

[PRESIDENTIAL DECREE NO. 63, November 20, 1972]

AMENDING CERTAIN SECTIONS OF ACT NUMBERED TWENTY-FOUR HUNDRED AND TWENTY-SEVEN, OTHERWISE KNOWN AS THE INSURANCE ACT, AS AMENDED

WHEREAS, it is the policy of the Government 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, in line with this policy, there is a pressing need to ensure the due performance of the contracts concluded by insurance companies doing business in the Philippines; to maintain the liquidity and solvency of such insurance companies to prevent or minimize the outflow of foreign exchange by insuring a balance of external trade; and to coordinate insurance company policy with the investment policy of the Government, having regard to the principles adopted in the monetary, credit and fiscal fields;

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 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 amend certain sections or provisions of Act Numbered Twenty-four hundred and twenty-seven, otherwise known as the Insurance Act, as amended, to wit:

SECTION 1. Section Forty-eight of Act Numbered Twenty-four hundred and twenty-seven, otherwise known as "The Insurance Act," is amended to read as follows:

"SEC. 48. A written instrument, in which a contract of insurance is set forth, is called a policy of insurance.

"The policy shall be in printed form which may contain blank spaces, and any word, phrase or clause necessary to complete a particular contract of insurance shall be typewritten on the blank spaces *provided* therein.

"Any rider, clause, warranty or endorsement purporting to be part of the contract of insurance and which is pasted or attached to said policy is hereby declared not binding on the insured, unless the descriptive title or name of the rider, clause, warranty or endorsement is also mentioned and typewritten on the blank spaces *provided* in the policy.

"The Insurance Commission shall promulgate complimentary rules and regulations as will govern the requirements and procedures to be followed in the event policy alterations and amendments are necessary during the currency of an insurance policy."

SEC. 2. Section One hundred seventy-one of the same Act is further amended to read as follows:

"SEC. 171. It shall be the duty of the Insurance Commission to see that all laws relating to insurance and insurance companies are faithfully

executed and to perform the duties imposed upon it by this Act.

"It may issue such rulings, instructions and orders as it may deem necessary to secure the enforcement of the provisions of this Act, subject to the approval of the Secretary of Finance.

"Any decision made by the Insurance Commission by virtue of the powers conferred upon it by this Act shall be appealable, unless otherwise specified, to the Secretary of Finance, whose decision shall be final.

"SEC. 171 (A) The Insurance, Commission 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 any contract of guaranty or surety ship, including official recognizance, stipulations, bonds and undertakings issued under authority granted pursuant to Act No. 536, as amended by Act No. 2206, where the amount of any such loss, damage or liability being claimed or sued upon any kind of insurance or bond contract does not exceed in any single claim of one hundred thousand pesos (P100,000.00), and any decision, order or ruling rendered by the Insurance Commission after a hearing shall have the force and effect of a judgment.

"The aggrieved party may, within thirty (30) days from receipt, appeal from such decision, order or ruling to the Supreme Court.

"The provisions of Rule 43 of the Rules of Court shall insofar as practicable apply to appeals from the Insurance Commission to the Supreme Court."

SEC. 3. Section One hundred seventy-two of the same Act is further amended to read as follows:

"SEC. 172. After the becoming effective of this Act, no foreign or domestic 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 Insurance Commission upon application therefor and payment by the company concerned of the fees hereinafter prescribed.

"The Insurance Commission may refuse to issue a certificate of authority to any insurance company if, in its judgment, such refusal will best promote the interests of the people of this country. No such certificate of authority shall be granted to any such company until the Insurance Commission shall have satisfied itself by such examination as it may make and such evidence as it may require that such company is qualified by the laws of the Philippines to transact therein the kind or kinds of business applied for. 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 all the provisions of this chapter or the circulars, instructions or ruling of the Insurance Commission. Before issuing such certificate of authority, the Insurance Commission must be satisfied that the name of the company is not that of any other known

company transacting a similar business, or a name so similar as to be calculated to mislead the public. Every company receiving any such certificate of authority shall be subject to the insurance laws of the Philippines and to the jurisdiction and supervision of the Insurance Commission.

"No insurance company may be authorized to transact in the Philippines the business of life insurance and non-life insurance concurrently: *Provided*, That an insurance company may accept by way of reinsurance the kind or kinds of business specified in its certificate of authority.

"All properties located in the Philippines shall be insured only with insurance companies duly authorized to do business in the Philippines. Violation of this provision shall subject the assured and/or the officers of the assured corporation to a fine of ten thousand pesos (P10,000.00) and imprisonment of six (6) months."

SEC. 4. Section One hundred seventy-five of the same Act is further amended to read as follows:

"SEC. 175. If the Insurance Commission is of the opinion upon examination or other evidence "that any foreign or domestic insurance company is in an unsound condition, or that it has failed to comply with any provision of law or regulations obligatory upon it, or that in the opinion of the Insurance Commission, its condition or method of business is such as to render its proceedings hazardous to the public or to its policy holder or that its actual assets exclusive of its capital are less than its liabilities, unearned premiums and reinsurance reserve, the Insurance Commission is authorized to revoke or suspend all certificates of authority granted to such insurance company, its officers or agents, and no new business shall thereafter be done by such company or for such company by its' agents in the Philippines while such revocation, suspension or disability continues or until its authority to do business is resorted by the Insurance Commission.

