

AMENDED RULES AND REGULATIONS ON THE ISSUANCE OF BONDS

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A. UPDATED RULES AND REGULATIONS ON THE APPROVED SCHEDULE OF RATES

The following are the updated rules and regulations for bonds and the approved Schedule of Rates^[1]:

1. Premium rates. The figures indicated in Schedule I are percentage (%) rates per annum which shall be the basis in computing the annual rate of premium to be charged on bonds listed therein.

1.1 Rates indicated in Schedule I are for bonds up to P15,000.00 in amount, decreasing by 0.05% for every P5,000.00 increase in amount and subject to the graduated scale shown in Schedule II wherein bonds were grouped into five (5) Bond classifications as shown in schedule III.

2. Bonds running for less than one year. The annual premium on bonds that are to run for less than one year according to the covering contract, law or regulation shall not be pro-rated but shall be charged in full at the applicable rate per annum, except for promissory notes.

2.1 But if same bonds are extended by means of an endorsement for the remaining period of the year, additional premium shall no longer be charged. If said bonds are extended due to change orders or for additional works or undertakings for which additional consideration are paid to the principal, additional pro-rated premiums shall be charged.

2.2 However, if a new bond is issued for the same undertaking to replace the old bond, then the applicable rate per annum shall be charged in full.

3. Renewals. With respect to bond renewals or extension that are to run for more than one year, the premium to be charged shall be pro-rated for the entire duration of its extended term computed at the applicable rate per annum.

4. Continuing Bonds. For continuing bonds with an indefinite term, the annual premium at the applicable rate per annum shall be charged in full, and the same renewal premium shall be payable in advance for each renewal period of one year.

5. Performance Bonds. For Performance and Surety Bonds covering supply, delivery, installation, construction and other services which may be required to a contractor, the following premium rates shall apply:

Kind of Bond

Amount of Bond

Premium Rate

a . Performance Bond

1 . Callabl e/ Penalty

u p to P300, 000 over P300, 000

pe r sc hedule 0 . 55% m i ni mum

2 . Non-callabl e/Non-penalty

u p to P300, 000 over P300, 000

pe r sc hedule 0 . 50% m i ni mum

b . Surety Bond

1 . Callable/ Penalty

u p to P500, 000 ove r P500, 000

pe r schedule 0 . 60% mi ni mum

2 . Non-callable/Non-penalty

u p to P500, 000 over P500, 000

per schedule 0 . 55% mi ni mum

5.5 For government infrastructure projects requiring performance security under Sections 39 and 62, of RA No. 9184, or the Government Procurement Act, the new Performance Bond (Surety Bond) form² prescribed by this Commission for this purpose shall be used.

5.5.1 In this case, the premium rate to be applied shall be for Performance Bond. The additional one (1) year required as defects liability period, which as included in the undertaking of the said Performance Bond (Surety Bond) shall apply an additional one year premium regardless of the period of completion of the project [i.e. for projects with less than one (1) year period of completion, the applicable premium will be for one (1) year plus the one (1) year premium for the required defects liability period.

5.6 For non-infrastructure government projects requiring Performance Security under Sections 39 and 62, of the Government Procurement Act, the old Performance Bond (Surety Bond) form³ prescribed by this Commission for this purpose shall be used. In this case, the premium rate to be applied shall be for Performance Bond.

6. Minimum rate. In no case, shall the premium be less than P500.00 on any one bond.

7. Combination of bonds. When there is a combination of two (2) or three (3) types of bonds to be written in one or single bond, the highest rate shall apply.

8. Secured bonds. A reduction of 50% of the annual premium shall be allowed for bonds which are fully secured by either one or a combination of the following:

a. Assignments of bank deposits to the Surety;

b. Philippine government bonds, treasury certificate or other obligations guaranteed as to principal and interest by the Philippine government;

c. Other kinds of securities which are allowable under the Insurance Code, as amended, for investment by insurance companies; and

d. Real estate.

8.1 For bonds which are fully secured, the words “FULLY SECURED” shall be stamped on the copy of the bond on file with the issuing company and the corresponding securities must be presented upon request.

B. GENERAL RULES AND REGULATIONS ON THE ISSUANCE OF BONDS

1. Bond Forms. Bond forms and the series to be issued by the company must be duly approved by the Insurance Commission.

1.1 All bond forms issued by an insurance company must at least be in duplicate and must be consecutively and serially pre-numbered. Such consecutive serial number must be printed in bold color on the original and copies of such bond forms.

1.2 All insurance companies authorized to issue bonds in the Philippines are hereby prohibited from issuing signed blank bond forms to their agents. All issued bond forms shall be originally signed by the authorized signatory of the company. Stamped signatures are strictly prohibited.

