

[Commonwealth Act No. 186, November 14, 1936]

AN ACT TO CREATE AND ESTABLISH A "GOVERNMENT SERVICE INSURANCE SYSTEM," TO PROVIDE FOR ITS ADMINISTRATION AND TO APPROPRIATE THE NECESSARY FUNDS THEREFOR.

Be it enacted by the National Assembly of the Philippines:

SECTION 1. *Title.* - The short title of this Act shall be the "Government Service Insurance Act"

SEC. 2. *Definitions.*—When used in this Act, the following terms shall, unless the context otherwise indicates, have the following respective meanings:

- a. "Employee" shall mean any person in the service of the Government of the Commonwealth of the Philippines, its subdivisions, agencies and instrumentalities, including an enlisted man or officer of the Regular Force, Philippine Army, possessing either temporary or permanent civil service status.
- b. "Board" and "System" shall mean respectively, the "Government Service Insurance Board" and the "Government Service Insurance System" created and established in this Act.
- c. "Salary, pay, or compensation" shall be so construed as to exclude all bonuses, "fogey," allowances, and overtime pay, or salary, pay or, compensation given in addition to the base pay of the position or rank as fixed by law or regulations.
- d. "Member" shall mean any employee who is admitted into the Government Service Insurance System in accordance with the provisions of section four hereof.
- e. "Life insurance" shall mean any form of insurance on life authorized herein, such as limited payment life, endowment, etc.
- f. "Membership policy" shall mean a life insurance policy for an amount, the annual premium of which is equivalent to six per centum of an employee's basic annual salary or compensation, except that in the case of members of the Regular Force, Philippine Army, the basic premium shall be five per centum of their annual salary or compensation.

SEC. 3. *Establishment of Government Service Insurance System.*—In order to promote the efficiency and welfare of the employees of the Government of the Philippines and to replace the present pension systems established in Acts Numbered Sixteen hundred and thirty-eight, Thirty hundred and fifty, and Thirty-one hundred and seventy-three, as amended, there is hereby established an institution to be known as the "Government Service Insurance System."

All personnel, facilities, equipment, and leases, and all records, files, correspondence, and other papers of the liquidated pension funds above referred to, as well as all their respective funds, properties, and assets, including their contracts and other obligations and instruments, which under the provisions of the several acts prescribing for the liquidation of said funds are applicable to the payment of premiums on the insurance policies as herein provided, are hereby transferred to and made a part of the "Government Service Insurance System," to be administered and disposed of by the Government Service Insurance Board herein created and

established, subject to the provisions of this Act and of those Acts providing for the liquidation of said funds.

SEC. 4. *Scope of application of System.*—Regular membership in the system shall be compulsor upon—

- a. All regularly and permanently appointed employee of the Government of the Commonwealth;
- b. All regular and permanent employees of the National Assembly;
- c. All members of the judiciary;
- d. All officers and enlisted men of the Regular Force, Philippine Army;
- e. All regular and permanent employees of the Metropolitan Water District;
- f. Regular and permanent employees of other Government boards or agencies, except the University of the Philippines and the Government-owned or controlled business corporations; and
- g. Those subject to the provisions of Act Numbered Thirty hundred and fifty, as amended, excluding the persons employed to take the place of teachers on maternity or sick leave, or otherwise employed temporarily: Provided, That any provincial, city or municipal government, or the University of the Philippines or any other corporation owned or controlled by the Government, shall have the option of joining the System, and if it so joins, the membership shall be compulsory upon all its permanent and regular employees, and it shall pay its share of the contribution of three per centum per annum of its employees' basic annual salaries or compensation, plus the extra premiums, if any, due to extra hazards of the member's occupation: Provided, further, That it shall be compulsory for the municipal, city and provincial governments to pay the required government contributions corresponding to the employees now subject to the provisions of Act Numbered Three thousand and fifty, as amended: And provided, finally, That membership shall not include (a) officers or personnel detailed from the Army, the Navy, or the Civil Service of the United States, and (b) employees who are not citizens of the United States or of the Philippines.

SEC. 5. *Membership contributions.*—Beginning on the last day of the sixth month following the date on which this Act shall take effect or following the date of the member's appointment, commission, or enlistment, if this be a later date, and monthly thereafter, there shall be deducted and withheld from the monthly salary or compensation of each member of the System, three per centum of such monthly salary or compensation and five per centum in case of officers and enlisted men of the Regular Force, Philippine Army, to be applied to the payment of the unpaid premiums of the membership policy issued to such member under the provisions of this Act: Provided, however, That in the case of members who are entitled to credits resulting from the liquidation of any of the pension systems referred to in section three of this Act, only such deductions shall be made as may be found necessary by the Board, due consideration being: taken of such arrangement as the said Board may have made in the application of said credits to any insurance policy obtained under the provisions of this Act. A member may pay in advance the total premium on his policy in a lump sum or in partial amount thereof, greater than the salary deductions herein provided, which may be acceptable to the A member no longer in the service shall make his payments directly to the System. All deductions and payments made as herein provided, shall be paid and delivered to the System and the latter shall credit the same to the individual account of the paying member.

