

AMENDING CERTAIN SECTIONS OF PRESIDENTIAL DECREE NO. 612 OTHERWISE KNOWN AS THE INSURANCE CODE

PRESIDENTIAL DECREE NO. 1455, June 11, 1978

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WHEREAS, Presidential Decree No. 612, otherwise known as the Insurance Code, was promulgated primarily to promote and develop a strong national insurance industry and to provide the necessary operating conditions for its integration in the economic and social development of the Philippines;

WHEREAS, the prevailing economic conditions necessitate the amendment of said Decree to further assure the solvency of insurance companies doing business in the Philippines in the interest of the sound development of the national economy;

WHEREAS, there is a need to amend the said Decree to further ensure the faithful performance of insurance contracts for the protection of the interests of the policyholders and the public;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the amendment of Presidential Decree No. 612, otherwise known as the Insurance Code, as follows:

SECTION 1. Section 176 of Presidential Decree No. 612, otherwise known as the Insurance Code is hereby amended to read as follows:

"SEC. 176. The liability of the surety or sureties shall be joint and several with the obligor and shall be limited to the amount of the bond. It is determined strictly by the terms or the contract of suretyship in relation to the principal contract between the obligor and the obligee."

SEC. 2. Section 187 of the same Decree is hereby amended to read as follows:

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

The Commissioner may refuse to issue a certificate of authority to any insurance company if, in his judgment, such refusal will best promote the interest of the people of this country. No such certificate of authority shall be granted to any such company until the Commissioner shall have satisfied himself by such examination as he may make and such evidence as he may require that such company is qualified by the laws of the Philippines to transact business therein, that the grant of such authority appears to be justified in the light of local economic requirements, and that the direction and administration, as well as the integrity and responsibility of the organizers and administrators, the financial organization and the amount of capital, notwithstanding the provisions of section one hundred eighty-eight, reasonably assure the safety of the interests of the policyholders and the public.

In order to maintain the quality of the management of insurance companies and afford better protection to policyholders and the public in general, any person of good moral character, unquestioned integrity and recognized competence may be elected or appointed director or officer of insurance companies. The

Commissioner shall prescribe the qualifications of the executive officers and other key officials of insurance companies for purposes of this section.

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

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

Before issuing such certificate of authority, the Commissioner must be satisfied that the name of the company is not that of any other known company transacting a similar business in the Philippines, or a name so similar as to be calculated to mislead the public.

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

No insurance company may be authorized to transact in the Philippines the business of life and non-life insurance concurrently, unless specifically authorized to do so; Provided, That the terms "life" and "non-life" insurance shall be deemed to include health, accident and disability insurance.

No insurance company shall have any equity in an adjustment company and neither shall an adjustment company have any equity in an insurance company.

Insurance companies and adjustment companies presently affected by the above provision shall have two years from the effectivity of this Decree within which to divest of their stockholdings."

SEC. 3. Section 188 of the same Decree is hereby amended to read as follows:

"SEC. 188. Except as provided in section two hundred eighty-one, no domestic insurance company shall, if a stock corporation, engage in business in the Philippines unless possessed of a paid-up capital stock equal to at least five million pesos; Provided, That a domestic insurance company already doing business in the Philippines with a paid-up capital stock which is less than a five million pesos shall have a paid-up capital stock of at least three million pesos by December thirty-one, nineteen hundred seventy-eight, four million pesos by December thirty-one, nineteen hundred seventy-nine and five million pesos by December thirty-one, nineteen hundred eighty; Provided, Further, That the Secretary of Finance may, upon recommendation of the Insurance Commissioner, increase such minimum paid-up capital stock requirement, under such terms and conditions as he may impose, to an amount which, in his opinion, would reasonably assure the safety of the interests of the policyholders and the public.

"The Commissioner may, as pre-licensing requirement of a new insurance company, in addition to the paid-up capital stock, require the stockholders to pay in cash to the company in proportion to their subscription interests a contributed surplus fund of not less than one million pesos, in the case of a life insurance company, or not less than five hundred thousand pesos, in any case of an insurance company other than life. He may also require such company to submit to him a business plan showing the company's estimated receipts and disbursements, as well as the basis therefor, for the next succeeding three years.

If organized as a mutual company, in lieu of such capital stock, it must have available cash assets of at least five million pesos above all liabilities for losses reported, expenses, taxes, legal reserve, and reinsurance of all outstanding risks, and the contributed surplus fund equal to the amounts required of stock corporations. A stock insurance company doing business in the Philippines may, subject to the pertinent law and regulations which now are or hereafter may be in force, alter its organization and transform itself into a mutual insurance company."

