

REVISED PPG ON UNDERWRITING AND ISSUANCE OF BONDS

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WHEREAS, Presidential Decree No. 245 which amended Republic Act No. 656, empowers the Government Service Insurance System (GSIS) through the General Insurance Fund (GIF) to issue surety and/ or any performance bonds, both in Philippine Peso and/ or in foreign currency;

WHEREAS, the GSIS Board of Trustees issued Resolution No. 449 dated 18 July 1980 approving the Policy and Procedural Guidelines (PPG) on Amendments of and Supplement to PPG No. 16-76 which Deals on Bond Underwriting Guidelines for the General Insurance Fund (PPG No. 64-80);

WHEREAS, the surge of claims against surety bonds involving big ticket accounts that were issued in the past, prompted the Audit, the Risk Oversight, and the Insurance Cluster Manpower Committees, to direct the Insurance Group to review the existing policies and procedures on underwriting and issuance of penal bonds, including the security requirements on the issuance thereof and the additional safeguards to be implemented therefor, such as quantifying the collaterals in order to avoid abuse and finally, to look into the possibility of issuing customs bonds again;

WHEREAS, the Senior Vice President, Insurance Group, in her Memorandum dated 22 November 2013, proposed the approval of a revised PPG on Underwriting and Issuance of Bonds, including Acceptance and Release of Collaterals;

WHEREAS, the revised PPG, contains the revised policies and procedures on the underwriting and issuance not only of penal bonds, but also of other types of surety bonds, providing more stringent rules in the evaluation and approval of bond applications, including more detailed documentary and co-signer requirements, and acceptance and release of collaterals, statement of retention limits, delegation of approving authority for surety proposals to a Manager from the Insurance Group and additional policies on customs bonds;

RESOLVED, to APPROVE and CONFIRM the revised PPG on Underwriting and Issuance of Bonds, including Acceptance and Release of Collaterals, as proposed by the Senior Vice President, Insurance Group, in her Memorandum dated 22 November 2013;

RESOLVED FURTHER, that PPG No. 16-76 and PPG No. 64-80, and all other previously-issued PPGs, Office Orders, circulars and other internal issuances inconsistent with the revised PPG on Underwriting and Issuance of Bonds are hereby SUPERSEDED, MODIFIED and/ or AMENDED accordingly.

A copy of the revised PPG on Underwriting and Issuance of Bonds[*], including Acceptance and Release of Collaterals, is made an integral part of this Resolution.

[*] Text Available at the Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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