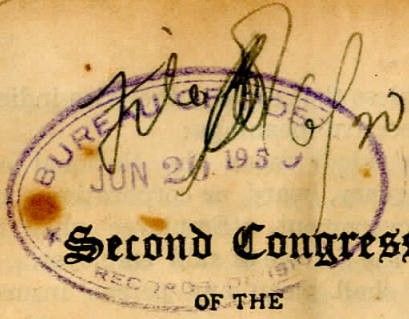


Copy for Mr. Bonifacio O. ...
L. B. Dill ...
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Voted



H. No. 7

Second Congress
OF THE
Republic of the Philippines
First Session

Begun and held in the City of Manila on Monday, the
twenty-third day of January, nineteen hundred
and fifty

[REPUBLIC ACT No.]

AN ACT TO AMEND COMMONWEALTH ACT NUM-
BERED ONE HUNDRED AND EIGHTY-SIX EN-
TITLED "AN ACT TO CREATE AND ESTABLISH
A GOVERNMENT SERVICE INSURANCE SYS-
TEM, TO PROVIDE FOR ITS ADMINISTRATION,
AND TO APPROPRIATE THE NECESSARY
FUNDS THEREFOR," AND TO PROVIDE RETIRE-
MENT AND ACCIDENT AND HEALTH INSUR-
ANCE BENEFITS AND FOR OTHER PURPOSES.

*Be it enacted by the Senate and House of Representatives
of the Philippines in Congress assembled:*

SECTION 1. Subsections (a), (d), and (f) of section two
of Commonwealth Act Numbered One hundred and eighty-
six are hereby amended to read as follows and subsections
(g), (h), (i), (j) and (k) are hereby added:

"SEC. 2. *Definitions.*—When used in this Act the follow-

ing terms shall, unless the context otherwise indicates, have the following respective meanings:

“(a) ‘Employer’ shall mean the National or a local Government, an agency, board, or corporation controlled or owned by the Government. ‘Employee’ shall mean any Filipino citizen in the service of said ‘employer.’

“(d) ‘Member’ shall mean any person insured in the System.

“(f) ‘Membership policy’ shall mean a life insurance policy for an amount, the monthly premium of which is equivalent to two, five or six *per centum* of an employee’s monthly salary or compensation.

“(g) ‘Dependent’ shall mean the wife, and/or any unmarried dependent children of an employee, excluding—

“(1) Children less than ninety days old or eighteen or more years of age,

“(2) The wife of an employee legally separated from him, and

“(3) The wife or any child who is also an insured ‘employee’ or eligible to become ‘member’ of the System.

“(h) ‘Approved physician’ shall mean a physician who is a member in good standing of the Philippine Medical Association or in the list of physicians approved by the System.

“(i) ‘Regular officer’ or ‘enlisted man’ shall mean one whose commission or enlistment is in the regular force of the Armed Forces of the Philippines and not in the reserve force thereof.

“(j) ‘Medical services’ shall include surgical, therapeutic, hospital, nursing, and diagnostic services as well as necessary medicines and medical supplies.

“(k) ‘Diagnostic services’ shall include X-ray, laboratory, basal metabolism, and electrocardiographic services.”

SEC. 2. Section four of Commonwealth Act Numbered

One hundred and eighty-six is hereby amended to read as follows:

"SEC. 4. *Scope of application of System.*—(a) Membership in the System shall be compulsory upon all regularly and permanently appointed employees including those whose tenure of office is fixed or limited by law; upon all teachers except only those who are substitutes; and upon all regular officers and enlisted men of the Armed Forces of the Philippines: *Provided*, That it shall be compulsory upon regularly and permanently appointed employees of a municipal government below first class only if and when said government has joined the System under such terms and conditions as the latter may prescribe.

"(b) Membership in the System shall be optional with an elective official of the National Government or of a local government that is a member of the System: *Provided*, That if he desires to come within the purview of this Act, he must notify the System in writing to that effect within one year from the date of approval of this Act or of his entry into the service if this be the later date: *Provided, further*, That he complies with the requirements of the System and that he is in the government service when his insurance takes effect: *And provided, finally*, That after his admission into the System he shall be entitled to life insurance benefit for which he shall pay either one *per centum* or three *per centum* of his monthly salary, depending on the kind of insurance selected by him, and his employer shall likewise pay for him the same amount."

SEC. 3. Section five of Commonwealth Act Numbered One hundred and eighty-six is hereby amended to read as follows:

"SEC. 5. (a) *Rates of contributions.*—For the benefits described hereunder, each employee who is a member of the System and his employer shall pay the monthly rates of contributions or premiums specified in the following schedule:

One hundred and eighty-six is hereby amended to read as follows:

"SEC. 4. *Scope of application of System.*—(a) Membership in the System shall be compulsory upon all regularly and permanently appointed employees including those whose tenure of office is fixed or limited by law; upon all teachers except only those who are substitutes; and upon all regular officers and enlisted men of the Armed Forces of the Philippines: *Provided*, That it shall be compulsory upon regularly and permanently appointed employees of a municipal government below first class only if and when said government has joined the System under such terms and conditions as the latter may prescribe.

"(b) Membership in the System shall be optional with an elective official of the National Government or of a local government that is a member of the System: *Provided*, That if he desires to come within the purview of this Act, he must notify the System in writing to that effect within one year from the date of approval of this Act or of his entry into the service if this be the later date: *Provided, further*, That he complies with the requirements of the System and that he is in the government service when his insurance takes effect: *And provided, finally*, That after his admission into the System he shall be entitled to life insurance benefit for which he shall pay either one *per centum* or three *per centum* of his monthly salary, depending on the kind of insurance selected by him, and his employer shall likewise pay for him the same amount."

