

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session

HOUSE BILL No. 0144



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**Introduced by Honorable Rodante D. Marcoleta**

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**EXPLANATORY NOTE**

Article II, Section 16 of the 1987 Constitution provides:

*"The State shall protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature."*

Despite existing laws that protect the environment, there are still lapses in implementing the lawful right to a healthy and balanced ecology.

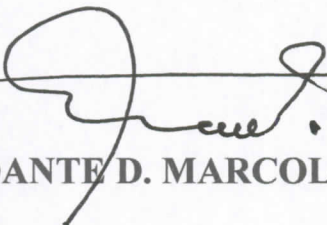
There have been many instances of man-made environmental damages like the 1996 Marcopper Mining tragedy in Marinduque which led to the biological death of the Boac and Makalupnit rivers, destroyed hectares of farmlands and displaced families. The 2005 and 2007 massive fish kills in Rapu-Rapu, Albay caused by cyanide spills from the mining operations of Lafayette, Philippines, Inc. also caused severe damage to the community.

In 2013, a tragedy between 2GO Group Incorporation and Philippine Span Asia Carrier Corporation ships claimed twenty-four (24) lives and imperiled the Cadova marine environment in Talisay, Cebu. One of the sunken ships was loaded with 120,000 liters of Bunker oil, 20,000 liters of Lube oil and 20,000 liters of Diesel fuel. Days after the collision, oils from wrecked and sunken ships had

reached five (5) barangays of Cardova town. The marine ecosystem of the concerned areas was affected causing the residents to lose their sources of livelihood. Regrettably, even with these environmental disasters, there is still no policy to ensure sufficient financial coverage for communities affected by man-made disasters.

This bill seeks to require Mandatory Environmental Insurance Coverage for owners and operators of environmentally-critical projects which activities destroy or pose risks to the environment, the ecosystems and their constituent elements. The said insurance will be used to guarantee sufficient funding coverage for the needed restoration and compensate for damages caused by their operations.

In view of the foregoing, approval of this bill is highly and earnestly recommended.



**RODANTE D. MARCOLETA**

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**AN ACT**  
**PROVIDING FOR THE ESTABLISHMENT OF A NATIONAL FRAMEWORK FOR**  
**MANDATORY ENVIRONMENTAL INSURANCE COVERAGE FOR CERTAIN**  
**ENVIRONMENTALLY CRITICAL PROJECTS**

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

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

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

- a) Environmentally Critical Project (ECP) – refers to a project that has high potential for significant negative environmental impact and is listed as such under Presidential Proclamation (P.P.) No. 2146, Series of 1981 and P.P. No. 803, Series of 1996, as well as other projects which the President may proclaim as environmentally critical in accordance with Section 4 of P.D. 1586 or the Philippine Environmental Impact Statement System.
- b) Heavy industries – refer to non-ferrous metal industries, iron and steel mills, petroleum and Petro-chemical industries including oil and gas, smelting plants.
- c) Resource Extractive Industries – refer to major mining and quarrying projects, forestry projects (logging, major wood processing projects, introduction of fauna (exotic animals) in public and private forests, forest occupancy, extraction of mangrove products, grazing), fishery projects (dikes for/ and fishpond development projects).
- d) Infrastructure Projects – refer to major dams, major power plants (fossil-fueled, nuclear fueled, hydroelectric or geothermal), major reclamation projects, major roads and bridges.



- e) Multipartite Monitoring Team (MMT) – refers to a multi-sectoral team covered for the primary purpose of monitoring compliance by the proponent with the ECC, the EMP and applicable laws, rules and regulations.

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

- a) ***Coverage.*** All owners and operators of environmentally critical projects shall be required to secure a Mandatory Environmental Insurance Coverage (MEIC) to compensate for damages to health and property, environmental rehabilitation, remediation and clean-up costs and expenses as a result of environmental impairment arising from their operations. For purposes of this Act, environmentally critical projects shall include but not be limited to heavy industries, major manufacturing industries, major resource-extractive industries, major infrastructure projects, and other similar projects that could pose serious risks to people and the environment.
- b) ***Forms of Mandatory Environmental Insurance Coverage.*** The Mandatory Environmental Insurance Coverage may be an environmental guarantee cash fund pursuant to existing environmental laws and an environmental insurance policy obtained only from bonding or insurance companies duly accredited by the Department of Environment and Natural Resources (DENR) and the Insurance Commission. The environmental insurance policy may take the form of but not be limited to the following:
  - i. Environment Performance Bond (EPB) – which shall be required for all ongoing activities or projects with Environmental Compliance Certificate to guarantee adequate and timely compliance with the environmental standards and the terms and conditions set forth by the DENR during the pre-development, development and construction phases of the project. The Environment Performance Bond shall answer for all environmental damages, penalties and legal obligations which may arise from the failure of the project proponent to comply with its undertakings during the aforementioned phases; and
  - ii. Environment Pollution, Impairment and Clean-up Liability Insurance (EPICLI) – which shall be required for all existing and future activities or projects to cover operational phases, with those projects that have been issued an Environmental Compliance Certificate. The EPICLI shall answer for all claims arising from damages to the environment, bodily injury, and property damage arising from a pollution event including environmental rehabilitation, clean-up or remediation costs and expenses for contamination or impairment of the environment.

