[PRESIDENTIAL DECREE NO. 245, July 13, 1973]

AMENDING SECTION THREE OF REPUBLIC ACT NUMBERED SIX HUNDRED AND FIFTY-SIX, OTHERWISE KNOWN AS THE "PROPERTY INSURANCE LAW," AND FOR OTHER PURPOSES.

WHEREAS, under Republic Act 656, the Property Insurance Fund was established and placed under the administration of the Government Service Insurance System, which Fund is separate, segregated, and distinct from the trust funds of government employees comprising the Life Insurance Fund and the Retirement Insurance Fund as established by Commonwealth Act 186, as amended, and from the Medicare Fund as established by Republic Act 6111;

WHEREAS, the Property Insurance Fund was established "in order to indemnify or compensate the Government xxx from any damage to, or loss of, its properties due to fire earthquake, storm, or other casualty";

WHEREAS, in spite of the provisions of Republic Act 656, the bulk of the insurable assets and properties of the Government worth about P4 Billion remains uninsured, thus exposing the Government to unnecessary losses in the event of damage to, or loss of, such assets and properties;

WHEREAS, the non-insurance of such government assets and properties is due in part to the limited capacity of private domestic non-life insurance companies to accept the reinsurance of large risks from the GSIS, considering that the combined net worth of private domestic non-life insurance companies in the country is approximately P200,000,000, not more than ten per centum (10%) of which represents their maximum retention capacity on any single risk in accordance with law;

WHEREAS, in view of the limited capacity of local non-life insurance companies to absorb the reinsurance to be ceded by the GSIS in the event that it insures a large portion of the existing insurable assets and properties of the Government, it is necessary for the GSIS to develop its capacity to cede reinsurance abroad;

WHEREAS, considering that the placement of reinsurance abroad by the GSIS entails foreign exchange outflows in the form of reinsurance premium payments, it is desirable, from the country's point of view, for the GSIS likewise to have the powers, authority, and capacity to accept inward reinsurance from abroad and thus earn foreign exchange for the country by way of premium earnings;

WHEREAS, in a multitude of cases, shipments to and from the Philippines are insured by foreign insurance companies rather than Philippine companies in view of the limited capacity of the domestic insurance industry to cover such risks and to denominate the corresponding insurance policies in foreign exchange, which, in many cases, is imposed as a requirement by the suppliers of Philippine imports or the buyers of Philippine exports;

WHEREAS, there are Philippine contractors undertaking work in foreign countries who are required to present surety or performance bonds denominated in foreign exchange, and who find it necessary to have such bonds issued by foreign insurance companies, thereby contributing to the foreign exchange outflows from the country in the form of premium payments;