

AMENDING FURTHER CERTAIN SECTIONS OF ACT NUMBERED TWO THOUSAND FOUR HUNDRED TWENTY-SEVEN, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE ACT;

PRESIDENTIAL DECREE NO. 123, January 29, 1973

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WHEREAS, it is the policy of the Government to promote and develop a strong and stable insurance industry and to provide a favorable climate for its integration in all phases of the country's economic and social development;

WHEREAS, in line with this policy, there is an urgent need to ensure and maintain the liquidity of insurance companies doing business in the Philippines and to coordinate their investment and credit policies with that of the Government having due regard to the principles adopted by both the monetary and fiscal authorities; and

WHEREAS, the recommendations contained in the report on the financial system which have been accepted, with certain modifications, by the monetary authorities, included among others, certain proposals geared toward ensuring the liquidity of insurance companies doing business in the Philippines;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree the amendment of Act No. 2427, as amended, as follows:

SECTION 1. Section one hundred eighty-four, subsection (g) of Act Numbered Two thousand four hundred twenty-seven is hereby amended to read as follows:

"SEC. 184 (g). A provision that after three full years' premiums have been paid, the company at any time, while the policy is in force, will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest, a sum equal to, or at the option of the owner of the policy less than, the reserve at the end of the current policy year on the policy and of any dividend additions thereto, less a sum not more than two and one-half per centum of the amount insured by the policy and of any dividend additions thereto; that the company will deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year; which provision may further provide that such loan may be deferred for not exceeding six months after the application therefor is made, and that, whenever an increase in the interest rate ceiling is prescribed by the Monetary Board, the rate of interest specified in policy contracts issued after the approval of this Act may, upon written notice to the insured, be increased by the company to a rate not exceeding that prescribed by the Monetary Board: Provided, That any such increase is made with the prior approval of the Insurance Commissioner. A company may, in lieu of the provisions hereinabove permitted for the deduction from a loan on the policy of a sum not more than two and one-half per centum of the amount insured by the policy, and of any dividend additions thereto, insert in the policy a provision that one-fifth of the entire reserve may be deducted in case of a loan under the policy, or may provide therein that the deduction may be the said two and one-half per centum or the one-fifth of the said entire reserve at the option of the company: Provided, however, That nothing in this Act shall be considered as compelling any insurance

company to loan on any policy an amount in excess of the death benefit of such policy, and one-half of the difference between the benefit in case of death and the benefit in case of survival of the policy holder."

SEC. 2. Section one hundred ninety-seven of the same Act is hereby amended to read as follows:

"SEC. 197. No insurance corporation shall loan any of its money or deposits to any person, corporation or association, except upon first mortgages or deeds of trust of unencumbered, improved or unimproved real estate, in cities and centers of population of municipalities in the Philippines when the amount of such loan is not in excess of sixty per centum of the market value of such real estate; or upon the security of first mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural lands in the Philippines when the amount of such loans is not in excess of forty per centum of the market value of such kind; or upon the purchase of money mortgages or like securities received by it upon the sale or exchange of real property acquired pursuant to Section two hundred or Section two hundred-A of this Act; or upon bonds or other evidences of debt of the Government of the Philippines or its political subdivisions authorized by law to issue bonds, or upon bonds or other evidences of debt of government-owned or controlled corporations and instrumentalities including the Central Bank; or upon obligations issued or guaranteed by the International Bank for Reconstruction and Development; or upon stocks, bonds or other evidences of debt as are specified in Section two hundred of this Act: provided, however, That a life insurance corporation may lend to any of its policyholders upon the security of the value of its policy a sum not exceeding the legal reserve which it is required to maintain thereon: Provided, further, That no loan upon the security of real estate shall have a maturity in excess of twenty years: And, provided, finally, And where such loans upon the security of real estate are granted for a period longer than five years, payments thereof shall be made in monthly, quarterly, semi-annual or annual installments."

SEC. 3. The same Act is further amended by adding the following sections immediately after Section two hundred-B thereof to read as follows:

"SEC. 200-C. Insurance companies may (1) invest in equities of other financial institutions, and (2) engage in buying and selling of short-term debt instruments: Provided, That any or all of such investments shall be with the prior approval of the Insurance Commissioner."

"SEC. 200-D. Insurance companies may obtain from the Development Bank of the Philippines loans with maturities not exceeding five years, the provisions of existing law, executive orders, rules or regulations to the contrary notwithstanding: Provided, That such borrowings may be made only by insurance companies whose levels of policy loans have increased to such an extent as to endanger the liquidity of such insurance companies' policy reserves as a result of an increase in the interest rate ceiling."

SEC. 4. All acts and parts of acts inconsistent with the provisions of this Act are hereby repealed. SEC. 5. This Decree shall take effect immediately.

Done in the City of Manila, this 29th day of January, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR

Executive Secretary

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