SEC. 4. Section 194 of the same Decree is hereby amended to read as follows:

"SEC. 194. An insurance company doing business in the Philippines shall at all times maintain a margin of solvency which shall be an excess of the value of its admitted assets exclusive of its paid-up capital, in the case of a domestic company, or an excess of the value of its admitted assets in the Philippines, exclusive of its security deposits, in the case of a foreign company, over the amount of its liabilities, unearned premium and reinsurance reserves in the Philippines of at least two per mille of the total amount of its insurance in force as of the preceding calendar year on all policies except term insurance, in the case of a life insurance company, or of at least ten per centum of the total amount of its net premium written during the preceding calendar year, in the case of a company other than a life insurance company; Provided, That, in either case, such margin shall in no event be less than five hundred thousand pesos; and Provided, Further, That the term "paid-up capital" shall not include contributed surplus and capital paid in excess of par value. Such assets, liabilities and reserves shall exclude assets, liabilities and reserves included in separate accounts established in accordance with section two hundred thirty-seven. Whenever the aforementioned margin be found to be less than that herein required to be maintained, the Commissioner shall forthwith direct the company to make good any such deficiency by cash to be contributed by all stockholders of record in proportion to their respective interests, and paid to the treasurer of the company, within fifteen days from receipt of the order; Provided, That the company in the interim shall not be permitted to take any new risk of any kind or character unless and until it make good such deficiency; Provided, Further, That a stockholder who, aside from paying the contribution due from him, pays the contribution due from another stockholder by reason of the failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the insurance company concerned appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stock, until the corresponding payment or reimbursement is made by the defaulting stockholder."

SEC. 5. Section 203 of the same Decree is hereby amended to read as follows:

"SEC. 203. Every domestic insurance company shall, to the extent of an amount equal in value to twenty-five per centum of the minimum paid-up capital required under section one hundred eighty-eight, invest its funds only in securities, satisfactory to the Commissioner, consisting of bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned or controlled corporations and entities, including the Central Bank of the Philippines; Provided, That such investments shall at all times be maintained free from any lien or encumbrance; and Provided, Further, That such securities shall be deposited with and held by the Commissioner for the faithful performance by the depositing insurer of all its obligations under its insurance contracts. The provisions of section one hundred ninety-two shall, so far as practicable, apply to the securities deposited under this section.

Except as otherwise provided in this Code, no judgment creditor or other claimant shall have the right to levy upon any of the securities of the insurer held on deposit under this section or held on deposit pursuant to the requirement of the Commissioner."

SEC. 6. Section 204 of the same Decree is hereby amended to read as follows:

"SEC. 204. After satisfying the requirements contained in the preceding section, any domestic non-life insurance company, shall invest, to an amount prescribed below, its funds in, or otherwise, acquire or loan upon, only the classes of investments described in section two hundred including securities issued by any "registered enterprise", as this term is defined in Republic Act No. 5186, otherwise known as the Investment Incentives Act, and such other classes of investments as may be authorized by the Commissioner for purposes of this Section; Provided, That (a) no more than twenty per centum of the net worth of such company as shown by its latest financial statement approved by the Commissioner shall be invested in the lot and building in which the insurance company conducts its business and (b) the total investment of an insurance company in any registered enterprise shall not exceed twenty per centum of the paid-up capital of the registered enterprise

excluding the intended investment, unless previously authorized by the Commissioner; and, Provided, Further, That such investments, free from any lien or encumbrance, shall be at least equal in amount to the aggregate amount of (a) its legal reserve, as provided in section two hundred thirteen, and (b) its reserve fund held for reinsurance as provided for in the pertinent treaty provision in the case of reinsurance ceded to authorized insurers."

SEC. 7. Section 247 of the same Decree is hereby amended to read as follows:

"SEC. 247. If the Commissioner is of the opinion upon examination or other evidence that any domestic or foreign insurance company is in an unsound condition, or that it has failed to comply with the provisions of law or regulations obligatory upon it, or that its condition or methods of business is such as to render its proceedings hazardous to the public or to its policyholders or that its paid-up capital stock, in the case of a domestic stock company, or its available cash assets, in the case of a domestic mutual company, or its security deposits, in the case of a foreign company is impaired or deficient, or that the margin of solvency required of such company is deficient, the Commissioner is authorized to suspend or revoke all certificates of authority granted to such insurance company, its officers and agents, and no new business shall thereafter be done by such company or for such company by its agent in the Philippines while such suspension, revocation or disability continues or until its authority to do business is restored by the Commissioner. Before restoring such authority, the Commissioner shall require the company concerned to submit to him a business plan showing the company's estimated receipts and disbursements, as well as the basis therefor, for the next succeeding three years."

