



Department of Budget and Management
GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE

NPM No. 11-2011

30 May 2011

HON. JESUS G. GALVAN

Assistant Secretary

Chairperson, Bids and Awards Committee

DEPARTMENT OF EDUCATION

Room 507-508, 5th Floor Mabini Building

DepED Complex, Meralco Avenue

Pasig City

Re : GSIS Bond as an Acceptable Form of Security

Dear Sir:

We refer to your letter dated 24 May 2010 seeking clarification whether bonds issued by the Government Service Insurance System (GSIS) fall within the purview of Section 27.2 (c) of the Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184 as an acceptable form of bid security.

We wish to inform you that the concern was raised to the Government Procurement Policy Board (GPPB) in its meeting held last 26 May 2011. The GPPB noted that the IRR of RA 9184 recognizes surety bond as an acceptable form of bid, performance, and warranty security provided that it is (i) callable upon demand; (ii) issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security¹; and (iii) compliant with the prescribed form, amount, and validity period.

The question on the acceptability of GSIS bonds as a form of security stems from its compliance with the requirement that surety bonds must be issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security. In this regard, it is then imperative to determine whether GSIS may be considered a surety or insurance company and whether the certification from the Insurance Commission required in the IRR of RA 9184 is still necessary.

As defined in Section 184 of the Insurance Code, surety or insurance company refers to all individuals, partnerships, associations, or corporations, including government -owned

¹ As discussed in Non-Policy Matter 24-2010 dated 7 July 2010.

or –controlled corporations or entities, engaged as principals in the insurance business, except mutual benefit associations. The GSIS, a government –owned and –controlled corporation created by virtue of Commonwealth Act 186², is expressly authorized under Presidential Decree 245³ to engage in all kinds of insurance and reinsurance business and issue bonds in line with its administration of the general insurance fund.

In light of the foregoing, the GPPB adopted the view that GSIS may be considered within the definition of surety or insurance company under the Insurance Code. However, considering the mandate of law authorizing GSIS to engage in insurance and reinsurance business, the certification required under the IRR of RA 9184 is no longer necessary for the acceptability of GSIS issued surety bonds.

As such, a surety bond issued by the GSIS may be considered an acceptable form of security even without the certification from the Insurance Commission required under the IRR of RA 9184, provided that it is callable upon demand and in accordance with the form, amount, and validity period prescribed under said IRR.

This opinion is rendered on the basis of the facts and particular circumstances as represented. Should you have further questions, please do not hesitate to contact us.

We hope we have provided sufficient guidance on the matter.

Very truly yours,



DENNIS LORNE S. NACARIO
OIC-Executive Director

² As amended by Republic Act 8291.

³ Amending Republic Act 656.