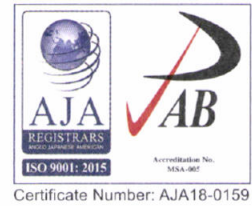




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Legal Opinion No.	LO-2019-01
Date	February 15, 2019

MR. ROY S. MICLAT
President and CEO
1 Cooperative Insurance System of the Philippines
Life and General Insurance (1CISP)
CISP Building, No. 80 Malakas Street
Barangay Pinyahan, Diliman
Quezon City

ATTENTION: **MR. ARMANDO DL. GUTIERREZ, JR.**
Vice-President – Non-Life Operations

SUBJECT: **Legal Opinion on the Certificate of Authority to Issue Surety Bonds in Favor of the Government in Connection with 1CISP's Accreditation with the Supreme Court**

Dear Mr. Miclat:

This pertains to your letter dated 15 January 2019 regarding your company's Certificate of Authority to Act as Surety in Government Transactions Under Act No. 536, as Amended by Act No. 2206 issued by this Commission.

In your letter, you requested clarification on the following matters:

1. Whether Act No. 2206 is valid, binding and in accordance with law; and,
2. Whether the Certificate of Authority issued to your company to act as surety in Government indicates restrictions of liability amounting to Fifty Thousand Pesos (Php 50,000.00).

Our Opinion

Anent your first query, it must be noted that initially, insurance companies were allowed to act as surety in government transactions only upon the issuance of the Office of the President of an Administrative Order under Act No. 536, as amended by Act No. 2206

However, by virtue of the Letter of the Office of the President dated 7 May 2014 and Department of Justice (“DOJ”) Opinion No. 93-2012 dated 5 December 2013, it was clarified that the Insurance Commission, through Act No. 536 as Amended by Act No. 2206, was authorized to grant authority to surety companies to issue bonds in favor of the government.

In view thereof, the Insurance Commission issued IC Circular Letter No. 2014-46 dated 12 November 2014 and IC Circular Letter No. 2015-39 dated 27 July 2015, which effectively set out the guidelines on the issuance of Certificates of Authority in favor of surety companies who wishes to transact surety business with the government.

Hence, to date, Act No. 536 as Amended by Act No. 2206 remains valid and binding.

You also seek to clarify whether the following provisions in your Certificate of Authority connotes a limitation or restriction on your company to issue bonds:

“xxx in the event that 1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES LIFE AND GENERAL INSURANCE **becomes indebted to any government instrumentality or political subdivision thereof or to any government-owned or controlled corporation in the total amount of P50,000.00** accruing from the issuance of bonds, the same having become due and demandable, the insurance company must voluntarily desist from writing or issuing all kinds of bonds until the outstanding liabilities in government bonds have been fully paid or settled. Non-payment of liabilities shall be a cause for the immediate revocation of this authority.” (Emphasis supplied.)

The above provision in the certification does not mean a limitation or restriction in the authority of your company to issue bonds. Rather, said provision merely serves as a directive that should the bond issued by the company incurs a due and demandable liability to the government instrumentality, political subdivision or government owned or controlled corporation in the amount of P50,000.00 or more, the company should desist from writing and issuing new bonds until said obligation or liability has been fully paid or settled. The same provision also provides for the penalty of revocation of the authority issued to the company for violation thereof.

Hence, generally, there is no restriction or limitation as to the amount of bond that can be issued by the company, *provided*, that it has no outstanding obligation to the government amounting to P50,000.00 or more.

Please note that the opinion rendered by this Commission based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

For your information and guidance.

Very truly yours,



DENNIS B. FUNA
Insurance Commissioner