



GCG MEMORANDUM CIRCULAR NO. 2012 – 10 (3RD ISSUE)¹

SUBJECT : DIRECTORS' & OFFICERS' LIABILITY INSURANCE (DOLI)

DATE : 07 January 2014

I. UNDERLYING STATE POLICY AND PRINCIPLES

1. GOCCs as Significant Tools for Economic Development

Section 2 (*Declaration of Policy*) of Republic Act No. 10149, officially designated as the "*GOCC Governance Act of 2011*" (R.A. No. 10149), embodies the State's recognition of the potential of GOCCs to be "significant tools for economic development," and declares "the policy of the State to actively exercise its ownership rights in GOCCs and to promote growth by ensuring that operations are consistent with national development policies and programs."

2. GOCC Governing Boards Primarily Tasked with Control and Supervision of GOCCs

Towards achieving that State policy, Section 2 of the Act further mandates *inter alia* that "the State shall ensure that . . . [t]he [G]overning [B]oards of every GOCC and its subsidiaries are competent to carry out [their] functions, **fully accountable to the State as its fiduciary**, and act in the best interest of the State."²

3. Directors/Trustees and Officers Are "Fiduciaries of the State"

By express declaration under Section 19 of R.A. No. 10149, the members of the Boards of Directors/Trustees and the Officers of GOCCs are designated as "**fiduciaries of the State** . . . [with] the legal obligation and duty to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC."³

Further, Section 20 of the Act provides that members of the Boards of Directors/Trustees and Officers of GOCCs occupy "*Trustee Relations to the Properties, Interests and Monies of the GOCC*."⁴

4. Directors/Trustees and Officers Assume Fiduciary Duties of the Highest Level in Relation to the State and the GOCC

Section 19 of R.A. No. 10149 imposes at the highest levels, "to **always** act in the best interest of the GOCC, **with utmost good faith** in all [their] dealings with

¹Original issuance was on 28 August 2012. Re-issuance was on 05 December 2012.

²*Emphasis supplied.*

³*Emphasis supplied.*

⁴Section title.