

[CIRCULAR NO. 2018-002, July 26, 2018]

**GUIDELINES PRESCRIBING THE SUBMISSION OF THE PROPERTY
INVENTORY FORM AS BASIS FOR THE ASSESSMENT OF GENERAL
INSURANCE COVERAGE OVER ALL INSURABLE ASSETS,
PROPERTIES AND INTERESTS OF THE GOVERNMENT WITH THE
GENERAL INSURANCE FUND OF THE GOVERNMENT SERVICE
INSURANCE SYSTEM**

*Adopted: 31 May 2018
Date Filed: 26 July 2018*

1.0 Rationale

Republic Act (RA) No. 656, otherwise known as the Property Insurance Law, as amended by Presidential Decree (PD) No. 245, requires all government agencies (except municipal governments below first class category) to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the Government Service Insurance System (GSIS).

It has come to the attention of this Commission that there are still properties owned by government agencies and their subsidiaries which are not insured with the GIF; or which are insured with private insurance companies or which, while covered by the GIF, are not insured adequately.

The non-compliance with the requirement denies the government adequate and reliable protection against any damage to or loss of its properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. It also deprives the GSIS of substantial premium income that should have formed part of the GIF.

To enable the GIF to deliver the mandated services, it is necessary for the GSIS to obtain complete information on the inventory of assets and properties of all government agencies, including the latest appraised/market values determined by a third party or in-house appraiser in compliance with the accounting and other valuation standards adopted by the concerned agency.

2.0 Purpose

This Circular is being issued to assist in the implementation of the provisions of RA No. 656, as amended, on the insurance and bonding of risks on insurable government assets and properties with the GIF.

3.0 Coverage

This Circular shall cover all insurable government assets and other assets such as

contracts, rights of action, and other insurable risks of government agencies, departments, bureaus, boards, commissions, state universities and colleges, local government units, government-owned or controlled corporations and their subsidiaries/affiliates, including all others in which these agencies or offices have an insurable risk or an insurable interest, such as but not limited to, loss or damage of the government assets.

It is only when such property or part thereof are not acceptable to the GIF that these may be insured with a private insurance company^[1] at a cost most advantageous to the government, subject to the applicable provisions of the Revised Implementing Rules and Regulations of RA No. 9184 or the Government Procurement Reform Act.

Properties or assets, contracts or agreements, causes or rights of action, or other insurable interests of the Armed Forces of the Philippines, shall be bound by this Circular to the extent that they are acceptable to the GIF.^[2]

4.0 Definition

For purposes of this Circular, the following terms are defined as follows:

4.1 Property includes vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein (i.e. furniture, fixtures, equipment, supplies and materials, etc.) or in buildings rented by the government, or properties in transit, the ownership of which had already passed to the government.

4.2 Insurable Interests, as defined in RA No. 10607 (PD No. 612, as amended), otherwise known as the Insurance Code, and Administrative Order No. 33 mean every interest in property, whether real or personal, or any relation, thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured.

4.3 Insurable Value refers to replacement cost or actual cash value of a building for which standard insurance policies provide indemnity cover. Insurable value is less than the appraised or market value of the property because it excludes the value of land on which the building stands. The formula for computing the insurable value is usually stated in the valuation clause of a policy document.

4.4 Market Value refers to the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, where the parties had each acted knowledgeably, prudently, and without compulsion.

4.5 Appraised Value is an appraiser's opinion of the current worth of a property based on factors such as area, location, improvements, and amenities.

4.6 Acquisition Cost is the amount paid or value given up to acquire a government asset.