



HOUSE OF REPRESENTATIVES

H. No. 9300

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BY REPRESENTATIVES MARCOLETA, VILLAFUERTE, LABADBALAD, SUANSING (E.), SY-ALVARADO AND NIETO, PER COMMITTEE REPORT NO. 928

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AN ACT  
ESTABLISHING A NATIONAL FRAMEWORK FOR THE MANDATORY ENVIRONMENTAL INSURANCE COVERAGE OF ENVIRONMENTALLY CRITICAL PROJECTS

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

1           **SECTION 1. Title.** – This Act shall be known as the “Mandatory Environmental  
2 Insurance Coverage Act”.

3           **SEC. 2. Definition of Terms.** – As used in this Act:

- 4           (a) *Environmentally Critical Project* refers to a project that has high potential for  
5 significant negative environmental impact and is listed as such under Presidential  
6 Proclamation (P.P.) No. 2146, series of 1981, and P.P. No. 803, series of 1996, as  
7 well as other projects which the President may proclaim as environmentally critical  
8 in accordance with Section 4 of Presidential Decree No. 1586 or the Philippine  
9 Environmental Impact Statement System;
- 10          (b) *Heavy industries* refer to non-ferrous metal industries, iron and steel mills,  
11 petroleum, and petrochemical industries, including oil and gas smelting plants;
- 12          (c) *Infrastructure projects* refer to major dams, major power plants, major reclamation  
13 projects, and major roads and bridges; and
- 14          (d) *Resource Extractive Industries* refer to major mining and quarrying projects;  
15 forestry projects involving logging, major wood processing projects, introduction  
16 of fauna or exotic animals in public or private forests, forest occupancy, extraction  
17 of mangrove products, and grazing; and fishery projects, specifically fishpond  
18 development projects and dikes for such projects.

1           **SEC. 3. Establishment of a National Framework for Mandatory Environmental**  
2 **Insurance Coverage.** – Within one (1) year following the effectivity of this Act, a national  
3 framework for Mandatory Environmental Insurance Coverage (MEIC) shall be established.  
4 The framework shall consider the following:

5           (a) **Coverage.** – All owners and operators of environmentally critical projects (ECPs)  
6 shall be required to secure MEIC for ECPs as prescribed under this Section, to  
7 compensate for the adverse environmental consequences which include damage to  
8 health and property, and costs for environmental rehabilitation, remediation,  
9 cleanup, and other environmental impairments arising from their operations. For  
10 purposes of this Act, ECPs shall include heavy industries, major manufacturing  
11 industries, major resource-extractive industries, major infrastructure projects, and  
12 other similar projects that could pose serious risks to people and the environment.

13           (b) **Forms of MEIC.** – The MEIC shall be in the form of:

14                   (1) Environmental guarantee cash fund established pursuant to existing  
15 environmental laws; or

16                   (2) Environmental insurance policy (EIP) obtained from bonding or insurance  
17 companies, whenever the environmental guarantee cash fund is insufficient  
18 to cover the said adverse environmental consequences, upon determination  
19 and recommendation of the Inter-Agency Technical Committee created  
20 pursuant to Section 5 of this Act.

21           The EIP may take the form of the following:

22                   (i) Environment performance bond (EPB) – which shall be required for all  
23 ongoing activities or projects issued with Environmental Compliance  
24 Certificate (ECC) pursuant to Presidential Decree No. 1586, to guarantee  
25 adequate and timely compliance with the environmental standards and  
26 the terms and conditions set forth by the Department of Environment and  
27 Natural Resources (DENR) during the pre-development, development,  
28 and construction phases of the project. The EPB shall answer for all  
29 environmental damages, penalties, and legal obligations, which may  
30 arise from the failure of the project proponent to comply with its  
31 undertakings during the aforementioned phases; and

32                   (ii) Environment pollution, impairment, and cleanup liability insurance  
33 (EPICLI) – which shall be required for all existing and future activities  
34 or projects issued with ECC pursuant to Presidential Decree No. 1586,  
35 to cover the operational phases. The EPICLI shall answer for all claims  
36 arising from damages to the environment; bodily injury and property  
37 damage arising from a pollution event; and for the cost of environmental

1 rehabilitation, cleanup, or remediation responses to address the  
2 contamination or impairment of the environment.

3 **SEC. 4. Prerequisite to the Construction or Operational Phase.** – Owners and  
4 operators of ECPs shall not be allowed to commence construction or commercial operation  
5 without initially obtaining the MEIC required under Section 3 of this Act.