SEC. 8. Section 249 of the same Decree is hereby amended to read as follows:

"SEC. 249. Whenever, upon examination or other evidence, it shall be disclosed that the condition of any insurance company doing business in the Philippines is one of insolvency, or that its continuance in business would be hazardous to its policyholders and creditors, the Commissioner shall forthwith order the company to cease and desist from transacting business in the Philippines and shall designate a receiver to immediately take charge of its assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its policyholders and creditors and exercise all the powers necessary for these purposes including, but not limited to, bringing suits and foreclosing mortgages in the name of the insurance company.

The Commissioner shall thereupon determine within thirty days whether the insurance company may be reorganized or otherwise placed in such condition so that, it may be permitted to resume business with safety to its policyholders and creditors and shall prescribe the conditions under which such resumption of business shall take place as well as the time for fulfillment of such conditions. In such case, the expenses and fees in the collection and administration of the insurance company shall be determined by the Commissioner and shall be paid out of the assets of such company.

If the Commissioner shall determine and confirm within the said period that the insurance company is insolvent, as defined hereunder, or cannot resume business with safety to its policyholders and creditors, he shall, if the public interest requires, order its liquidation plan and implement immediately. The Commissioner shall designate a competent and qualified person as liquidator who shall take over the functions of the receiver previously designate and, with all convenient speed, reinsure all its outstanding policies, convert the assets of the insurance company to cash, or sell, assign or otherwise dispose of the same to the policyholders, creditors and other parties for the purpose of settling the liabilities or paying the debts of such company and he may, in the name of the company, institute such actions as may be necessary in the appropriate Court to collect and recover accounts and assets of the insurance company, and to do such other acts as may be necessary to complete the liquidation as ordered by the Commissioner.

The provisions of any law to the contrary notwithstanding the actions of the Commissioner under this Section shall be final and executory, and can be set aside by the Court upon petition by the company and only if there

is convincing proof that the action is plainly arbitrary, and made in bad faith. The Commissioner, through the Solicitor General, shall then file the corresponding answer reciting the proceeding taken and praying the assistance of the Court in the liquidation of the company. No restraining order or injunction shall be issued by the Court enjoining the Commissioner from implementing his actions under this Section, unless there is convincing proof that the action of the Commissioner is plainly arbitrary and made in bad faith and the petitioner or plaintiff files with the Clerk or Judge of the Court in which the action is pending a bond executed in favor of the Commissioner in an amount to be fixed by the Court. The restraining order or injunction shall be refused or, if granted, shall be dissolved upon filing by the Commissioner, if he so desires, of a bond in an amount twice the amount of the bond of the petitioner or plaintiff conditioned that it will pay the damages which the petitioner or plaintiff may suffer by the refusal or the dissolution of the injunction. The provisions of Rule 58 of the New Rules of Court insofar as they are applicable shall govern issuance and dissolution of the restraining order or injunction contemplated in this Section.

All proceedings under this Title shall be given preference in the Courts. The Commissioner shall not be required to pay any fee to any public officer for filing, recording, or in any manner authenticating any paper or instrument relating to the proceedings.

As used in this Title, the term "Insolvency" shall mean the inability of an insurance company to pay its lawful obligations as they fall due in the usual and ordinary course of business as may be shown by its failure to maintain the margin of solvency required under Section 194 of this Code."

SEC. 8. Section 281 of the same Decree is hereby amended to read as follows:

"SEC. 281. Any person, partnership, association or corporation authorized to transact solely reinsurance business must have a paid-up capital stock of at least ten million pesos, twenty-five per centum of which must be invested in securities satisfactory to the Commissioner, consisting of bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or instrumentalities or of government-owned or controlled corporations and entities, including the Central Bank of the Philippines, and deposited with the Commissioner, and the remaining seventy-five per centum in such other securities as may be allowed and permitted by the Commissioner, which securities shall at all times be maintained free from any lien or encumbrance; Provided, That reinsurers already doing business as such in the Philippines shall comply with the requirement of this section by increasing their respective capital as herein provided not later than December thirty-one, nineteen hundred eighty; Provided, Further, That the provisions of this chapter applicable to insurance companies shall so far as practicable be likewise applicable to professional reinsurers."

SEC. 9. Section 299 of the same Decree is hereby amended to read as follows:

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

No person shall act as an insurance agent or as an insurance broker in the solicitation or procurement of applications for insurance, or receive for services in obtaining insurance, any commission or other compensation from any insurance company doing business in the Philippines or any agent thereof, without first procuring a license so to act from the Commissioner, which must be renewed annually on the first day of January, or within six months thereafter. Such license shall be issued by the Commissioner only upon the written application of the person desiring it, such application if for a license to act as insurance agent, being approved, and countersigned by the company such person desires to represent, and shall be upon a form prescribed by the Commissioner giving such information as he may require and upon payment of the corresponding fee hereinafter prescribed. The Commissioner shall satisfy himself as to the competence and trustworthiness of the applicant and shall have the right to refuse to issue or renew and to suspend or revoke any such license in his discretion. No such license shall be valid after the thirtieth day of June of the year

following its issuance unless it is renewed."

