

AMENDING SECTION THREE OF REPUBLIC ACT NUMBERED SIX HUNDRED AND FIFTY-SIX, OTHERWISE KNOWN AS THE “PROPERTY INSURANCE LAW,” AND FOR OTHER PURPOSES.

PRESIDENTIAL DECREE NO. 245, July 13, 1973

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WHEREAS, under Republic Act 656, the Property Insurance Fund was established and placed under the administration of the Government Service Insurance System, which Fund is separate, segregated, and distinct from the trust funds of government employees comprising the Life Insurance Fund and the Retirement Insurance Fund as established by Commonwealth Act 186, as amended, and from the Medicare Fund as established by Republic Act 6111;

WHEREAS, the Property Insurance Fund was established "in order to indemnify or compensate the Government xxx from any damage to, or loss of, its properties due to fire earthquake, storm, or other casualty";

WHEREAS, in spite of the provisions of Republic Act 656, the bulk of the insurable assets and properties of the Government worth about P4 Billion remains uninsured, thus exposing the Government to unnecessary losses in the event of damage to, or loss of, such assets and properties;

WHEREAS, the non-insurance of such government assets and properties is due in part to the limited capacity of private domestic non-life insurance companies to accept the reinsurance of large risks from the GSIS, considering that the combined net worth of private domestic non-life insurance companies in the country is approximately P200,000,000, not more than ten per centum (10%) of which represents their maximum retention capacity on any single risk in accordance with law;

WHEREAS, in view of the limited capacity of local non-life insurance companies to absorb the reinsurance to be ceded by the GSIS in the event that it insures a large portion of the existing insurable assets and properties of the Government, it is necessary for the GSIS to develop its capacity to cede reinsurance abroad;

WHEREAS, considering that the placement of reinsurance abroad by the GSIS entails foreign exchange outflows in the form of reinsurance premium payments, it is desirable, from the country's point of view, for the GSIS likewise to have the powers, authority, and capacity to accept inward reinsurance from abroad and thus earn foreign exchange for the country by way of premium earnings;

WHEREAS, in a multitude of cases, shipments to and from the Philippines are insured by foreign insurance companies rather than Philippine companies in view of the limited capacity of the domestic insurance industry to cover such risks and to denominate the corresponding insurance policies in foreign exchange, which, in many cases, is imposed as a requirement by the suppliers of Philippine imports or the buyers of Philippine exports;

WHEREAS, there are Philippine contractors undertaking work in foreign countries who are required to present surety or performance bonds denominated in foreign exchange, and who find it necessary to have such bonds issued by foreign insurance companies, thereby contributing to the foreign exchange outflows from the country in

the form of premium payments;

WHEREAS, the rectification of the impediments cited above will not only save but will also earn foreign exchange for the country and, at the same time, place principal government assets, properties, and installations under adequate insurance protection;

WHEREAS, such impediments can be rectified by authorizing the Property Insurance Fund established by Republic Act 656 to cede and receive reinsurance placements within the Philippines and abroad; to issue policies, surety and/or performance bonds denominated in foreign exchange; and to perform all acts necessary and/or incidental to such functions; and

WHEREAS, the powers and authority granted herein to the GSIS will not, in any way, diminish the business conducted by domestic insurance companies, but on the contrary, will increase the total volume of insurance transactions in which private insurance companies shall participate through increased reinsurance cessions and retrocessions to them by the GSIS;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all 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, do hereby decree and order the amendment of Section 3, Republic Act Numbered Six Hundred Fifty-Six, otherwise known as the "Property Insurance Law," to read as follows:

"SEC 3. For the effectuation of the purpose of this Act, the Administration of the Fund is hereby placed under the Government Service Insurance System with the following powers and authority: (a) to engage in the business and operation of all kinds of insurance and reinsurance and all other forms of undertakings to indemnify any person or party against loss, damage, or liability, including third party liability, arising from unknown or contingent events, except life insurance, subject to pertinent Central Bank rules, regulations and policies; (b) to reinsure with and accept reinsurance from insurance and reinsurance companies in the Philippines and abroad, under such terms and conditions that may be mutually agreed upon, any excess risk the System may deem advisable, subject to pertinent Central Bank rules, regulations and policies; (c) to issue policies denominated in any foreign currency, provided that a certain minimum percentage to be determined by the System in consultation with the Insurance Commission shall be reinsured abroad and provided that the Fund's liability in any foreign currency shall be covered by a minimum amount of foreign exchange assets, which may include forward purchases of foreign exchange from the Central Bank, in accordance with rules and regulations to be formulated by the System in consultation with the Insurance Commission and subject to pertinent Central Bank rules, regulations and policies; (d) to issue surety and/or performance bonds both in Philippine peso and/or in any foreign currency, provided that the amount of the bond to be issued on any one risk or undertaking shall be limited to ten per centum (10%) of the net worth of the Property insurance Fund, and that the excess over said limit shall be reinsured with domestic and/or foreign insurance and reinsurance companies: Provided, That the Fund's bonding exposure in any foreign currency shall be covered by a minimum amount of foreign exchange assets in accordance with rules and regulations to be formulated by the System in consultation with the Insurance Commission subject to Central Bank rules, regulations and policies; (e) to insure all insurable assets serving as collaterals for loans extended by government financial institutions not otherwise authorized to issue insurance policies; (f) to prescribe necessary rules and regulations, including such incidental powers as are necessary for its operation; (g) to appoint personnel, who are certified as eligibles by the Civil Service Commission, prescribe their duties, and fix their remuneration. Section fifteen of Commonwealth Act Numbered One Hundred Eighty-Six shall not be applicable to the personnel of the Fund."

To reflect faithfully the functions of the Fund in accordance with this Decree, the Property Insurance Fund shall henceforth be known as the General Insurance Fund.

All laws, orders, proclamations, rules and regulations, or parts thereof, which are inconsistent herewith are hereby repealed or modified accordingly.

All concerned shall act accordingly pursuant to the contents of this Decree.

This Decree shall take effect immediately.

Done in the City of Manila, this 13th day of July, in the year Our Lord, nineteen hundred and seventy-three.

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

By the President:

(Sgd.) ROBERTO V. REYES
Assistant Executive Secretary

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