current annual salary: And provided, further, That the full amount of the premiums on such additional insurance shall be paid by said member, and the amount thereof may be deducted from his pay or compensation, when expressly authorized by him.

SEC. 11. Special rights attached to policy.—All policies issued under the provisions of this Act shall be assignable to the System and shall be entitled to participation in the surplus, as provided in section twenty-two hereof, and shall continue in force, except as otherwise provided herein, whether the member is in or out of the service, so long as he complies with the provisions and conditions thereof. Such policies and the proceeds thereof shall be exempt from all taxes.

SEC. 12. Additional requirements.—No policy of life insurance shall be issued or delivered unless and until a copy of the form thereof has been filed with the Insurance Commissioner and approved by him; nor shall such policy be so issued or delivered unless it contains in substance the provisions embodied in section one hundred eighty-four of Act Numbered Twenty-four hundred and twenty-seven, as amended: Provided, however, That in the case of annuity or pure endowment contracts, any of such provisions or portions thereof that are not applicable to said contracts shall, to that extent, not be incorporated therein. SEC. 13. Administration of System; the Government Service Insurance Board.—The administration of the Government Service Insurance System shall be vested in a Board to be known as the "Government Service Insurance Board." to consist of five members to be appointed by the President of the Philippines with the consent of the Commission on Appointments of the National Assembly, three of whom shall be members of the System. The Board shall elect from among its members a Chairman and a Vice-Chairman, who shall each serve until his successor is elected and qualified. The members of the Board first appointed shall hold office as follows: one for one year, two for two years, and two for three years. At the expiration of their respective terms, a successor shall be appointed for the term of three years from the date of such expiration. All vacancies, except through expiration of the term, shall be filled for the unexpired term only. The members of the Board shall devote to its business such time and shall receive such compensation not in excess of ten thousand pesos or per diems as the President of the Philippines may fix from time to time not exceeding in any case twenty pesos for each day of attendance to session. The Board shall be under the administrative supervision of the Secretary of Finance.

SEC. 14. General powers of Board.—For the purposes of this Act. the Board shall have the powers and privileges of a corporation, and as such may sue and be sued.

The Board shall also have the power to adopt rules and regulations for the administration of the System and the transaction of its business; with the approval of the Secretary of Finance, to adopt from time to time its budget of expenditures including salaries of personnel, and to appropriate annually from the funds of the System such amount as may be necessary to meet the same; to prescribe the forms of life insurance and annuity to be issued to the members of the System, and taking into consideration the health, occupation, and age of the applicant, to fix the premium rates, conditions, and provisions thereof, whether of general or special application, and to authorize the issuance thereof when so determined: Provided, That the compulsory membership insurance shall be of

general application and granted to all members without need of medical examination. These rates, regulations, and tables may be changed at any time if, in the judgment of the Board, such changes appear advisable: Provided, however, That no changes shall be made that will affect adversely any life insurance policy already issued.

No member of the Board shall directly or indirectly take part in any investigation, deliberation, or proceeding when such member is an interested party or when his own application is under consideration by the Board, except in connection with loans on the security of his policy.

SEC. 15. Personnel.—Subject to the Civil Service rules applicable in each case, the Board shall, with the approval of the Secretary of Finance, appoint such technical assistants and personnel as may be needed for the proper enforcement of the provisions of this Act, and prescribe their duties and fix their salary or compensation.

SEC. 16. Records and reports.—The Board shall cause to be kept such records as may be required for the purpose of making actuarial valuations of the System, including such data necessary in the computation of rates or disability, mortality, and withdrawal among the members and any other information that may be useful for the adjustment of the insurance plan for the members of the System. Records of operations of the System and of disbursements for the same and all accounts of payments made out of the said fund shall, likewise, be made and kept by the Board.

During the month of April of each year, the Board shall submit to the Secretary of Finance, who shall furnish a copy thereof to the President of the Philippines, and to the National Assembly, a report of operations of the preceding year under the provisions of this Act. It shall also cause to be posted on the bulletin board of each bureau, department, and independent office of the Government a synopsis of the annual report, showing in particular the financial status of the System.