"The Insurance Commission is further authorized, after giving such opportunity to the company to be heard as it thinks fit, to appoint an administrator to manage the affairs and property of such company.

"The administrator so appointed shall receive from the insurance company concerned such remuneration as the Insurance Commission may direct and the Insurance Commission may at any time cancel the appointment and appoint some other person as administrator.

"The administrator shall continue the management of the business of the insurer with the greatest economy compatible with efficiency and shall, as soon as possible, file with the Insurance Commission a report stating which of the following courses of action is under the circumstances most advantageous to the general interest of the policy holders, namely: (a) the transfer of the business of the insurance company to another insurance company; (b) the continuance of the business by the insurance company; (c) the liquidation of the insurance company; or (d) such other course of action as it deems advisable.

"On the filing of the report with the Insurance Commission, the Insurance Commission may take such action as it thinks fit for promoting the interest of the policyholders in general.

"The administrator may be another insurance company doing business in the Philippines, any officer of such company, or any other competent and qualified person or persons.

"The administrator shall not be subject to any action, claim or demand by, or liability to, any person in respect of anything done or omitted to be done in good faith in the exercise, or in connection with the exercise, of the powers conferred on the administrator.

"Any order issued by the Insurance Commission under this section shall be binding on all persons, concerned, and shall have effect notwithstanding any provision in the articles of incorporation or by-laws of the insurance company.

"Subject to the provisions of existing law and regulations on the matter, any domestic insurance company may, with the approval of the Insurance Commission consolidate or merge with any other domestic insurance company."

SEC. 5. Section One hundred seventy-five (A) to Section One hundred seventy-five (U), of the same Act, is further amended to read as follows:

"SEC. 175(A). *Grounds for Liquidation.* — The Insurance Commission shall apply under this Act for an order directing it to liquidate any domestic insurance company or a Philippine branch of a foreign insurance company having security deposits or trusted assets in the country, whenever it finds that the company cannot be permitted to resume business with safety to its policyholders, or to its creditors, or to the public, or, upon the ground that the company has consented to such proceeding through a majority of its directors, stockholders, or members.

"SEC. 175(B). *Order of Liquidation: Rights and Liabilities.* — An order to liquidate the business of an insurance company shall direct the Insurance Commission to continue in possession, as the case may be, of the property of the company and to liquidate the business of the same and to deal with the property and business of the company in the name of the Insurance Commission or in the name of the company as the Court may direct, and to give notice to all creditors who may have claims against the company to present their claims.

"The Commission shall be vested by operation of law with the title to all of the property, contracts, rights of action, and all of the books and records of the insurance company as of the date of the entry of the order so directing them to liquidate. The filing or recording of such order in any office where instruments affecting title to property are required to be filed or recorded shall impart the same notice that a deed, contract of sale or other evidence of title duly filed or recorded would have imparted. The rights and liabilities of the company and of its creditors, policyholders, stockholders, members and all other persons interested in its estate shall, unless otherwise directed by the court, be fixed as of the

date of the entry of the order directing the liquidation of such insurance company in the office of the clerk of court where the company had its principal office for the transaction of business upon the date of the institution of proceedings under this Act. The right of claimants holding contingent claims on said date to share in an insolvent estate shall be determined by this Act.

"The Insurance Commission shall reinsure all the policy obligations of the company in any solvent insurance company authorized to do business, if the unearned premium reserve of such company is sufficient to effect such reinsurance. If such unearned premium reserve is insufficient for the purpose, the Insurance Commission shall reinsure a percentage of each policy of such company outstanding to the extent that its unearned premium reserve may be sufficient for the purpose. No contract of reinsurance shall be entered into by the Insurance Commission except in the pursuance of an order of the court directing the reinsurance and establishing the general form of the contract for the same.

"SEC. 175(C). *Grounds for Dissolution of Domestic Insurance Company.* —The Insurance Commission may apply under this Act for an order dissolving the corporate existence of a domestic insurance company at any time after an order of liquidation has been granted, or at any time upon the grounds specified in this Act.

"SEC. 175(D). *Commencement of a Proceeding.* — The Insurance Commission may, the Solicitor-General representing it, commence any proceeding under this Act by an application to the Court of competent jurisdiction, in the Judicial District in which the principal office of the insurance company involved is located, for an order directing such company to show cause why, the Insurance Commission should not have the relief prayed for. On the return of such order to show cause, and after a full hearing, which shall be held by the court without delay such court or judge shall either deny the application or grant the same together with such other relief as the nature of the case and the interest of policyholders, creditors, stockholders, members, and the public may require. All proceedings under this Act shall be given preference in the courts.

"SEC. 175(E). *Service of Order to Show Cause.* — The order to show cause and the papers upon which the same is made in any proceedings under this Act shall be served upon the insurance company named in such order by delivering them to the president, or other head of the corporation, the secretary or clerk to the corporation, the cashier, the treasurer or a director or managing agent; if it be a voluntary, unincorporated or a joint stock association, order or society, by delivering them to the president, vice-president, treasurer, director, trustee or other officer or a member with managerial powers.

"SEC. 175(F). *Injunctions.* — Upon application by the Insurance Commission for an order to show cause under this Act, or at any time thereafter, the Court in which such order is made, or any judge thereof may without notice, issue an injunction restraining the company named in the order, its officers, directors, stockholders, members, trustees,