SEC. 3. Section five of Commonwealth Act Numbered One hundred and eighty-six is hereby amended to read as follows:

"SEC. 5. (a) *Rates of contributions.*—For the benefits described hereunder, each employee who is a member of the System and his employer shall pay the monthly rates of contributions or premiums specified in the following schedule:

"MONTHLY CONTRIBUTIONS OR PREMIUMS

Benefits	Percentage of monthly Salary Payable By—		Remarks
	Employee	Employer	
I. Life Insurance	1	1	Payment of premium shall begin on the last day of the calendar month preceding the month when one's insurance takes effect. Except as otherwise provided in this Act, the first rate shall apply to a civilian employee insured on or after the approval of this Act. The second rate shall apply to a civilian employee already insured prior to the approval of this Act unless he chooses term insurance, in which case the first rate shall apply. The third rate shall apply to a regular officer or an enlisted man.
	3	3	
	5	0	
II. Retirement insurance	3	9	If employee's monthly salary is ₱200 or less.
	4	8	If employee's monthly salary is between ₱200 and ₱300.
	5	7	If employee's monthly salary is between ₱300 and ₱400.
	6	6	If employee's monthly salary is more than ₱400, but his contribution for this benefit shall not exceed ₱45 per month.
III. Accident and health insurance	2	2	The employee's and the employer's contribution shall be each 2 per cent of his monthly salary, but the employee's contribution for this benefit shall not exceed ₱12 per month.

"Payment of contributions for retirement insurance and accident and health insurance benefits shall begin on the last day of the third calendar month following the month this Act was approved or the employee entered the service, whichever is the later date: *Provided, however,* That contributions for accident and health insurance shall be collected from members only when medical services can be

extended to them: *And provided, further,* That no contributions for retirement insurance and accident and health insurance benefits shall be required of elective officials and regular officers and enlisted men, who are hereby excluded from said benefits; nor contributions for retirement insurance benefit shall be required of Justices of the Supreme Court, who are hereby also excluded from that benefit.

“(b) *Premiums for optional insurance.*—The amount of premium on one’s optional insurance described in section ten hereof shall be as provided in his policy. The premiums on this optional insurance shall be entirely borne by the insured.

“(c) *Contributions for optional retirement annuity.*—Each employee may, at his option and under such rules and conditions as the System may prescribe, deposit additional amounts from time to time, the total of which shall not exceed ten per cent of the total salaries he has received from his employers prior to his retirement. These deposits shall be credited with interest of three *per centum per annum*, compounded annually, and together with said interest shall at the date of his retirement be available to purchase in addition to the annuity described in section 11 hereof such an annuity as he will elect and the System will offer. In the event of his death or separation before becoming eligible for retirement, the total amount so deposited, with interest, shall be refunded to him or his beneficiaries, as recorded in his application for optional retirement annuity filed with the System.

“(d) *Collection and remittance of contributions or premiums.*—Each employer concerned shall at the end of each month deduct and withhold from the monthly salary of every employee in its service the contributions or premiums payable by him in accordance with the preceding schedule plus the additional contributions, if any, required in section seven hereof. It shall advance and remit to the System quarterly beginning April 1 of each year the monthly contributions or premiums for the current quarter, together with its corresponding shares as described in the said

schedule, plus extra premiums and additional contributions, if any, as required in the following sections: *Provided*, That if such employee is separated from the service, then any premiums or contributions not due and payable shall be refunded or credited to his employer. A member no longer in the service may pay his premiums directly to the System or as provided hereinbelow.

"Except as otherwise specified herein, payment of any contribution or premium on one's optional insurance and/or retirement annuity in the System may be made to an employer whose location is convenient to the member, and such employer is hereby authorized and required to accept such payment, issue receipt therefor, and remit the same immediately to the System."

SEC. 4. Section six of Commonwealth Act Numbered One hundred and eighty-six is hereby amended to read as follows:

"SEC. 6. *Employer's contribution.*—Each employer shall include in its annual appropriation and remit to the System the necessary amounts for its corresponding shares of the contributions or premiums described in subsection (a) of section five, plus any extra premiums that may be required on account of the hazards or risks of its employees' occupations, plus the additional contributions, if any, required in the next following section: *Provided, however*, That if one's compulsory membership policy matures, the employer's contributions for his life insurance shall cease until he acquires a new membership policy which, however, shall be granted only upon satisfactory evidence of insurability: *And provided, finally*, That in case of transfer of an employee from one employer to another, the former employer shall be relieved of paying further premiums for him and the new employer, whether or not it has joined the System, shall assume the same, appropriating therefor the necessary amount.

"The Board shall have the full power and authority to adopt rules and regulations for the collection and remittance of premiums or contributions payable as provided

in this Act and/or any indebtedness to the System, and impose a fine not exceeding the loss or damage that the System may suffer on the official or officials responsible for the delay or failure in collecting or remitting said premiums, contributions or indebtedness, without prejudice to such other punishment as may be imposed in accordance with existing Civil Service rules and regulations. Notwithstanding any law to the contrary, the Board may give extra remuneration to officials in charge of collecting and remitting said premiums, contributions or indebtedness, if by so doing the best interests of the System shall be advanced."

SEC. 5. Section seven of Commonwealth Act Numbered One hundred and eighty-six is hereby amended to read as follows:

"SEC. 7. *Additional contributions.*—(a) For the amount of annuity corresponding to the services rendered by an employee prior to the approval of this Act, his employer shall pay under such rules and regulations as the System may prescribe the necessary additional contributions: *Provided*, That if an employee had already rendered more than twenty years of service prior to the approval of this Act he shall also make additional contributions of one *per centum* of his monthly salary.