1.3 Each and every bond must carry on its face the rate, the amount of premium charged including applicable taxes and the period covered by the bond.

1.4 Bond forms issued by an insurance company shall be classified and shall bear the abbreviated symbols or codes as approved by the Insurance Commission and shall be pre-numbered by prefixing the abbreviated symbols or codes to the proposed serial number[4].

1.5 All bond forms issued by the regional or branch offices of an insurance company must follow the same pattern of numbering as prescribed in the preceding paragraph and further prefixing thereto the complete or abbreviated name of the official station of the regional or branch offices. For instance, the Cebu branch office of an insurance company which issues a Bail bond must indicate this number on the Bond:

CEBU/JCR(2) - 00001 OR CEB/JCR(2) – 0001

2. Spoiled or cancelled bonds. Any bond form which will be spoiled or cancelled shall be plainly marked with the word “SPOILED” or “CANCELLED” and shall be preserved and placed in a separate file by the insurance company concerned.

2.1 In the event any bond form is lost, the insurance company shall submit without delay to the Insurance Commission a sworn statement of its President or Vice-President, and Treasurer explaining in detail the circumstances of such loss and definitely stating that such lost bond form was never issued in favor of anyone.

3. Bond registry. Every insurance company authorized to issue bonds in the Philippines shall maintain a bond registry books which shall be open to the public and to duly authorized representatives of the Insurance Commission during all reasonable business hours.

3.1 Every bond issued by an insurance company shall be entered and recorded in numerical and chronological order in the bond registry book, such entry and record to indicate the consecutive serial number of the bond issued, the date and place where it had been issued, the face amount of the bond, the kind or nature of the bond, the nature of the obligation secured by the bond, the agency or instrumentality of the government or the person in whose favor the bond had been issued, as well as an indication that the bond is outstanding or had been cancelled.

3.2 Should such bond registry book be lost or destroyed or should any page or pages thereof be removed therefrom, the insurance company to which such bond registry book belongs shall submit without delay to the Insurance Commission a sworn statement of its President or Vice- President and Treasurer explaining in detail the

circumstances of such loss, destruction or removal.

3.3 Any insurance company whose bond registry book had been lost or totally destroyed shall immediately desist from issuing new bonds until such lost or totally destroyed bond registry book shall have been reconstituted. In case any page or pages of a bond registry book had been removed therefrom, a reconstitution of such page or pages should be made without delay by the insurance company concerned.

3.4 Should the certificate of authority granted to an insurance company be suspended or revoked by the Insurance Commissioner, the insurance company concerned shall, without delay, surrender its bond registry book as well as all its unused bond forms to the Insurance Commissioner or to his duly authorized representatives.

4. Liability Register. Every insurance company must maintain a liability register wherein all the bonds issued by the company are recorded. In addition, a subsidiary liability register for each type of bond falling under any of the general classifications must be maintained where every bond issued shall be entered and recorded in numerical and chronological order.

5. Authorized Signatories of Bonds. Companies shall submit before the Insurance Commission a Secretary's Certificate or Board Resolution bearing the list of their authorized signatories together with their specimen signatures on or before the 30th of June of every year.

5.1 The company shall immediately inform the Insurance Commission should there be any change in the authorized signatories at any time.

C. SANCTIONS AND PENALTIES

Any violation of the foregoing rules shall be a ground for the suspension or revocation of the license of the Insurance Company, or payment of a penalty, or both.

D. REPEALING CLAUSE

This Circular Letter shall supersede a.) the 4 March 1985 Letter of the Insurance Commission granting the Philippine Association of Surety Underwriters, Inc.'s Petition to upgrade bond rates; b.) the 28 August 1995 Letter of the Insurance Commission to the Philippine Insurers and Reinsurers Association ("PIRA") approving the Amended Rules on Bonds; and, 3.) Insurance Memorandum Circular No. 1-77.

All Orders, Rules and Regulations, Memoranda and other issuances inconsistent with or contrary to the provisions of this Circular are likewise repealed/amended accordingly.

E. EFFECTIVITY

This Circular shall take effect immediately upon publication in the Insurance Commission website.

For strict compliance.

(SGD) DENNIS B. FUNA
Insurance Commissioner

[1] 4 March 1985 Letter of the Insurance Commission granting the Philippine Association of Surety Underwriters, Inc. ("PHILASURERS") Petition to upgrade bond rates; 28 August 1995 Letter of the Insurance Commission to the Philippine Insurers and Reinsurers Association ("PIRA") approving the Amended Rules on Bonds; and Insurance Memorandum Circular No. 1-77.

[2] Bond code G(13)-A

[3] Bond code G(13)

[4] See Schedule IV for reference

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