SEC. 10. Section 302 of the same Decree is hereby amended to read as follows:

"SEC. 302. Every applicant for an insurance broker's license shall file with the application and shall thereafter maintain in force while so licensed, a bond in favor of the people of the Republic of the Philippines executed by a company authorized to become surety upon official recognizances, stipulations, bonds and undertakings. The bond shall be in such amount as may be fixed by the Commissioner, but in no case less than one hundred thousand pesos, and shall be conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions under license. The bond shall remain in force until released by the Commissioner, or until cancelled by the surety. Without prejudice to any liability previously incurred thereunder, the surety may cancel the bond on thirty days advance written notice to both the broker and the Commissioner.

Upon approval of the application, the applicant must also file two errors and omissions (professional liability or professional indemnity) policies issued separately by two insurance companies authorized to do business in the Philippines, satisfactory to the Commissioner to indemnify the applicant against any claim or claims for breach of duty as insurance broker which may be made against him by reason of any negligent act, error or omission, whenever or wherever committed or allege to have been committed, on the part of the applicant or any person who has been, is not or may hereafter during the subsistence of the policies be employed by the said applicant in his capacity as insurance broker, provided that the filing of any claim or claims under one of such policies shall preclude the filing of the said claim or claims under the other policy. The said policies shall be in such amounts as may be prescribed by the Insurance Commissioner, depending upon the size or amount of the broking business of the applicant, but in no case shall the amount of each of such policies be less than five hundred thousand pesos."

SEC. 11. Section 311 of the same Decree is hereby amended to read as follows:

"SEC. 311. Upon application and payment of the corresponding fee hereinafter prescribed, and the filing of two errors and omissions (professional liability or professional indemnity) policies hereinafter described, a person may if found qualified, be issued a license to act as reinsurance broker by the Commissioner. No such license shall be valid after the thirtieth day of June or the year following its issuance unless it is renewed.

The errors and omissions (professional liability or professional indemnity) policies mentioned above shall indemnify the applicant against any claim or claims for breach of duty as reinsurance broker which may be made against him by reason of any negligent act, error or omission, whenever or wherever committed or alleged to have been committed, on the part of the applicant or any person who has been, is now, or may hereafter during the subsistence of the policies be employed by the said applicant in his capacity as reinsurance broker; provided that the filing of any claim or claims under one of such policies shall preclude the filing of the said claim or claims under the other policy. The said policies shall be issued separately by two insurance companies authorized to do business in the Philippines and shall be in such amounts as may be prescribed by the insurance commissioner, depending upon the size or amount of the broking business of the applicant, but in no case shall the amount of each of such policies be less than five hundred thousand pesos."

SEC. 12. Section 317 of the same Decree is hereby amended to read as follows:

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

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

SEC. 13. Section 322 of the same Decree is hereby amended to read as follows:

"SEC. 322. No certificate of registration issued to an underwriter shall be valid after the thirtieth day of June of the year following its issuance unless it is renewed.

The Commissioner after due notice and hearing, also suspend or cancel such certificate for violation of existing laws, rules and regulations or of any provision of this Code."

SEC. 14. Section 328 of the same Decree is hereby amended to read as follows:

"SEC. 328. No adjuster's license issued hereunder shall be valid until after the thirtieth day of June of the year following the issuance of such license unless it is renewed."

SEC. 15. Section 336 of the same Decree is hereby amended to read as follows:

"SEC. 336. Any person may be officially accredited by the Commissioner to act as any actuary in any life insurance company or in any mutual benefit association authorized to do business in the Philippines upon application therefor and the payment of the corresponding fee hereinafter prescribed, Provided, That: (1) he is a fellow of good standing of the Actuarial Society of the Philippines at the time of his appointment and remains in such good standing during the tenure of his engagement; or (2) in the case of one who is not a fellow of the Actuarial Society of the Philippines, he meets all the requirements of the said Society for accreditation as a fellow of the Society, and has been given permission by the pertinent government authorities in the Philippines to render service in the Philippines, in the event that he is not a citizen of the Philippines.

No certificate of registration issued under this Title shall be valid after the thirtieth day of June of the year following its issuance unless it is renewed."