"(b) The Board is hereby authorized and empowered, in carrying out the provisions of this Act, to supplement the individual contributions of members with moneys received in the form of donations, gifts, legacies, or bequests, or otherwise, and to receive and deposit to the credit of the System, and invest all moneys which may be donated by private individuals, organizations, or corporations.

"(c) All savings in appropriations for salaries and wages that may be realized by each employer during each fiscal year shall be transferred by said employer to the System which shall use the same for the payment of benefits provided in this Act."

SEC. 6. Section eight of Commonwealth Act Numbered One hundred and eighty-six is hereby amended to read as follows:

"I.—LIFE INSURANCE BENEFIT

"SEC. 8. (a) *Compulsory membership insurance.*—An employee whose membership in the System is compulsory shall be automatically insured on the first day of the seventh calendar month following the month he was appointed or on the first day of the sixth calendar month if the date of his appointment is the first day of the month: *Provided*, That his medical examination, if required, has been approved by the System.

"(b) *Optional membership insurance.*—The life insurance of an employee whose membership in the System is optional shall take effect, if he is alive, on the first day of the calendar month following the calendar month during which the first premium thereon was paid to the System: *Provided*, That his application for membership, and his medical examination if required, has or have been approved by the System.

"(c) *Amount and kind of insurance.*—Compulsory membership insurance shall be term insurance of an amount equal to the employee's current annual salary: *Provided*, *however*, That this subsection shall not apply to any civilian employee who prior to the approval of this Act is already insured in the System nor to a regular officer or an enlisted man: *And provided, further*, That upon his request, a civilian employee may have his old membership insurance changed into a paid-up endowment insurance and be reinsured under a term insurance on submission of satisfactory evidence of insurability unless such request be made within one year from the date of approval of this Act. Optional membership insurance shall be, as he may select, either the term insurance described above or an endowment insurance whose amount shall be whatever the six *per centum* monthly contribution will buy."

SEC. 7. The following new sections are hereby inserted in Commonwealth Act Numbered One hundred and eighty-six:

"II.—RETIREMENT INSURANCE BENEFIT

"SEC. 11. (a) *Amount of annuity.*—Upon retirement a member shall be automatically entitled to a life annuity

payable monthly for at least five years and thereafter as long as he lives. The amount of the monthly annuity at the age of fifty-seven years shall be twenty pesos, plus, for each year of service rendered after the approval of this Act, one and six-tenths *per centum* of the average monthly salary received by him during the last five years of service, plus, for each year of service rendered prior to the approval of this Act, if said service was at least five years, one and two-tenths *per centum* of said average monthly salary: *Provided*, That this amount shall be adjusted actuarially if retirement be at an age other than fifty-seven years: *Provided, further*, That the maximum amount of monthly annuity shall not in any case exceed two-thirds of said average monthly salary or five hundred pesos, whichever is the smaller amount: *And provided, finally*, That retirement benefit shall commence not earlier than six months after the approval of this Act. In lieu of this annuity, he may prior to his retirement elect one of the following equivalent benefits:

“(1) Monthly annuity during his lifetime;

“(2) Monthly annuity during the joint-lives of the employee and his wife or other designated beneficiary, which annuity, however, shall be reduced upon the death of either to one-half and be paid to the survivor; or

“(3) Such other benefit as may be approved by the System.

“(b) *Survivor's benefit*.—Upon death before he becomes eligible for retirement, his beneficiaries as recorded in the application for retirement annuity filed with the System shall be paid his own contributions with interest of three *per centum per annum*, compounded annually. If on his death he is eligible for retirement, then the automatic retirement annuity or the annuity chosen by him previously shall be paid accordingly.

“(c) *Disability benefit*.—If he becomes permanently disabled and his services are no longer desirable, he shall be discharged and paid his own contributions with interest of three *per centum per annum*, compounded annually, if he has served less than five years; if he has served at least five years but less than fifteen years, he shall be

paid also the corresponding employer's contributions, without interest, described in subsection (a) of section five hereof; and if he has served at least fifteen years he shall be retired and be entitled to the benefit provided under subsection (a) of this section.

"(d) Upon dismissal for cause or on voluntary separation, he shall be entitled only to his own contributions and voluntary deposits, if any, plus interest of three *per centum per annum*, compounded annually.

"SEC. 12. *Conditions for retirement.*—(a) On completion of thirty years of total service and attainment of age 57 years, or on completion of fifteen years of total service and attainment of age 62, a member shall have the option to retire. In all cases, the last two years of service before retirement must be continuous, and he has made contributions for at least five years, which contributions may, if he so desires, be deducted from his life annuity. In the case of those who are between 57 and 62 years of age a period of service shorter than 30 years may be allowed, provided that each year decrease in service shall be compensated by one-half year increase in age over 57 years. A younger age of retirement may be permitted provided that each year decrease below 57 years shall be compensated by one year increase in service over 30 years. If an employee is a laborer or one whose work is mostly manual, the ages mentioned above may be decreased by five years at the discretion of the System. In all cases no one shall be entitled to retirement benefit if his age is below 50 years or his total service is less than fifteen years.

"(b) The employer concerned may request the retirement of any such employee described in the preceding subsection who, by reason of a disqualification, is unable to perform satisfactorily and efficiently the duties of his position or some other position of the same grade or class as that occupied by the employee and to which he could be assigned, but such request shall be submitted to the Civil Service Board of Appeals only after the said employee has been notified in writing of the proposed retire-

ment. No such employee, however, shall be so retired unless the Civil Service Board of Appeals has given him a hearing and found him after examination that he is so disqualified. The decision of the Civil Service Board of Appeals as to whether or not the said employee shall be retired under this subsection shall be final and conclusive.