SEC. 17. Auditing and legal service.—The Auditor General and the Secretary of Justice shall be the ex officio Auditor and Legal Adviser of the System, respectively. The Auditor General, or his authorized representative, shall submit to the Board soon after the close of each fiscal year, audited statements showing the financial condition and progress of the System for the fiscal year just closed, and the Actuary shall make, as of the end of each fiscal year, an actuarial examination and valuation of the System.

SEC. 18. Physical examinations.—For the proper enforcement of the provisions of this Act, all heads of bureaus, departments, and independent offices of the Philippine Government having physicians are hereby directed to conduct physical examinations of all employees subject to the provisions of this Act in such forms as may be prescribed and at such times as may be requested by the Board. Such physicians shall also lend such assistance as may be requested by the "Board in connection with the settlement of any claim covered by the terms of any policy issued here-under.

SEC. 19. Investment of funds.—The Board shall invest directly or through the National Loan and Investment

Board, created by Commonwealth Act Numbered Seven, as amended, upon such terms and conditions as may be agreed upon between them, such portions of the moneys as shall not be required to meet the current payments in the form of life annuities, death claims, or otherwise, and expenses incidental to the carrying out of the provisions of this Act, in any or all of the following ways and in no others:

- In interest-bearing bonds or securities of the Government of the United States or of the Philippines, or bonds or securities of said countries for the payment of the interest and principal of which the faith and credit of said countries are pledged.
- In interest-bearing deposits in any bank doing business in the United States or in the Philippines, having an

unimpaired paid up capital and surplus equivalent to one million five hundred thousand pesos or over: Provided, That said bank shall first have been designated as a depository for this purpose by the President, upon the recommendation of the Secretary of Finance.

- In first liens upon improved and unencumbered real estate situated in the City of Manila or adjacent municipalities, or in the Cities of Baguio, Iloilo, Cebu, Davao, Zamboanga, or in other cities that may be created by law, title to which is duly registered under Act Numbered Four hundred and ninety-six, as amended: Provided, That no loan shall be made upon the security of real estate in excess of fifty per centum of the fair appraised value thereof to be determined in such manner as the Board shall prescribe: And provided, finally, That no loan shall be made for a period exceeding ten years, and that not more than seventy per centum of the total assets shall be invested in loans on the security of real estate.

- In commuting installment payments due from the Government of the Philippines to individuals upon the proper assignment of the individual's claim to the System.

- In loans to provincial and municipal governments for the construction or acquisition of permanent public improvements, subject to the following conditions: That no loans shall be granted to a province or chartered city in excess of one hundred and fifty thousand pesos, to a municipality in excess of fifty thousand pesos; that loans shall be repaid in installments within ten years, with at least four per centum interest; that in case of default, the Collector of Internal Revenue and the provincial treasurer are authorized and directed to withhold from the revenue[^] of the municipality, city or province concerned such amounts as may be needed to pay the installments and interest due, and remit the same to the Board; that no loan or the interest thereon shall be remitted under any consideration; and that no loan shall be granted unless the municipality, city, or province concerned shall have first demonstrated its capacity to pay the same within the time required for such payment.

Loans to local governments as provided herein may be renewed in the discretion of the Board for a period not exceeding ten years, and in case of renewal, the amount due at the time of such renewal shall be paid in not more than ten annual installments under the same conditions specified in the preceding paragraph: Provided, That such loans shall be granted only under the conditions to be prescribed by the Board. (f) In loans or advances to the Insular Government for the construction of permanent toll bridges in accordance with the conditions prescribed in the law in such cases made and provided.

- In loans to members on the security of their policies: Provided, That no loan on the security of a membership policy shall be granted in excess of fifty per centum of its cash value, except for the purpose of continuing it in force, whenever necessary.

- And, generally, in such other loans or securities as may be approved by the Insurance Commissioner.

SEC. 20. Foreclosure—The Board shall have the right to require the debtor to increase the value of the security of the loan obtained by him in the event of any material depreciation in the value of such security, and failure to comply therefor within ninety days from the date of said requirement, would constitute ground for foreclosure of " the mortgage. It shall also make proper provisions for the insurance of all property which shall be held by it as security. All such real estate as may come into its possession on account of money loaned as shall not be necessary for the accommodation of the Government Service Insurance System in the convenient transaction of its business shall be sold and disposed of within five years after title to the same shall have been acquired, or within five years after the same shall have ceased to be necessary for the accommodation of the business of the System, and it shall not hold such property for a longer period unless the interests of the System will materially suffer by the forced sale thereof.