SEC. 16. Section 341 of the same Decree is hereby amended to read as follows:

"SEC. 341. Corporating organizational hereafter formed shall commence rate-making operations until it shall have obtained a license from the Commissioner. Before obtaining such license, such rating organization shall file with the Commissioner a notice of its intention to commence rate-making operations, a copy of its constitution, articles of agreement or association, or of incorporation, and its by-laws, a list of insurance companies that have agreed to become members or subscribers, and such other information concerning such rating organization and its operations as may be required by the Commissioner. If the Commissioner finds that the organization has complied with the provisions of law and that it has a sufficient number of members or subscribers and is otherwise qualified to function as a rating organization, the Commissioner may issue a license to such rating organization authorizing it to make rates for the kinds of insurance or subdivisions thereof as may be specified in such license. No license issued to a rating organization shall be valid after the thirtieth day of June of the year following its issuance unless it is renewed. No rating organization which exists and is not licensed pursuant to this section shall continue rate-making operation until it shall have obtained from the Commissioner a license which he may issue if satisfied that such organization is complying with the provisions of this Title. Every rating organization shall notify the Commissioner promptly of every change in (1) its constitution, its articles of agreement or association or its certificate of incorporation, and its by-laws rules and regulations governing the conduct of its business, and (2) its list of members and subscribers.

A "Member" means an insurer who participates in or is entitled to participate in the management of a rating organization.

A "subscriber" means an insurer which is furnished at its request with rates and rating manuals by a rating organization of which it is not a member."

SEC. 17. Section 364 of the same Decree is hereby amended to read as follows:

"SEC. 364. A license issued to a partnership, association or corporation to act as an insurance agent, general agent, insurance broker, reinsurance broker, or adjuster shall authorize only the individual named in the license

who shall qualify therefor as though an individual licensee. The Commissioner shall charge, and the licensee shall pay, a full additional license fee as to each respective individual so named in such license in excess of one.

Licenses and certificates of registration issued under the provisions of this Chapter may be renewed by the filing of notices of intention on forms to be prescribed by the Commissioner and payment of the fees therefor."

SEC. 18. Section 373 of the same Decree is hereby amended to read as follows:

- "Motor Vehicle" is any vehicle as defined in section three, paragraph (a) of Republic Act Numbered Four Thousand One Hundred Thirty-Six, Otherwise known as the "Land Transportation and Traffic Code."
- "Passenger" is any fare paying person being transported and conveyed in and by a motor vehicle for transportation of passengers for compensation, including persons expressly authorized by law or by the vehicles operator or his agents to ride without fare.
- "Third-party" is any person other than a passenger as defined in this section and shall also exclude a member of the household, or a member of the family within the second degree of consanguinity or affinity, of a motor vehicle owner or land transportation operator, as likewise defined herein, or his employee in respect of death, bodily injury, or damage to property arising out of and in the course of employment.
- "Owner" or "Motor vehicle owner" means the actual legal owner of a motor vehicle, in whose name such vehicle is duly registered with the Land Transportation Commission.
- "Land transportation operator" means the owner or owners of motor vehicles for transportation of passengers for compensation, including school buses.
- "Insurance policy" or "Policy" refers to a contract of insurance against passenger and third-party liability for death of bodily injuries and damage to property arising from motor vehicle accidents."

SEC. 19. Section 374 of the same Decree is hereby amended to read as follows:

"SEC. 374. It shall be unlawful for any land transportation operator or owner of a motor vehicle to operate the same in the public highways unless there is in force in relation thereto a policy of insurance or guaranty in cash or surety bond issued in accordance with the provisions of this chapter to indemnify the death, bodily injury, and/or damage to property of a third-party or passenger, as the case may be, arising from the use thereof."

SEC. 20. Section 375 of the same Decree is hereby amended to read as follows:

"SEC. 375. The Commissioner shall furnish the Land Transportation Commissioner with a list of insurance companies authorized to issue the policy of insurance or surety bond required by this chapter."

SEC. 21. Section 376 of the same Decree is hereby amended to read as follows:

"SEC. 376. The Land Transportation Commission shall not allow the registration or renewal of registration of any motor vehicle without first requiring from the land transportation operator or motor vehicle owner concerned the presentation and filing of a substantiating documentation in a form approved by the Commissioner evidencing that the policy of insurance or guaranty in cash or surety bond required by this chapter is in effect.

SEC. 22. Section 377 of the same Decree is hereby amended to read as follows:

"SEC. 377. Every land transportation operator and every owner of a motor vehicle shall, before applying for the registration or renewal of registration of any motor vehicle, at his option, either secure an insurance policy or surety bond issued by any insurance company authorized by the Commissioner or make a cash deposit in

such amount as herein required as limit of liability for purposes specified in Section Three Hundred Seventy-Four.

- In the case of a land transportation operator the insurance or guaranty in cash or surety bond shall cover liability for death, bodily injuries, or damage to property of third-parties and/or passengers arising out of the use of such vehicle in the amount not less than twelve thousand pesos per passenger or third-party and an amount, for each of such categories, in any one accident, of not less than that set forth in the following scale:

- Motor vehicle with an authorized capacity of twenty-six or more passengers: Fifty thousand pesos;
- Motor vehicles with an authorized capacity from twelve to twenty-five passengers: Forty thousand pesos;
- Motor vehicles with an authorized capacity of from six to eleven passengers: Thirty thousand pesos;
- Motor vehicles with an authorized capacity of five or less passengers: Five thousand pesos multiplied by the authorized capacity.