“(c) Retirement shall be automatic and compulsory at the age of sixty-five years, except for members of the judiciary and constitutional officers whose tenure of office is guaranteed, but upon specific approval of the President of the Philippines, an employee may be allowed to continue to serve till the age of seventy years if he possesses special qualifications and his services are needed. It shall be the duty of the employer concerned to notify each such employee under its direction of the date of his automatic separation from the service at least sixty days in advance thereof.

“(d) An employee separated from the service who is receiving an annuity described under section eleven shall not be eligible again to appointment to any appointive position or employment under any employer, unless the appointing authority determines that he is possessed of special qualifications and his medical examination has been approved by the System, in which event payment of his annuity shall be suspended during the period of his new employment: *Provided, however,* That nothing in this Act shall be so construed as to affect the rights of the annuitant's beneficiary if the annuitant has been receiving or had elected, and was otherwise entitled to, a reduced annuity under subsection (a) of section eleven: *And provided, further,* That upon the termination of his new appointment, the payment of the annuity which was suspended shall be resumed.

“(e) If an employee who is not receiving the annuity mentioned in the next preceding subsection be reinstated in the service, he shall be given full credit for services rendered by him prior to the approval of this Act for the purpose of determining the amount of annuity under section 11 hereof to which he may be entitled: *Provided, however,* That said credit shall not be given if the employee shall

not refund to the System any contributions he received therefrom with interest of three *per centum per annum* compounded annually from the date he received them up to the date of their payment, or any gratuity or benefit he received under any pension or retirement plan of an employer: *Provided, further* That if separated before, and reinstated after, the approval of this Act, only three-fourths of said prior services shall be credited to the employee after complying with the condition stated above.

"SEC. 13. *Computation of service.*—The aggregate period of service which forms the basis for retirement and calculating the amount of annuity described in section eleven hereof shall be computed from the date of original employment, whether as a classified or unclassified employee in the service of an 'employer', including periods of service at different times and under one or more employers, and also periods of service performed overseas under the authority of the Republic of the Philippines and periods of honorable service in the Armed Forces of the Philippines prior to the approval of this Act, and periods of honorable service in the Philippines under the authority of the United States Government, if rendered prior to July fourth nineteen hundred and forty-six: *Provided, however,* That in the case of an employee who is eligible for and receives retirement pay on account of military or naval service or on account of disability incurred therein, the period of service upon which such retirement pay is based shall be excluded: *Provided, also,* That periods of service rendered after the approval of this Act during which contributions are not required shall be excluded, unless the contributions corresponding to said service be later on paid to the System with interest: *And provided, further,* That the period from January first nineteen hundred and forty-two to February twenty-eight nineteen hundred and forty-five and any period not exceeding one year at a time during which an officer or employee had been or may hereafter be out of the service to the date of his reinstatement or reappointment to the service, if such reinstatement or reappointment took place before the approval of this Act, shall be included for those who were in the service on December eight, nineteen hundred and

forty-one, except those who were separated prior to Japanese occupation, in the computation of total service, the annuity mentioned herein, and payment of contribution therefor.

“III.—ACCIDENT AND HEALTH INSURANCE BENEFITS

“(1) SICKNESS BENEFIT

“SEC. 14. *Medical services.*—(a) An employee shall be entitled to receive medical services if he becomes incapable of work on account of bodily injury or sickness contracted not through his own fault or misconduct, and shall be assigned accommodation with due regard to the rate of his contribution to the accident and health insurance fund.

“(b) If an employee becomes confined in a hospital, or elsewhere with the approval of the System, or is operated on for causes other than childbirth, abortion, or miscarriage and not due to the employee's own fault or misconduct, after and within two months from the date of the employee's separation from the service, the System shall extend to such employee free medical services during such time as the accident and health insurance fund will so permit without prejudice to any insured employee in need of those services: *Provided*, That the System is furnished with satisfactory proof that the confinement or operation was the result of an injury or sickness which began prior to the separation of the employee.

“(c) An employee who on account of bodily injury or sickness contracted while in the service and not through his own fault or misconduct becomes confined in a hospital, or elsewhere with the approval of the System, shall not be separated from the service without his consent within two years from the date of his confinement, and during the period of said confinement shall be entitled to free medical services.

“(d) Where there is provided in any hospital, as part of medical services, accommodation in single rooms or small wards, the System may make any such accommodation which is not meanwhile being needed by another patient on medical grounds, available for an employee-patient who undertakes to pay for the accommodation such charges as

are designed to cover part of the cost thereof, and the System may receive such payment.

"SEC. 15. *Extension of medical services.*—The System may extend medical services to the dependents of an employee: *Provided*, That, unless the accident and health insurance fund can afford to give those services free of charge, said employee shall undertake to pay such charges for the accommodation and services provided for his dependents as the System may consider reasonable, having due regard to his means: *Provided, further*, That nothing herein shall prevent accommodation so set aside from being made available for any employee who urgently needs it and for whom suitable accommodation is not otherwise available: *And, provided, finally*, That this section may be made applicable to members of the System who do not contribute to the accident and health insurance fund and to their dependents if the interests of the employees who are contributors of said fund and their dependents will not be prejudiced thereby.

