

**[ REPUBLIC ACT NO. 489, June 11, 1950 ]**

**AN ACT TO AMEND THE INSURANCE LAW WITH RESPECT TO THE  
LOANS AND PROPERTY OF INSURANCE CORPORATIONS AND TO  
AUTHORIZE LIFE INSURANCE COMPANIES TO INVEST IN  
HOUSING AND REAL ESTATE PROJECTS.**

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

SECTION 1. Section one hundred ninety-seven of Act Numbered Two thousand four hundred twenty-seven as amended by Republic Act Numbered Two hundred seventy-three, is amended to read:

"SEC. 197. No insurance corporation shall loan any of its money or deposits to any person, corporation or association, except upon first mortgages or deeds of trust of unencumbered, improved or unimproved real estate, in cities and centers of population of municipalities in the Philippines when the amount of such loan is not in excess of sixty *per centum* of the market value of such real estate; or upon the security of first mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural lands in the Philippines when the amount of such loans is not in excess of forty *per centum* of the market value of such land; or upon the purchase money mortgages or like securities received by it upon the sale or exchange of real property acquired pursuant to section two hundred or section two hundred-A of this Act; or upon bonds or other evidences of debt of the Government of the Philippines or its political subdivisions authorized by law to issue bonds, or upon bonds or other evidences of debt of government-owned or controlled corporations and instrumentalities including the Central Bank; or upon obligations issued or guaranteed by the International Bank for Reconstruction and Development; or upon stocks, bonds or other evidences of debt as are specified in section two hundred of this Act: *Provided, however,* That a life insurance corporation may lend to any of its policyholders upon the security of the value of its policy a sum not exceeding the legal reserve which it is required to maintain thereon: *Provided, further,* That no loan upon the security of real estate shall have a maturity in excess of fifteen years: *And provided, finally,* That where such loans upon the security of real estate are granted for a period longer than five years, payments thereof shall be made in monthly, quarterly, semi-annual or annual installments.

"The phrase 'improved real estate' used above is hereby defined to mean land with permanent building or buildings erected or being erected thereon. In case the building or buildings on the land do not belong to the owner of the latter, no loan shall be granted on the security of the real estate in question unless both the owner of the building or buildings and the owner of the land sign the deed of mortgage,"

SEC. 2. Section two hundred of the same Act, as amended by Republic Act Numbered Two hundred seventy-three is hereby further amended to read as follows:

"SEC. 200. (1) An insurance corporation, domestic or foreign, may purchase, hold, own and convey such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the corporation, and such real or personal property as may have been purchased by it at sales under pledges, mortgages or deeds of trust for its benefit on account of money loaned by it; and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the corporation to them: *Provided, however,* That in the case of any foreign insurance corporation, any real estate purchased by said corporation in payment or by reason of any loan made by said corporation shall be sold by the corporation within twenty years after the title thereto has been vested in it.

"(2) Insurance corporations may purchase, hold, own and convey real personal property as follows:

"(a) The lot with the building thereon in which the corporation conducts and carries on its business.

"(b) Bonds and other evidences of debt of the Government of the Philippines or its political subdivisions authorized by law to issue bonds at the reasonable market value thereof.

"(c) Bonds or other evidences of debt of government-owned or controlled corporations and entities, including the Central Bank.

"(d) Bonds, debentures or other evidences of indebtedness of any solvent corporation or institution created or existing under the law of the Philippines: *Provided, however,* That the issuing, assuming or guaranteeing entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any three including the last two of the five fiscal years next preceding the date of acquisition by such insurance corporation of such bonds, debentures or other evidences of indebtedness, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges, as hereinafter defined, shall have been not less than one and one-quarter times the total of its fixed charges for such year: *And provided, further,* That no life insurance company shall invest in or loan upon the obligations of any one institution in the kinds permitted under this subsection an amount in excess of twenty-five *per centum* of the total admitted assets of such insurer as of December thirty-first next preceding the date of such investment.

"As used in this subsection the term 'net earnings available for fixed charges' shall mean net income after deducting operating and maintenance expenses, taxes other than income taxes, depreciation and depletion, but excluding extraordinary non-recurring items of income or expense appearing in the regular financial statement of the issuing, assuming or guaranteeing institution. The term 'fixed charges' shall include interest on the funded and unfunded debt, amortization of debt discount, and rentals for leased properties.

"(e) Preferred or guaranteed stocks of any solvent corporation or institution created or existing under the laws of the Philippines: *Provided, however,* That the issuing, assuming or guaranteeing entity or its