Provided, However, That such cash deposit made to, or surety bond posted with, the Commissioner shall be resorted to by him in cases of accidents the indemnities for which to third-parties and/or passengers are not settled accordingly by the land transportation operator and, in that event, the said cash deposit shall be replenished, or such surety bond shall be restored within sixty days after impairment or expiry, as the case may be, by such land transportation operator, otherwise, he shall secure the insurance policy required by this chapter. The aforesaid cash deposit may be invested by the Commissioner in readily marketable government bond and/or securities.

- In the case of an owner of a motor vehicle, the insurance or guaranty in cash and surety bond shall cover liability for death or injury to third parties for loss or damage to property of said third-parties in an amount not less than the set forth in the following scale in any one accident:

- Private Cars
 - Bantam: Twelve thousand pesos;
 - Light: Twenty thousand pesos;
 - Heavy: Thirty thousand pesos.
- Other Private Vehicles
 - Tricycles, motorcycles, and scooters: Twelve thousand pesos;
 - Vehicles with an unladen weight of 2,600 kilos or less: Twenty thousand pesos;
 - Vehicles with an unladen weight of between 2,601 kilos and 3,930 kilos Thirty thousand pesos;
 - Vehicles with an unladen weight over 3,930 kilos: Fifty thousand pesos.

Provided, That for purposes of this section, in the event of liability both for death or bodily injury on one hand, and property damage on the other hand, the claim for death and/or bodily injury shall have priority over the latter type of claim in the settlement."

SEC. 23. Section 379 of the same Decree is hereby amended to read as follows:

"SEC. 379. No land transportation operator or owner of motor vehicle shall be unreasonably denied the policy of insurance or surety bond required by this chapter by the insurance companies authorized to issue the same, otherwise the Land Transportation Commission shall require from said land transportation operator or owner of vehicle, in lieu of a policy of insurance or surety bond, a certificate that a cash deposit has been made with

the Commissioner in such amount required as limits of indemnity in section three hundred seventy-seven to answer for the passengers and/or third-party liability of such land transportation operator or owner of the vehicle.

No insurance company may issue the policy of insurance or surety bond required under this chapter unless so authorized under existing laws and subject to the further condition that any such risk written or assumed shall be ceded fully to a unified pooling system to be composed of and formed by all insurance companies authorized to engage in casualty and/or surety lines of business which risk, in turn, shall be retroceded to and distributed equally among all such members.

The authority to engage in the casualty and/or surety lines of business of an insurance company that refuses to join with, or withdraws or is expelled from, the pooling system licensed by the Commissioner to operate as such, shall be withdrawn immediately."

SEC. 24. Section 380 of the same Decree is hereby amended to read as follows:

"SEC. 380. No cancellation of the policy shall be valid unless written notice thereof is given to the land transportation operator or owner of the vehicle and to the Land Transportation Commission at least fifteen days prior to the intended effective date thereof.

Upon receipt of such notice, the Land Transportation Commission, unless it receives evidence of a new valid insurance or guaranty in cash or surety bond as prescribed in this Chapter, or an endorsement of revival of the cancelled one, shall order the immediate confiscation of the plates of the motor vehicle covered by such cancelled policy. The same may be re-issued only upon presentation of a new insurance policy or that a guaranty in cash or surety bond has been made or posted with the Commissioner and which meets the requirements of this chapter, or an endorsement or revival of the cancelled one."

SEC. 25. Section 381 of the same Decree is hereby amended to read as follows:

"SEC. 381. If the cancellation of the policy or surety bond is contemplated by the land transportation operator or owner of the vehicle, he shall, before the policy or surety bond ceases to be effective, secure a similar policy of insurance or surety bond to replace the policy or surety bond to be cancelled or make a cash deposit in sufficient amount with the Commissioner, and without any gap, file the required documentation with the Land Transportation Commission, and notify the insurance company concerned of the cancellation of its policy or surety bond."

SEC. 26. Section 385 of the same Decree is hereby amended to read as follows:

"SEC. 385. The insurance company concerned shall forthwith ascertain the truth and extent of the claim and make payment within five working days after reaching an agreement. If no agreement is reached, the insurance company shall pay only the "no fault" indemnity provided in section three hundred seventy-eight without prejudice to the claimant from pursuing his claim further, in which case, he shall not be required or compelled by the insurance company to execute any suitclaim or document releasing it from liability under the policy or insurance or surety bond issued."