"SEC. 16. *Daily benefit—Monthly benefit.*—(a) The System shall pay a daily benefit for each day of confinement to an employee who is confined in a hospital, or elsewhere with the approval of the System, on account of bodily injury or sickness contracted while in the service and not through his own fault or misconduct: *Provided*, That (1) he has not failed without good cause to submit himself to such medical or other examination or treatment as may be required by the System and has observed the rules of conduct prescribed by the System; and (2) the periods of confinement during which he may be entitled to daily benefits shall be as may be prescribed by the System, having due regard to equity, the conditions of the accident and health insurance fund, and his means.

"(b) The daily benefit shall be one-thirtieth of the monthly benefit described below:

"(1) If an employee is confined in a hospital, the monthly benefit shall be five *per centum* of his monthly salary, plus twenty-five *per centum* if married and living with his wife, and ten *per centum* for each of his other dependents

if any, but in no case shall the total monthly benefit be more than sixty *per centum* of his monthly salary or three hundred and sixty pesos, whichever is the smaller, nor less than ten pesos;

“(2) If an employee is confined in his house, or elsewhere with the approval of the System, he shall receive in addition to the benefits mentioned above fifteen *per centum* of his monthly salary, but in no case shall the total monthly benefit be more than seventy *per centum* of his monthly salary or four hundred pesos, whichever is the smaller, nor less than twenty-five pesos.

“SEC. 17. *Salary of an employee during confinement.*—The salary of an employee corresponding to the period during which he is receiving daily benefits as described in the preceding section shall be paid by his employer to the System, which shall pay from such salary the contributions or premiums payable by him for said period in accordance with subsection (a) of section five hereof: *Provided*, That during said period his position shall be left vacant or may be filled in by an emergency or substitute employee only with the approval of the appointing authority concerned and if the employer concerned has savings to pay the salary of the temporary incumbent.

“SEC. 18. *Period of confinement.*—Successive periods of confinement and successive operations shall be deemed to have occurred during one period of confinement, unless the subsequent confinement commences, or unless the subsequent operation is performed, after complete recovery from the injury or sickness causing the previous confinement or operation, or unless the subsequent confinement or operation is due to causes entirely unrelated to the causes of previous confinement or operation.

“(2) MATERNITY BENEFIT

“SEC. 19. *Services and daily benefit.*—A woman who is an employee and has been a contributor to the accident and health insurance fund shall be entitled to medical

and obstetrical services and the daily benefit described in section sixteen hereof during the period of the confinement: *Provided*, That no increase in her daily benefit shall be paid on account of her husband; that the period of confinement during which daily benefits may be paid shall not be longer than eight weeks: *Provided, further*, That daily benefits shall be paid only while she is alive, does not work as an employed or self-employed person, and has not failed without good cause to observe any prescribed rules of behaviour; and that she is in the Philippines.

"SEC. 20. *Extension of obstetrical services*.—A woman who is an employee but has not paid the number of contributions required in the preceding section or a woman whose husband is an employee and has paid the said contributions shall be entitled to medical and obstetrical services without charge during the period of her confinement but not longer than four weeks: *Provided*, That the wife of an employee who has not paid the said contributions shall be entitled to those services if said employee undertakes to pay such charges as the System may consider reasonable, having regard to his means.

"SEC. 21. *Confinement, defined*.—The expression 'confinement' relating to maternity benefit means a period of time from one week before to three weeks after delivery of a living or dead child or foetus. References to the date of confinement shall be taken as referring to the date of the issue of the child or, if there be two or more children, to the date of issue of the last child.

"(3) FUNERAL BENEFIT

"SEC. 22. *Funeral benefit*.—The System shall pay to the spouse of a deceased employee or, if there be no such spouse, to the person who is undertaking the funeral of the deceased, the sum of forty pesos, plus twenty *per centum* of the deceased's last monthly salary, but no payment for funeral expenses shall be made to any body corporate, any unincorporated association, or any person as a member of or in behalf of any such body or association.

“(4) ACCIDENT INSURANCE

“SEC. 23. *Accident insurance.*—Each member, except one who is a regular officer or an enlisted man of the Armed Forces of the Philippines, insured under a membership policy shall in addition thereto be entitled to accident insurance beginning on the effective date of his membership policy but not earlier than July first nineteen hundred and fifty. The amount of such accident insurance shall be equal to the amount of his membership insurance, but it shall be payable only if his death results as a consequence of bodily injury from external, violent and accidental causes within ninety days after such injury: *Provided*, That extra premium thereon due to the hazard of an employee’s occupation shall be paid by his employer: *Provided, further*, That this accident insurance shall cease to be in force upon his separation from the service, unless he notifies the System in writing that he desires to continue it and pays the required premium thereon: *And provided, finally*, That this accident insurance does not cover death which results directly or indirectly from any of the following causes:

“(1) Disease, bodily or mental infirmity, or poisoning.

“(2) Self-destruction, whether the insured is sane or insane, or any attempt thereat.

“(3) War, riot, insurrection, or any violation of law by the insured.

“Subject to such terms and conditions as may be agreed upon between the System and the employer, the accident insurance herein provided for shall also apply to temporary officials and employees who by the nature of their duties are engaged directly or indirectly in the promotion, control, and regulation of the civil aviation industry.

“(5) UNEMPLOYMENT BENEFIT

“SEC. 24. (a) *Daily benefit.*—For each day, except holidays, of unemployment of an employee whose insurance in the System is obligatory, he shall be paid by his employer thirty *per centum* of his daily rate of compensation, but in no case less than one peso a day: *Provided*, (1) That in addition to this daily benefit he shall receive ten *per centum* of said compensation for each of his depend-

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ents, but not exceeding thirty *per centum*, and (2) that daily benefits shall not be paid during the first three weeks of unemployment and for a period longer than thirty days for each year of service, but in no case longer than thirteen successive weeks in any calendar year: *Provided, further*, That if the insured received in any week a compensation less than the amount of weekly benefit to which he would be entitled to receive if totally unemployed, he shall be entitled to receive only the difference between the compensation received that week and said weekly benefit: *And provided, finally*, That the payment of daily benefits shall begin only after all the leaves to his credit have been exhausted first.