**SEC. 4. *Creation of an Inter-Agency Technical Committee.*** Within one (1) year following the effectivity of this act, the DENR, in coordination with the Insurance Commission, insurance industry, mining industry, and other stakeholders that the committee might deem fit shall:

- a. Identify the perils or possible negative environmental impacts, activities, processes or undertaking that need to be covered by environmental insurance policies;
- b. Conduct of risk assessment for the determination of the insurance coverage;
- c. In cases of environmental damages, formulate guidelines for the identification of primary impact areas and prescription of rehabilitation or remediation measures;
- d. Formulate guidelines for clean-up operations;
- e. Formulate guidelines for the identification of beneficiaries of the environmental insurance policy;
- f. Formulate guidelines for the determination of veracity of claims; and,
- g. Undertake such activities as may be necessary to fulfill the objectives of this Act.

The Insurance Commission shall formulate guidelines for the accreditation of insurance companies in coordination with the DENR within one (1) year following the effectivity of this Act.

**SEC. 5. *Pre-requisite To The Construction Or Operational Phase.*** – Owners and operators of environmentally critical projects shall not be allowed to commence construction or commercial operation without first obtaining the Mandatory Environmental Insurance Coverage required under Section 3 of this Act.

**SEC. 6. *Multi-partite Monitoring.*** – During the insurance coverage period, the multi-partite monitoring team created by the DENR pursuant to existing environmental laws shall conduct quarterly, bi-annual or annual visits to the business firm's project to evaluate measures established by the project proponent to prevent environmental disasters.

**SEC. 7. *Beneficiaries.*** – The beneficiaries of the Mandatory Environmental Insurance Coverage include affected communities, stakeholders and local government units within the projects' primary impact areas. Beneficiaries also include government departments, bureaus and agencies which are tasked under law to undertake the rehabilitation, clean-up and monitoring of the sites affected by the pollution event for which no responsible private or public entity is specified.

The beneficiaries shall be represented by the government, particularly the DENR. The IATC shall identify the affected areas and prescribe rehabilitation or remediation measures pursuant to Sec.4 of this Act.

**SEC. 8. *Payment of Claims.*** – The insurance company shall place all payments of claims into special escrow accounts in government depository banks which shall in turn disburse corresponding payment to beneficiaries only upon the advice of the DENR after proper documentation.

The DENR may create a multi-sectoral body composed of representatives from the business, labor, government, civil society and other stakeholders to assure that claims are verified and rightful



parties are compensated and the environment is properly rehabilitated, cleaned-up, remediated, stabilized and protected.

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

The government agency tasked with rehabilitation and beneficiary of the Mandatory Environmental Insurance Coverage as provided under Section 6 of this Act shall undertake the same with funds coming from the insurance claim upon recommendation of the DENR or the multi-sectoral body created by DENR and approved by the Secretary of Environment and Natural Resources.

**SEC. 9. *Penalties.*** – The failure of the owner and operator of environmentally-critical projects to take out Mandatory Environmental Insurance Coverage or of the insurance company to pay within reasonable time a verified claim in violation of this Act, shall be punished with a fine of five hundred thousand pesos (P500,000.00) but not more than two million pesos (P2,000,000.00) or imprisonment of not less than six (6) years but not more than twelve (12) years, or both, at the discretion of the court.

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

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

Government officials, employees and agent who shall approve the construction or operation of environmentally-critical projects without the necessary Mandatory Environmental Insurance Coverage, in violation of this Act, shall suffer the penalty of suspension of not less than thirty (30) days but not more than six (6) months after due notice and hearing in the appropriate administrative proceedings.

**SEC. 10. *Implementing Rules and Regulations.*** – Within sixty (60) days from the approval of this Act, the Secretary of the Department of Environment and Natural Resources shall, in coordination with the Commissioner of the Insurance Commission, promulgate the necessary rules and regulations for the effective implementation of this Act.

**SEC. 11. *Repealing Clause.*** – All laws, decrees, orders, rules and regulations, and other issuances inconsistent with the provisions of this Act are repealed, amended or modified accordingly.

**SEC. 12. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

APPROVED.