SEC. 27. Section 390 of the same Decree is hereby amended to read as follows:

"SEC. 390. Any society, association or corporation, without capital stock, formed or organized not for profit but mainly for the purpose of paying sick benefits to members, or of furnishing financial support to members while out of employment, or of paying to relatives of deceased members of fixed or any sum of money, irrespective of whether such aim or purpose is carried out by means of fixed dues or assessments collected regularly from the members, or of providing, by the issuance of certificates of insurance, payment of its members of accident or life insurance benefits, out of such fixed and regular dues or assessments, but in no case shall include any society, association, or corporation with such mutual benefit features and which shall be

carried out purely from voluntary contributions collected not regularly and or no fixed amount from whomsoever may contribute, shall be known as a mutual benefit association within the intent of this Code.

Any society, association or corporation principally organized as a labor union shall be governed by the Labor Code notwithstanding any mutual benefit feature provisions in its charter as incident to its organization.

In no case shall a mutual benefit association be organized and authorized to transact business as a charitable or benevolent organization, and whenever it has this feature as incident to its existence, the corresponding charter provision shall be revised to conform with the provision of this section. Mutual benefit association, already licensed to transact business as such as on the date this Code becomes effective, having charitable or benevolent feature shall abandon such incidental purpose upon effectivity of this Code if they desire to continue operating as such mutual benefit associations."

SEC. 28. Section 392 of the same Decree is hereby amended to read as follows:

"SEC. 392. No mutual benefit association shall be issued a license to operate as such unless it has constituted and established a Guaranty Fund by depositing with the Commissioner an initial minimum amount of ten thousand pesos in cash, or in government securities with a total value equal to such amount, to answer for any valid benefit claim of any of its members.

All moneys received by the Commissioner for this purpose must be deposited by him in interest-bearing deposits with any bank or banks authorized to transact business in the Philippines for the account of the particular association constituting the Guaranty Fund.

Any accrual to such fund, be it interest earned or dividend additions or moneys or securities so deposited, may, with the prior approval of the Commissioner, be withdrawn by the association if there is no pending benefit claim against it, included interest thereon or dividend additions thereto.

The Commissioner, prior to or after licensing a mutual benefit association, may require such association to increase its Guaranty Fund from the initial minimum amount required to an amount equal to at least ten per centum of its assets, if such assets exceed one hundred thousand pesos, but in no case shall such increase exceed the maximum amount of capital investment required of a domestic insurance company under section two hundred and three of this Code."

SEC. 29. Section 416 of the same Decree is hereby amended to read as follows:

"SEC. 416. The Commissioner shall have the power to adjudicate claims and complaints involving any loss, damage or liability for which an insurer may be answerable under any kind of policy or contract of insurance, or for which such insurer may be liable under a contract of suretyship, or for which a reinsurer may be sued under any contract or reinsurance it may have entered into, or for which a mutual benefit association may be held liable under the membership certificates it has issued to its members, where the amount of any such loss, damage or liability, excluding interests, cost and attorney's fees, being claimed or sued upon any kind of insurance, bond, reinsurance contract, or membership certificate does not exceed in any single claim one hundred thousand pesos.

The insurer or surety may, in the same action file a counter-claim against the insured or the obligee.

The insurer or surety may also file a cross-claim against a co-party for any claim arising out of the transaction or occurrence that is the subject matter of the original action or of counterclaim therein.

With leave of the Commissioner, an insurer or surety may file a third-party complaint against its reinsurers for indemnification, contribution, subrogation of any other relief, in respect of the transaction that is the subject matter of the original action filed with the Commissioner.

The party filing an action pursuant to the provision of this section thereby submits his person to the jurisdiction

of the Commissioner. The Commissioner shall acquire jurisdiction over the person of the impleaded party or parties in accordance with and pursuant to the provisions of the Rules of Court.

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

Any decision, order or ruling rendered by the Commissioner after a hearing shall have the force and effect of a judgment. Any party may appeal from a final order, ruling or decision of the Commissioner by filing with the Commissioner within thirty days from receipt of copy of such order, ruling or decision a notice of appeal and with the Supreme Court twelve printed or mimeographed copies of a petition for certiorari or review of such order, ruling or decision, as the case may be. A copy of the petition shall be served upon the Commissioner and upon the adverse party, and proof of service thereof attached to the original of the petition.

As soon as a decision, order or ruling has become final and executory, the Commissioner shall motu proprio or on motion of the interested party, issue a writ of execution requiring the sheriff or the proper officer to whom it is directed to execute said decision, order or award, pursuant to Rule thirty-one of the Rules of Court.

For the purpose of any proceeding under this section, the Commissioner, or any officer thereof designated by him, empowered to administer oaths and affirmation, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, documents, or contracts, or other records which are relevant or material to the inquiry. In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Commissioner may invoke the aid of any court of first instance within the jurisdiction of which such proceeding is carried on, where such person resides or carries on his own business, in requiring the attendance and testimony of witnesses and the production of books, papers, documents, contracts or other records. And such court may issue an order requiring such person to appear before the Commissioner, or officer designated by the Commissioner, there to produce records, if so ordered or to give testimony touching the matter in question. Any failure to obey such order of the court may be punished by such court as a contempt thereof.