“(b) *Conditions*.—No employee shall be entitled to receive the benefits under the preceding subsection unless—

“(1) He has been employed for at least six months immediately prior to his unemployment;

“(2) He is physically able and available for work;

“(3) His unemployment is not due to his misconduct, voluntary resignation without good cause attributable to his employer, or an act of God; or

“(4) He has not failed, without good cause, to apply for available suitable work, or to avail himself of a reasonable opportunity for suitable work, or to accept suitable work when offered to him.

“‘Suitable work’ is defined as ‘work in his usual employment or other employment for which he is reasonably fitted’: *Provided*, That the work gives him a wage or a salary at least equal to his daily benefit for total unemployment or provides him work for at least half the number of hours or time normally worked as full time in such occupation or establishment: *And provided, further*, That whenever in any specific case the System finds that it is impracticable to apply any of the foregoing standards, it may apply any standard reasonably calculated to determine what is suitable work.

“Notwithstanding any provisions of this Act and of any rules and regulations adopted therefrom, no work shall be deemed suitable and benefits shall not be denied under this law to any otherwise eligible individual for

refusing to accept new work under any of the following conditions:

“(1) If the position offered is vacant due directly to a strike, lockout, or other labor dispute;

“(2) If the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; and

“(3) If, as a condition of being employed, the individual would be required to join a company union or to resign from or refrain from joining any *bona fide* labor organization.

“SEC. 25. *Date benefits start.*—All provisions of this Act pertaining to the accident and health insurance benefits and/or the unemployment benefit shall take effect only on such date or dates and in such entities as the President of the Philippines shall by proclamation specify after having satisfied himself that the finances of said entities will permit the payment of the contributions or benefits herein required. And, except as otherwise specified in this Act, no payment of accident and health insurance benefits shall be made before the employee concerned has paid his first contribution therefor, unless in the judgement of the System the accident and health insurance fund is ready and capable to make such payments safely.”

SEC. 8. Section eleven of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section twenty-six and is amended to read as follows:

“SEC. 26. *Special rights attached to life insurance policy.*—Any life insurance policy issued under the provisions of this Act shall not be assignable, except to the System, and shall be entitled to participation in the surplus as provided in section thirty-seven hereof. It shall continue in force, except as otherwise provided herein, whether the member is in or out of the service, so long as he complies with the provisions and conditions thereof. Such policy and the proceeds thereof shall be exempt from all taxes, and shall not be considered a gratuity.”

SEC. 9. Section twelve of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section twenty-seven.

SEC. 10. Section thirteen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section twenty-eight and is amended to read as follows:

"SEC. 28. *Administration of the System.*—The System shall be a non-stock corporation, with its principal place of business in Manila, Philippines. It shall be managed by a Board of Trustees to consist of the following: The Director of the Philippine General Hospital, a physician to be elected by the Philippine Medical Association, an employee to be elected by the Philippine Government Employees Association, and four persons to be appointed by the President of the Philippines with the consent of the Commission on Appointments: *Provided*, That if said associations fail to elect their representatives within two months from the date they were notified by the System, the President shall appoint one person from each with the consent of the same Commission. The trustees shall elect from among themselves a chairman and a vice-chairman. Each trustee shall hold office for three years or until his successor has duly qualified, except that the first person elected by the Philippine Government Employees Association shall hold office for one year, that elected by the Philippine Medical Association, for two years; of those first appointed by the President, one shall hold office for one year, one for two years, and two for three years. At the expiration of their respective terms, a successor shall be appointed for the term of three years from the date of such expiration. All vacancies, except through the expiration of the terms, shall be filled for the unexpired term only. The trustees shall be entitled to a *per diem* of twenty pesos for each day of actual attendance in session."

SEC. 11. Section fourteen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section twenty-nine and is amended to read as follows:

"SEC. 29. *General powers of the Board.*—The Board shall have the powers specified in this Act and the usual general

corporate powers. Among others, it shall have the following exclusive powers and authority: (a) To adopt by-laws, rules and regulations for the administration of the System and the transaction of its business; (b) to adopt from time to time a budget of expenditures, including salaries of personnel, and appropriate therefor the necessary amounts; (c) to set up its accounting unit and provide the necessary personnel therefor; (d) to invest its funds directly or indirectly; (e) to establish branches of the System whenever and wherever it may be expedient or necessary, fix their domiciles and in general prescribe the other complementary rules of organization which this Act imposes; (f) to lease, purchase, construct or otherwise acquire real property and/or buildings and such facilities as may be necessary or expedient to the effective execution of the purposes of this Act; (g) to prescribe the forms of life insurance and annuity contracts to be issued; (h) to fix the premium rates, conditions and terms thereof, taking into consideration the kind of insurance, age, health, and other factors affecting the insurability of the employee or member, and to authorize the issuance thereof when so determined; (i) subject to the provisions of this Act, to determine the order and time when each one of the different benefits under the accident and health insurance fund can be extended totally or partially to employees and their dependents, and to prescribe necessary rules, regulations, and conditions that will insure efficient and equitable distribution of said benefits; (j) to construct, establish and/or operate hospitals and sanatoriums when possible and expedient or necessary to the employees' welfare; (k) to enter into agreements or contracts with government and private hospitals or health institutions and with medical associations or 'approved physicians', nurses, or other competent persons who may be needed in connection with medical and obstetrical services for members of the System and their dependents, paying them, and authorizing them to accept, reasonable necessary compensation therefor, notwithstanding any provision of law to the contrary; (l) except as otherwise provided in this Act, to extend, when possible and