SEC. 21. Accounts to be maintained.—The Board shall keep, among other accounts, the following:

- Insurance Fund, to consist of the amount necessary to meet death claims as they may arise or such equities as any member may be entitled to. under the conditions of his policy, and to establish the required reserve to the end of guaranteeing the fulfillment of the contracts issued by the System. Said reserve shall be computed yearly in accordance with approved valuation standards and with an interest rate of not higher than four per centum per annum.
- Annuity Fund, to consist of the amount necessary to meet annuity payments and to establish the required reserves to the end of guaranteeing the fulfillment of the contracts issued by the System. Said reserves shall be determined yearly on such mortality tables, with an interest rate of not higher than four per centum per annum, as shall be adopted by the Board.
- Trust Fund, to consist of members' proceeds of life insurance and annuity left to accumulate at interest.
- Contingency Reserve Fund, to consist of such portion of the surplus as may be set aside each year by the Board pursuant to section twenty-two hereof and of the moneys mentioned in section seven hereof: Provided, That it shall not exceed ten per centum of the main reserves of the System.
- General Fund, to consist of the amounts that may be appropriated by the Government as provided in sections twenty-four and twenty-five hereof and of such amounts as may be set aside by the Board from the surplus, to meet the expenses incidental to the enforcement of the provisions of this Act.

The Government of the Commonwealth of the Philippines hereby guarantees the fulfillment of the obligations of the Government Service Insurance System to the members thereof when and as they shall become due.

SEC. 22. Disposable surplus.—Any disposable surplus that may result from the operation of the System due to earnings from investments and mortality savings shall be apportioned annually among the members of the System in accordance with the schedule prepared by the Actuary and approved by the Board. The disposable surplus shall be that amount left after the mean reserves of the policies in force, the expenses incidental to the operation of the System, and other liabilities of the System have been determined and satisfied and any contingency reserve set aside by the Board.

SEC. 23. Exemptions from legal process and liens.—No policy of life insurance issued under this Act, or the proceeds thereof, except those corresponding to the annual premium thereon in excess of five hundred pesos per annum, when paid to any member thereunder, shall be liable to attachment, garnishment, or other process, or to be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay any debt or liability of such member, or his beneficiary, or any other person who may have a right thereunder, either before or after payment; nor shall the proceeds thereof when not made payable to a named beneficiary, constitute, a part of the estate of the member for payment of his debts.

SEC. 24. Appropriations.—There is hereby appropriated, and annually thereafter, out of any fund in the Philippine Treasury not otherwise appropriated, including special funds, such sums as may be necessary for the year nineteen hundred and thirty-seven and each succeeding year to cover the three per centum contributions of basic annual salaries or compensation of regular members of the System in the service of the National Government, except officers and enlisted men of the Regular Force, Philippine Army, and the corresponding extra premiums on their membership policies: Provided, however, That the extra premiums on the membership policies of officers and enlisted men of the Regular Force, Philippine Army, shall be paid from the sum appropriated for the aid to the Philippine Army Pension Fund for nineteen hundred thirty-seven, and annually thereafter, from the annual appropriations for the Philippine Army: And provided, further, That in the case of regular members of the System,

whose salaries or compensations are paid from special funds, the required Government contributions and extra premiums, if any, shall be paid from said funds. There is, likewise, hereby appropriated out of any fund in the Philippine Treasury not otherwise appropriated, the sum of two hundred thousand pesos for expenses incidental to the establishment and operation of the Government Service Insurance System created and established herein.

SEC. 25. Applicability of other laws to System.—Except as herein otherwise provided, the Government Service Insurance System shall not be subject to the provisions of Act Numbered Twenty-four hundred and twenty-seven as amended, and Act Numbered Twenty-eight hundred and thirty-three, as amended, and no law hereafter enacted shall apply to said System unless it is otherwise expressly provided therein.

SEC. 26. Effective date.—This Act shall take effect upon its approval.

Approved, November 14, 1936.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.