

## **SECOND DIVISION**

**[ G.R. No. 223318, July 15, 2019 ]**

**CESAR V. PURISIMA, IN HIS CAPACITY AS SECRETARY OF THE DEPARTMENT OF FINANCE AND EMMANUEL F. DOOC, IN HIS CAPACITY AS INSURANCE COMMISSIONER, PETITIONERS, VS. SECURITY PACIFIC ASSURANCE CORPORATION, VISAYAN SURETY & INSURANCE CORPORATION, FINMAN GENERAL ASSURANCE CORPORATION, MILESTONE GUARANTY & ASSURANCE CORPORATION, R&B INSURANCE CORPORATION, INDUSTRIAL INSURANCE COMPANY INCORPORATED, PHILIPPINE PHOENIX SURETY & INSURANCE INCORPORATED, MERCANTILE INSURANCE COMPANY INCORPORATED, GREAT DOMESTIC INSURANCE COMPANY OF THE PHILIPPINES, INCORPORATED, AND INSURANCE OF THE PHILIPPINE ISLANDS COMPANY INCORPORATED, RESPONDENTS.**

### **DECISION**

**REYES, J. JR., J.:**

Assailed before this Court, through a Petition for Review on Certiorari,<sup>[1]</sup> are the Decision<sup>[2]</sup> dated May 15, 2015 and Resolution<sup>[3]</sup> dated February 29, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 129905, which upheld the issuance of a writ of preliminary injunction issued by the trial court.

#### **The Relevant Antecedents**

On September 1, 2006, Department Order (DO) No. 27-06, ordering the increase in the minimum paid-up capital stock requirement of life, non-life, and reinsurance companies, was issued. Superseding several memorandum circulars, DO No. 27-06 suspended the adoption of risk-based capital framework for non-life insurance and integrated the compliance standards for fixed capitalization under the DO and the risk-based capital framework.<sup>[4]</sup>

As a consequence, members of the Philippine Insurers and Reinsurers Association, Inc. (PIRAI) received a letter from the Deputy Insurance Commissioner, reminding them that their paid-up capital must be at least equal to the amount scheduled by DO No. 27-06. Similarly, an advisory was sent to them by Commissioner Emmanuel Dooc (Commissioner Dooc) after having failed to comply with the minimum paid-up capital of P175 Million by the end of December 2011.<sup>[5]</sup>

This prompted Security Pacific Assurance Corporation, Visayan Surety & Insurance Corporation, Finman General Assurance Corporation, Milestone Guaranty & Assurance Corporation, R&B Insurance Corporation, Industrial Insurance Company Incorporated, Philippine Phoenix Surety & Insurance Incorporated, Mercantile

Insurance Company Incorporated, Great Domestic Insurance Company of the Philippines, Incorporated, and Insurance of the Philippine Islands Company Incorporated (respondents), to file a complaint with application for the issuance of a Temporary Restraining Order (TRO) and Writ of Preliminary Injunction (WPI) against the Secretary of Finance, Cesar Purisima, and Commissioner Dooc (petitioners).<sup>[6]</sup>

In their Complaint, respondents alleged that DO No. 27-06 is unconstitutional because, among others, it vests upon the Secretary of Finance the legislative power to increase the minimum paid-up capital stock requirement, thereby violating the doctrine of non-delegation of legislative power. Plagued with manpower problems and serious business losses, respondents sought for the suspension of the DO and relevant circulars.<sup>[7]</sup>

In their Answer, petitioners maintained that compliance with DO No. 27-06 is based on yearly assessment, depending on the insurance company's net worth and equity structure. Contrary to the contentions of the respondents, DO No. 27-06 is not oppressive because it is germane to the purpose for which it was created, that is, to keep the solvency of the insurance companies and protect the interest of the public.<sup>[8]</sup>

In a Resolution<sup>[9]</sup> dated July 20, 2012, the Regional Trial Court (RTC) of Quezon City, Branch 98, denied the application for TRO and WPI for failure of respondents to fully substantiate grounds for the issuance of an injunctive writ. It upheld the validity of the issuance of DO No. 27-06 and relevant memoranda as the Insurance Code expressly grants the Secretary of Finance and the Insurance Commissioner the power to regulate the insurance business in the Philippines.

However, on August 31, 2012, the sitting judge of the RTC, Branch 98, inhibited from the case. The case was then returned to the Office of the Executive Judge for re-raffle.<sup>[10]</sup>

A supplemental complaint was filed by respondents in view of the passage of DO No. 15-2012 which required the insurance companies to further increase their paid-up capital from P250 Million to P1 Billion beginning 2012.<sup>[11]</sup>

After the re-raffling of the case, an Order dated December 5, 2012, granting the application for the issuance of a WPI, was issued. While the trial court recognized the constitutionality of the DOs, it recognized the need to determine the reasonableness of the minimum paid-up capital requirement found therein; more so when Circular Letter No. 18-2012 excluded three respondents as having valid certificates of authority.

Petitioners filed a Motion for Reconsideration, which was denied in an Order dated February 15, 2013.<sup>[13]</sup>

Aggrieved, petitioners filed a Petition for *Certiorari*, ascribing grave abuse of discretion on the part of RTC in issuing an injunctive writ, before the CA. <sup>[14]</sup>

In a Decision<sup>[15]</sup> dated May 15, 2015, the CA denied the petition for lack of merit. In upholding the issuance of a WPI, the CA maintained that respondents have