SEC. 6. *Government contribution.*—Beginning with the year nineteen hundred and thirty-seven, and annually thereafter, there shall be included in the total sums appropriated for salary or compensation of each regular member in the National Government service, except officers and enlisted men of the Philippine Army, an amount equivalent to three per centum of his basic salary or compensation, plus the extra premium on his membership policy due to extra hazards of his occupation, as the Government's contribution for the payment of the premiums on the insurance of its employees as provided in this Act: Provided, That at the termination of maturity of the membership policy, the Government's contributions shall cease unless the member acquires a new membership policy, which, however, shall be granted only upon satisfactory evidence of insurability and upon payment by him of all extra premiums that may be required by such new policy: And provided, further. That if a member is transferred from one branch. office. or agency of the Government to another, the former shall be relieved of paying further for such member its contributions, which the latter in turn shall assume and continue to pay, appropriating therefor the necessary amounts.

The appropriation for this purpose for the year nineteen hundred and thirty-seven shall be in an amount equal to the total estimated deductions from the basic salary or compensation of each such regular member as authorized in section five hereof. The Metropolitan Water District and all the Government boards or agencies subject to compulsory membership under the provisions of section four herein, shall, for the same purpose, also provide in their annual appropriations the necessary amounts for their contributions to the System on the basis of three per centum of the basic salary or compensation of their permanent employees, plus the corresponding extra premiums due to extra hazards, if there be any. Provincial, city, and municipal governments, the corporations owned or controlled by the Government, and the University of the Philippines shall, likewise, appropriate annually, if they join the System, an amount equivalent to three per centum of the basic salary or pay of their respective permanent employees, plus the corresponding extra premiums due to extra hazards if there be any. The said provincial, city, and municipal governments shall, likewise, appropriate the necessary amounts for their contribution to the compulsory insurance of their respective employees under the System, as provided in section four hereof. Likewise, such portion of the annual appropriation for the Philippine Army as may be necessary for the payment of extra premiums on the membership policies of officers and enlisted men thereof shall be transferred monthly to the System for the purposes provided herein.

SEC. 7. *Additional contributions.*—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.

SEC. 8. *Membership insurance.*—Effective on the last day of the sixth month following the date on which this Act shall take effect or following the date of the inember' B appointment, commission, or enlistment, if this be a later date, each officer or enlisted man of the Regular Force,

Philippine Army, shall be automatically insured and granted the corresponding

membership policy for an amount the annual premium of which is equivalent to five per centum of his current basic annual salary, and any other regular member of the System, for an amount the annual premium of which is equivalent to six per centum of his basic current annual salary: Provided, however, That in the case of an increase in the amount of the six per cent contribution made by and for a member, the face value of his policy shall be increased by an amount corresponding to said increase, computed by the Board on the basis of the remaining period of the policy and of other conditions and contingencies affecting the risk and value thereof.

SEC. 9. *Effect of dismissal or separation from service.*— Upon dismissal for cause of a member of the System the benefits under his membership policy shall be automatically forfeited to the System, except one-half of the cash or surrender value, which amount shall be paid to such member, Or in case of death, to his beneficiary. In other cases of separation before maturity of a policy, the Government contributions shall cease, and the insured member shall have the following options: (a) to collect the cash surrender value of the policy; or (b) to continue the policy by paying the full premiums thereof; or (c) to obtain a paid up or extended term insurance in such amount or period, respectively, as the paid premiums may warrant, in accordance with the conditions contained in said policy; or (d) to avail himself of such other options as may be provided in the policy.

SEC. 10. *Optional insurance.*—Upon application to the Board and on satisfactory evidence of insurability, each member may obtain, at any time, additional life insurance as he may desire, subject to the provisions of sections four-teen hereof: Provided, That the amount of said additional life insurance shall be in multiple of one hundred pesos and that its aggregate amount shall not exceed an amount (to the nearest hundred pesos) equal to one-half of his current annual salary: And provided, further, That the full amount of the premiums on such additional insurance shall be paid by said member, and the amount thereof may be deducted from his pay or compensation, when expressly authorized by him.

SEC. 11. *Special rights attached to policy.*—All policies issued under the provisions of this Act shall be assignable to the System and shall be entitled to participation in the surplus, as provided in section twenty-two hereof, and 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 policies and the proceeds thereof shall be exempt from all taxes.

SEC. 12. *Additional requirements.*—No policy of life insurance shall be issued or delivered unless and until a copy of the form thereof has been filed with the Insurance Commissioner and approved by him; nor shall such policy be so issued or delivered unless it contains in substance the provisions embodied in section one hundred eighty-four of Act Numbered Twenty-four hundred and twenty-seven, as amended: Provided, however, That in the case of annuity or pure endowment contracts, any of such provisions or portions thereof that are not applicable to said contracts shall, to that extent, not be incorporated therein.

SEC. 13. *Administration of System; the Government Service Insurance Board.*—The administration of the Government Service Insurance System shall be vested in a Board to be known as the "Government Service Insurance Board." to consist of five members to be appointed by the President of the Philippines with the consent of the Commission on Appointments of the National Assembly, three of whom shall be members of the System. The Board shall elect from among its members a Chairman and a Vice-