6 **SEC. 5. Creation of an Inter-Agency Technical Committee.** – Within one (1) year  
7 following the effectivity of this Act, the Secretary of the DENR shall establish and chair an  
8 Inter-Agency Committee (IATC), with the Commissioner of the Insurance Commission and  
9 representatives of the insurance industry, the mining industry, and other stakeholders that the  
10 DENR may deem fit, as members. Within the same period, the IATC shall:

- 11 (a) Identify the perils or possible negative environmental impacts, activities, processes  
12 or undertakings that need to be mandatorily insured as provided in Section 3 hereof;
- 13 (b) Conduct risk assessment to determine the appropriate insurance coverage for  
14 different ECPs and activities;
- 15 (c) Formulate guidelines for the identification of primary impact areas and prescription  
16 of rehabilitation or remediation measures in cases of environmental damages;
- 17 (d) Formulate cleanup guidelines;
- 18 (e) Formulate guidelines for the identification of beneficiaries of the MEIC;
- 19 (f) Ensure that the premium rates of the EIP are commensurate to the risks covered;
- 20 (g) Formulate guidelines for the determination of veracity of claims;
- 21 (h) Formulate guidelines for the establishment of insurance facilities; and
- 22 (i) Undertake such activities as may be necessary to fulfill the objectives of this Act.

23  
24 For purposes of paragraph (h) of this section, the Insurance Commission, in coordination  
25 with the DENR, shall formulate guidelines for the establishment of insurance facilities, within  
26 one (1) year following the effectivity of this Act.

27 **SEC. 6. Beneficiaries.** – The beneficiaries of the MEIC include affected communities,  
28 stakeholders, and local government units within the projects' primary impact areas. Also  
29 included as beneficiaries are government departments, bureaus, and agencies which are tasked  
30 under the law to undertake the rehabilitation, cleanup, and monitoring of sites affected by the  
31 pollution or insurable event, for which no responsible private or public entity is specified.

32 The beneficiaries shall be represented by the government, particularly the DENR. The  
33 IATC shall identify the affected areas and prescribe rehabilitation or remediation measures  
34 pursuant to Section 5 of this Act.

35 **SEC. 7. Payment of Claims.** – The insurance company shall place all payments of claims  
36 into special escrow accounts in government depository banks, which shall in turn disburse the  
37 corresponding payment to beneficiaries, upon advice of the DENR and with proper  
38 documentation.

1 The DENR may create an ad hoc body composed of representatives from business, labor,  
2 government, civil society, and other stakeholders to assure that claims are verified and rightful  
3 parties are compensated and the environment is properly rehabilitated, cleaned up, remediated,  
4 stabilized, and protected.

5 The DENR shall not receive and handle payment of claims for environmental damages,  
6 penalties, and charges, except for the claims component which properly accrues to it as an  
7 insurance beneficiary.

8 The government agency tasked with rehabilitation and assigned as the beneficiary of the  
9 MEIC, as provided under Section 6 of this Act, shall undertake the same utilizing funds coming  
10 from the insurance claim upon approval of the DENR.

11 **SEC. 8. Penalties.** – The failure of the owner and operator of an ECP to secure an MEIC,  
12 as prescribed under Section 3 hereof, or of the insurance company to pay a verified claim in  
13 violation of the provisions of this Act and within reasonable time, shall be punished with a fine  
14 of Five hundred thousand pesos (P500,000.00) but not more than Two million pesos  
15 (P2,000,000.00) or imprisonment of not less than six (6) years but not more than twelve (12)  
16 years, or both, at the discretion of the court.

17 In the case of a partnership, association, corporation, or any juridical entity, the fine shall  
18 be imposed upon the president, treasurer, or any other officer or person responsible for the  
19 violation.

20 If the offender is a foreigner, the offender shall, after the service of sentence, be deported  
21 immediately without further proceedings by the Bureau of Immigration.

22 Government officials, employees, and agents who approve the construction or operation  
23 of environmentally critical projects without the necessary MEIC, in violation of the provisions  
24 of this Act, shall suffer the penalty of suspension of not less than thirty (30) days but not more  
25 than six (6) months after due notice and hearing in the appropriate administrative proceedings.

26 **SEC. 9. Implementing Rules and Regulations.** – Within sixty (60) days from the  
27 approval of this Act, the DENR shall, in coordination with the Insurance Commission,  
28 promulgate the necessary rules and regulations for the effective implementation of this Act.

29 **SEC. 10. Repealing Clause.** – All laws, decrees, orders, rules and regulations, and other  
30 issuances inconsistent with the provisions of this Act are repealed, amended, or modified  
31 accordingly.

32 **SEC. 11. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in  
33 the *Official Gazette* or in a newspaper of general circulation.

Approved,