A full and complete record shall be kept of all proceedings had before the Commissioner, or the officers thereof designated by him, and all testimony shall be taken down and transcribed by a stenographer appointed by the Commissioner.

A transcribed copy of the evidence and proceeding, or any specific part thereof, of any hearing taken by a stenographer appointed by the Commissioner, being certified by such stenographer to be a true and correct transcript of the testimony on this hearing of a particular witness, or of a specific proof thereof, carefully compared by him from his original notes, and to be a correct statement of evidence and proceeding had in such hearing so purporting to be taken and subscribed, may be received as evidence by the Commissioner and by any court with the same effect as if such stenographer were present and testified to the facts so certified."

SEC. 30. Section 417 of the same Decree is hereby amended to read as follows:

"SEC. 417. (1) For the issuance or renewal of certificates of authority, licenses and certificates of registration, pursuant to pertinent provisions of this Code, the Commissioner shall collect and receive fees which shall not be less than the following:

For each certificate of authority issued to an insurance company doing business in the Philippines, two hundred pesos.

For each special certificate of authority issued to a servicing insurance company, one hundred pesos.

For each license issued to a general agent of an insurance company, fifty pesos.

For each license issued to an insurance agent, twenty-five pesos.

For each license issued to an agent of variable contract policy, twenty-five pesos.

For each license issued to an insurance broker, one hundred pesos.

For each license issued to a reinsurance broker, one hundred pesos.

For each license issued to an insurance adjuster, one hundred pesos.

For each certificate of registration issued to an actuary, fifty pesos.

For each certificate of registration issued to a resident agent, fifty pesos.

For each license issued to a rating organization, one hundred pesos.

For each certificate of registration issued to a non-life company underwriter, fifty pesos.

For each license issued to a mutual benefit association, ten pesos.

For each certificate of registration issued to a trust for charitable uses, ten pesos.

All certificates of authority and all other licenses, as well as all certificates of registration, issued to any person, partnership, association or corporation under the pertinent provisions of this Code for which no expiration date has been prescribed, shall expire on the last day of June of each year and shall be renewed annually upon application therefor and payment of the corresponding fee, if the licensee or holder of such license or certificate is continuing to comply with all the applicable provisions of existing laws, and of rules, instructions, orders and decisions of the Commissioner.

(2) For the filing of the annual statement referred to in section two hundred twenty-three, the Commissioner shall collect and receive from the insurance company so filing a fee of five hundred pesos; Provided, That a fine of one hundred pesos shall be imposed and collected by the Commissioner for each week of delay, or any fraction thereof, in the filing of the annual statement.

For the filing of annual statement referred to in section four hundred, the Commissioner shall collect and receive from the mutual benefit association so filing a fee of ten pesos; Provided, That a fine of ten pesos shall be imposed and collected by the Commissioner for each week of delay, or any fraction thereof, in the filing of the annual statement.

(3) For the examination prescribed in section two hundred forty-six, the Commissioner shall collect and receive fees according to the amount of its total assets, in the case of a domestic company, or of its assets in the Philippines, in the case of a foreign company, as follows:

- Two million pesos or more but less than four million pesos, Four hundred pesos;
- Four million pesos or more but less than six million pesos, Eight hundred pesos;
- Six million pesos or more but less than eight million pesos, One thousand two hundred pesos;
- Eight million pesos or more but less than two million pesos, One thousand six hundred pesos;
- Ten million pesos or more, Two thousand pesos;

Provided, That if the said examination is made in places outside the Metropolitan Manila area, besides these fees, the Commissioner shall require of the company examined the payment of the actual and necessary travelling and subsistence expenses of the examiner or examiners concerned.

For the examination prescribed in section three hundred ninety-nine, the Commissioner shall collect and receive a minimum fee of one hundred pesos from the mutual benefit association examined: Provided, That if such association has total assets of more than one hundred thousand pesos, an additional fee of ten pesos for every fifty thousand pesos in excess thereof shall be imposed; Provided, Further, That such fee shall not exceed two thousand pesos.

(4) For the filing of an application to withdraw from the Philippines under title eighteen, the Commissioner shall collect and receive from the foreign company so withdrawing a fee of one thousand pesos.

(5) The Commissioner may fix and collect fees or charges for documents, transcripts, or other materials which may be furnished by him not in excess of reasonable costs."

SEC. 31. All laws, decrees, rules and regulations which are inconsistent herewith are hereby repealed or modified accordingly.

SEC. 32. This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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