expedient, directly or thru other agencies, and under such rules, regulations, and conditions as it may prescribe, medical and obstetrical services to other members of the System and their dependents, and, in general, promote the health of the members of the System and appropriate necessary sums therefor from the surplus of the System; (m) having regard to any periodic audit and valuation of the retirement insurance fund and accident and health insurance fund, to make such immediate readjustments or modifications in any of the rates or periods of benefits granted under this Act and prescribe such rules and conditions therefor, notwithstanding any provision of this Act to the contrary, as appear necessary in order to make said funds sufficient or no more than reasonably sufficient to discharge its liabilities: *Provided*, That no person may allege vested rights by reason of these readjustments or modifications; (n) to have the power of succession; (o) to sue and be sued; and, (p) to exercise such other powers as may be necessary to carry on the business for which the System has been created."

SEC. 12. Section fifteen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty and is amended to read as follows:

"SEC. 30. *Personnel*.—The Board shall have the power to appoint a general manager or a general manager and actuary, who shall be a person of recognized experience and capacity in the subject of life or social insurance, and who shall be the chief executive officer of the System, one or more assistant general managers, one or more managers, a medical director, an actuary, and an auditor, and fix their compensation. Subject only to the approval of the Board, and notwithstanding any law, rule or regulation to the contrary, the general manager shall appoint committees and additional personnel whenever and wherever they may be necessary to the effective execution of the provisions of this Act, prescribe their duties, fix their compensation, grant leave, and prescribe certain qualifications to the end that only competent persons may be employed: *Provided, however*, That said additional personnel shall be selected from Civil Service eligibles certified by the Commissioner of

Civil Service and shall be subject to Civil Service rules and regulations except as herein otherwise provided."

SEC. 13. Section sixteen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-one and is amended to read as follows:

"SEC. 31. *Records and reports.*—The Board shall cause to be kept such records as may be required for the purpose of making actuarial valuations of the System, including such data necessary in the computation of rates of disability, mortality, and withdrawal among the members and any other information that may be useful for the adjustment of the benefits for the members of the System. Separate and distinct records of operations of each fund of the System and of disbursements for the same and all accounts of payments made out of each fund shall, likewise, be made and kept by the System.

"During the month of November of each year, the Board shall submit to the President of the Philippines and to the Congress of the Philippines a report of operations of the preceding year under the provisions of this Act. It shall also cause to be posted on the bulletin board of each employer a synopsis of the annual report, showing in particular the financial status of the System."

SEC. 14. Section seventeen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-two.

SEC. 15. Section eighteen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-three.

SEC. 16. Section nineteen of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-four.

SEC. 17. Section twenty of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-five.

SEC. 18. Section twenty-one of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-six and is amended to read as follows:

"SEC. 36. *Accounts to be maintained.*—The System shall keep separate and distinct from one another the following funds:

"(a) *Life insurance fund.*—This shall consist of all premiums for life insurance benefit, and of earnings and savings therefrom. It shall meet death claims as they may arise or such equities as any member may be entitled to, under the conditions of his policy, and shall maintain the required reserves to the end of guaranteeing the fulfillment of the life insurance contracts issued by the System. Said reserves shall be computed yearly in accordance with approved valuation standards and with an interest rate of not higher than four *per centum per annum*.

"(b) *Retirement insurance fund.*—This shall consist of all contributions for retirement insurance benefit and of earnings and savings therefrom. It shall meet annuity payments and establish the required reserves to the end of guaranteeing the fulfillment of the contracts issued by the System. Said reserves shall be determined yearly on such annuity tables, with an interest rate not higher than three *per centum per annum*, as shall be adopted by the Board.

"(c) *Accident and health insurance fund.*—It shall consist of all contributions for accident and health insurance benefits, and of earnings and savings therefrom. For accident insurance such percentage of the contributions as may be necessary to meet the liabilities thereunder shall be reserved. The remaining balance and earnings shall be reserved to provide medical and obstetrical services for employees and other persons described in this Act and such other benefits as will promote the health of the members of the System, and to defray the expenses incidental to its operation.

"(d) *Contingency reserve fund.*—This shall consist of such portion of the surplus of each fund mentioned above as may be set aside each year by the Board pursuant to section thirty-seven hereof and of the moneys mentioned in section seven hereof: *Provided*, That it shall not exceed ten *per centum* of the required reserves of the System.

“(e) *General fund.*—This shall consist of the amounts that may be appropriated by the Government as provided in section thirty-nine hereof and of such amounts as may be set aside by the Board from the surplus of each fund, to meet the expenses incidental to the enforcement of the provisions of this Act.

“The Government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the Government Service Insurance System to the members thereof when and as they shall become due.”

SEC. 19. Section twenty-two of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-seven and is amended to read as follows:

“SEC. 37. *Disposable surplus.*—Any disposable surplus that may result from the operation of the life insurance fund shall be apportioned among the members, when and if the Board deems it expedient, in accordance with the schedule prepared by the Actuary and approved by the Board. The disposable surplus shall be that amount left after the mean reserves of the policies, contingency reserves, the expenses incidental to the operation of said fund, the expenses incurred in promoting the health of the members, and other liabilities of the fund have been determined and set aside or satisfied.”

