

MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 107

PROVIDING FOR THE REHABILITATION OF DOMESTIC INSURANCE
COMPANIES, APPROPRIATING FUNDS FOR THAT END, AND
FOR OTHER PURPOSES

WHEREAS many domestic insurance companies have, on account of the Pacific War, sustained big losses and are not now in a position to resume operations, pay their creditors and provide insurance facilities for the insuring public; and

WHEREAS the economic reconstruction program of the country demands the immediate resumption of the business operation of domestic insurance companies which have not been reopened by rehabilitating their finances;

NOW, THEREFORE, I, SERGIO OSMEÑA, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws of the Philippines, do hereby order:

Section 1. The sum of three million six hundred thousand pesos is hereby appropriated out of any funds in the National Treasury not otherwise appropriated to constitute a special fund which shall be designated "DOMESTIC INSURANCE COMPANY REHABILITATION FUND". This fund shall be used to purchase preferred shares of stock of insurance companies organized and now existing under and by virtue of the laws of the Philippines, and such part of this fund not so utilized within two years of the effective date of this Order or such earlier date as the President may determine, shall revert to the general fund of the National Treasury.

Sec. 2. The fund shall be placed under the management of the Financial Rehabilitation Board created by section two of Commonwealth Act Numbered seven hundred and twenty-six. This Board shall manage the fund, invest the same under terms and conditions not inconsistent with the purposes of this Order, and limit salaries and other expenses paid or incurred by the companies receiving aid from the special fund herein appropriated. The Board shall issue such further rules and regulations as it may deem necessary to carry out the purposes of this Order.

Sec. 3. The Board may invest the fund entrusted to it for management and investment under this Order in preferred shares of domestic insurance companies applying to it for

financial assistance after the Board is satisfied that the shareholders of the company had exerted every effort to extend assistance to the applicant. The Board may subscribe up to fifteen million pesos in such preferred shares, not less than twenty-five per centum thereof payable upon subscription and the balance upon call by the company as need therefor arises. In determining the financial condition of the company under the provisions of Act Numbered twenty-four hundred and twenty-seven, as amended, the balance of the subscription payable shall be admitted as an asset. Such shares shall be entitled to cumulative dividends at the rate of one per centum during the first five years; two per centum during the second five years and three per centum thereafter; shall be preferred as against the common and other preferred shareholders in the distribution of assets in the event of liquidation; and shall be entitled to voting privileges.

Sec. 4. The Board may sell to the highest bidder in the open market the whole or any part of the preferred stock which it holds, but preference shall be given to the company or the stockholders thereof.

Sec. 5. All dividends paid on the shares held by the Board as well as the proceeds of the sale of said shares shall revert to the general fund of the National Treasury.

Sec. 6. Insurance companies now existing under the laws of the Philippines are hereby authorized to issue preferred shares of one or more classes in accordance with the provisions of this Order. When, in the opinion of the Insurance Commissioner, the financial condition of an insurance company warrants the retirement of preferred shares, the company may, at its option or upon the request of the preferred stockholders retire such shares or a portion thereof by paying the par value plus accumulated dividends: Provided, That the legal reserve required by sections one hundred and eighty-three and one hundred and eighty-six of Act Numbered twenty-four hundred and twenty-seven, as amended, and the entire paid-up capital remain unimpaired and a sum sufficient to pay all losses reported or in the course of settlement, and all liabilities for expenses and taxes is provided for; and Provided, Further, That preferred shares held by the Board shall be retired before other preferred shares.

Sec. 7. If, in accordance with sections one hundred and seventy-four and one hundred and seventy-five of Act Numbered twenty-four hundred and twenty-seven, as amended by Act Numbered thirty-one hundred and fifty-two and Commonwealth Act Numbered six hundred and ninety-seven, the Insurance Commissioner shall find that, instead of liquidating an insolvent domestic insurance company now existing, it would be

more beneficial to its creditors and policyholders to permit the said company to resume its operations through the segregation of the excess of its non-preferred liabilities over its assets less the amount of preferred liabilities, and the conversion of said excess into pro rata credits of deferred payments burdening future net profits, the Insurance Commissioner may so order. In such case, the deferred liabilities shall not encumber the assets of the company, but the net profits of the company shall be devoted, after covering the dividend requirements of any outstanding preferred shares, to the payment of the said deferred liabilities until the same have been paid in full. If creditors and policyholders of the company representing ten per centum or more of the company's liabilities claim that the order of the Insurance Commissioner is arbitrary and prejudicial to the creditors and policyholders in general, or is null or erroneous for any reason, the same may, within thirty days after the company has been notified of the order of the Insurance Commissioner, institute an action in the Supreme Court to annul or modify the same, and the said Court shall have original jurisdiction to hear and determine the case, to appoint a referee to receive the evidence, shall shorten and simplify the proceedings, and shall cause the entry of its final judgment of the same to be made within thirty days after the case has been submitted for decision.

Sec. 8. Domestic insurance companies which do not receive aid under the provisions of this Order are hereby authorized to issue preferred or common stock, or both, for the purpose of rehabilitating themselves.

Sec. 9. All laws, executive orders, regulations and parts thereof inconsistent with the provisions of this Order are hereby repealed.

Done at the City of Manila, this 20th day of April, in the year of Our Lord, nineteen hundred and forty-six, and of the Commonwealth of the Philippines, the eleventh.



SERGIO OSMEÑA
President of the Philippines

By the President:



JOSE S. REYES
Secretary to the President