SEC. 20. Section twenty-three of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-eight and amended to read as follows:

“SEC. 38. *Exemptions from legal process and liens.*—No policy of life insurance issued under this Act, or the proceeds thereof, except those corresponding to the annual premiums thereon in excess of five hundred pesos *per annum*, when paid to any member thereunder, nor any other benefit granted under this Act, shall be liable to attachment, garnishment, or other process, or to be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay any debt or liability of such member, or his beneficiary, or any other person who may have a right thereunder, either before or after payment; nor shall the proceeds thereof, when not made

payable to a named beneficiary, constitute a part of the estate of the member for payment of his debts: *Provided, however,* That this section shall not apply when obligations or indebtedness to the employer are concerned."

SEC. 21. Section twenty-four of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section thirty-nine and amended to read as follows:

"SEC. 39. *Appropriations.*—There is hereby appropriated for the current fiscal year, and annually thereafter, out of any fund in the Philippine Treasury or other depository not otherwise appropriated, including special and corporate funds, such sums as may be necessary to pay the contributions or premiums payable by each employer under this Act."

SEC. 22. Section twenty-five of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section forty and amended to read as follows:

"SEC. 40. *Miscellaneous provisions.*—(a) Act Numbered Two thousand five hundred and eighty-nine, as amended, and all other retirement or pension plans heretofore in force in the corporations owned or controlled by the Government are hereby declared inoperative or abolished, and Act Numbered Four thousand one hundred and eighty-three shall cease to be applicable to employees of any local government that may be admitted to the System, and hereafter no insurance or retirement plan for employees shall be created by any employer without the approval of the System: *Provided,* That the rights of those already retired shall not be affected: *Provided, further,* That as of the date of approval of this Act the present value of the benefit as may be computed by the Actuary of the System or the gratuity payable to any employee who has established his right to retire under either Act Numbered Two thousand five hundred and eighty-nine or Act Numbered Four thousand one hundred and eighty-three or under any said retirement or pension plan shall be credited and paid by the employer concerned to the retirement fund of the System in installments to be determined by the President and shall be included in the

computation of the additional contributions required in section seven hereof for the service annuity described in subsection (a) of section eleven hereof: *And provided, finally*, That such an employee shall be entitled to the retirement benefit described in this Act only if he so notifies the System within four months from the approval of this Act, otherwise it shall be deemed that he does not desire to be retired under this Act and accordingly the gratuity or benefit payable to him under either aforementioned Act or retirement or pension plan shall be exclusively reserved for him by the System.

“(b) Except as herein otherwise provided, the Government Service Insurance System shall be exempt from all types of taxes, duties and contributions, fiscal or municipal, direct or indirect, established or to be established; and more specially, it shall not be subject to the provisions of Act Numbered Twenty-four hundred and twenty-seven, as amended, and Commonwealth Act Numbered four hundred and sixty-six, as amended, and no law hereafter enacted shall apply to said System unless it is otherwise expressly provided therein.

“(c) Any provision of law inconsistent with the provisions of this Act is hereby repealed.”

SEC. 23. Section forty-one to read as follows is hereby added to Commonwealth Act Numbered One hundred and eighty-six:

“SEC. 41. *Penalty*.—Any person found to have participated, directly or indirectly, in the commission of fraud, collusion, falsification, misrepresentation of facts, or any other kind of anomaly in the issuance of any certificate or document for any purpose connected with this Act, or in obtaining any benefit or payment under this Act, whether for him or some other person, shall be punished by a fine not exceeding one thousand pesos or imprisonment not exceeding one year, or by both, such fine and imprisonment at the discretion of the court, besides disqualification from holding public office and from practicing any profession or calling licensed by the government.”

SEC. 24. Section twenty-six of Commonwealth Act Numbered One hundred and eighty-six is hereby changed to section forty-two.

SEC. 25. Notwithstanding the provisions of this Act to the contrary, any officer or employee who died in the service within two years before said Act went into effect and who was entitled or who could have established his right to the retirement gratuity provided for in Act Numbered Twenty-five hundred and eighty-nine, as amended, or to any other retirement benefits from any pension fund created by law, shall be considered retired under the provisions of this Act if his wife, or in her default, his other legal heirs shall so elect and notify the System to that effect. Upon making such election, the wife or legal heirs of the deceased officer or employee shall be paid the monthly annuity for five consecutive years or such other benefit as provided in said Act, in lieu of the retirement gratuity or retirement benefits to which the deceased was entitled at the time of his death; and any portion of such gratuity or retirement benefits already paid to his wife or other legal heirs shall be refunded to the System: *Provided*, That contributions corresponding to his last two years of service shall be deducted monthly from his life annuity.

Notwithstanding any provisions of this Act to the contrary, any officer or employee, who has not established his right to retire under Act Numbered Twenty-five hundred and eighty-nine or under Act Numbered Forty-one hundred and eighty-three, both as amended, but who has rendered not less than twenty-five years of service and has attained the age of fifty years, may elect to retire under either of said Acts if he shall establish such right within one year from the date of the approval of this Act, or under this Act if otherwise qualified: *Provided*, That nothing herein shall be interpreted as depriving any officer or employee who has or may have established his rights under the Osmeña Retirement Act to take advantage of its benefits within the said period of one year from the approval hereof.

SEC. 26. This Act shall take effect upon its approval.
Approved,

President of the Senate

*Speaker of the House
of Representatives*

Finally passed by the Senate on May 17, 1950.

Secretary of the Senate

This Act, which originated in the House of Representatives, was finally passed by the same on May 16, 1950.

*Secretary of the House
of Representatives*

Approved:

President of the Philippines

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