

[PRESIDENTIAL DECREE NO. 612, December 18, 1974]

ORDAINING AND INSTITUTING AN INSURANCE CODE OF THE PHILIPPINES

I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order the following:

GENERAL PROVISIONS

SECTION 1. This Decree shall be known as "The Insurance Code".

SEC. 2. Wherever used in this Code, the following terms shall have the respective meanings hereinafter set forth or indicated, unless the context otherwise requires:

1. A "contract of insurance" is an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event.

A contract of suretyship shall be deemed to be an insurance contract, within the meaning of this Code, only if made by a surety who or which, as such, is doing an insurance business as hereinafter provided.

2. The term "doing an insurance business" or "transacting an insurance business", within the meaning of this Code, shall include (a) making or proposing to make, as insurer, any insurance contract; (b) making, or proposing to make as surety, any contract of suretyship as a vocation and not as merely incidental to any other legitimate business or activity of the surety; (c) doing any kind of business, including a reinsurance business, specifically recognized as constituting the doing of an insurance business within the meaning of this Code; (d) doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of this Code.

In the application of the provisions of this Code the fact that no profit is derived from the making of insurance contracts, agreements or transactions or that no separate or direct consideration is received therefor, shall not be deemed conclusive to show that the making thereof does not constitute the doing or transacting of an insurance business.

3. As used in this Code, the term "Commissioner" means the "Insurance Commissioner".

CHAPTER I. THE CONTRACT OF INSURANCE

TITLE 1. *What may be Insured*

SEC. 3. Any contingent or unknown event, whether past or future, which may damnify a person having an insurable interest, or create a liability against him, may be insured against, subject to the provisions of this chapter.

The consent of the husband is not necessary for the validity of an insurance policy taken out by a married woman on her life or that of her children.

Any minor of the age of eighteen years or more, may, notwithstanding such minority, contract for life, health and accident insurance, with any insurance company duly authorized to do business in the Philippines, provided the insurance is taken on his own life and the beneficiary appointed is the minor's estate or the minor's father, mother, husband, wife, child, brother or sister.

The married woman or the minor herein allowed to take out an insurance policy may exercise all the rights and privileges of an owner a policy.

All rights, title and interest in the policy of insurance taken out by an original owner of the life or health of a minor shall automatically vest in the minor upon the death of the original owner, unless otherwise provided for in the policy.

SEC. 4. The preceding section does not authorize an insurance for or against the drawing of any lottery, or for or against any chance or ticket in a lottery drawing a prize.

SEC. 5. All kinds of insurance are subject to the provisions of this chapter so far as the provisions can apply.

TITLE 2. Parties to the Contract

SEC. 6. Every person, partnership, association, or corporation duly authorized to transact insurance business as elsewhere provided in this Code, may be an insurer.

SEC. 7. Anyone except a public enemy may be insured.

SEC. 8. Unless the policy otherwise provides, where a mortgagor of property effects insurance in his own name providing that the loss shall be payable to the mortgagee, or assigns a policy of insurance to a mortgagee, the insurance is deemed to be upon the interest of the mortgagor, who does not cease to be a party to the original contract, and any act of his, prior to the loss, which would otherwise avoid the insurance, will have the same effect, although the property is in the hands of the mortgagee, but any act which, under the contract of insurance, is to be performed by the mortgagor, may be performed by the mortgagee therein named, with the same effect as if it had been performed by the mortgagor.

SEC. 9. If an insurer assents to the transfer of an insurance from a mortgagor to a mortgagee, and, at the time of his assent, imposes further obligations on the assignee, making a new contract with him, the acts of the mortgagor cannot affect the rights of said assignee.

TITLE 3. — Insurable Interest

SEC. 10. Every person has an insurable interest in the life and health:

- a. Of himself, of his spouse and of his children;
- b. Of any person on whom he depends wholly or in part for education or support, or in whom he has a pecuniary interest;
- c. Of any person under a legal obligation to him for the payment of money, or respecting property or services, of which death or illness might delay or prevent the performance; and
- d. Of any person upon whose life any estate or interest vested in him depends.

SEC. 11. The insured shall have the right to change the beneficiary he designated in the policy, unless he has expressly waived this right in said policy.

SEC. 12. The interest of a beneficiary in a life insurance policy shall be forfeited when the beneficiary is the principal, accomplice, or accessory in willfully bringing about the death of the insured; in which event, the nearest relative of the insured shall receive the proceeds of said insurance if not otherwise disqualified.

SEC. 13. Every interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured, is an insurable interest.

SEC. 14. An insurable interest in property may consist in:

- a. An existing interest;
- b. An inchoate interest founded on an existing interest; or
- c. An expectancy, coupled with an existing interest in that out of which the expectancy arises.

SEC. 15. A carrier or depository of any kind has an insurable interest in a thing held by him as such, to the extent of his liability but not to exceed the value thereof.

SEC. 16. A mere contingent or expectant interest in any thing, not founded on an actual right to the thing, nor upon any valid contract for it, is not insurable.

SEC. 17. The measure of an insurable interest in property is the extent to which the insured might be damaged by loss or injury thereof. **SEC. 18.** No contract or policy of insurance on property shall be enforceable except for the benefit of some person having an insurable interest in the property insured.

SEC. 19. An interest in property insured must exist when the insurance takes effect, and when the loss occurs, but need not exist in the meantime; and interest in the life or health of a person insured must exist when the insurance takes effect, but need not exist thereafter or when the loss occurs.

SEC. 20. Except in the cases specified in the next four sections, and in the cases of life, accident, and health insurance, a change of interest in any part of a thing insured unaccompanied by a corresponding change of interest in the insurance, suspends the insurance to an equivalent extent, until the interest in the thing and the interest in the insurance are vested in the same person.

SEC. 21. A change of interest in a thing insured, after the occurrence of an injury which results in a loss, does not affect the right of the insured to indemnity for the loss.

SEC. 22. A change of interest in one or more of several distinct things, separately insured by one policy, does not avoid the insurance as to the others.

SEC. 23. A change of interest, by will or succession, on the death of the insured, does not avoid an insurance; and his interest in the insurance passes to the person taking his interest in the thing insured.

SEC. 24. A transfer of interest by one of several partners, joint owners, or owners in common, who are jointly insured, to the others, does not avoid an insurance even

though it has been agreed that the insurance shall cease upon an alienation of the thing insured.

SEC. 25. Every stipulation in a policy of insurance for the payment of loss whether the person insured has or has not any interest in the property insured, or that the policy shall be received as proof of such interest, and every policy executed by way of gaming or wagering, is void.

TITLE 4. — *Concealment*

SEC. 26. A neglect to communicate that which a party-knows and ought to communicate, is called a concealment.

SEC. 27. A concealment entitles the injured party to rescind a contract of insurance.

SEC. 28. Each party to a contract of insurance must communicate to the other, in good faith, all facts within his knowledge which are material to the contract and as to which he makes no warranty, and which the other has not the means of ascertaining.

SEC. 29. An intentional and fraudulent omission, on the part of one insured, to communicate information of matters proving or tending to prove the falsity of a warranty, entitles the insurer to rescind.

SEC. 30. Neither party to a contract of insurance is bound to communicate information of the matters following, except in answer to the inquiries of the other:

- a. Those which the other knows;
- b. Those which, in the exercise of ordinary care, the other ought to know, and of which the former has no reason to suppose him ignorant;
- c. Those of which the other waives communication;
- d. Those which prove or tend to prove the existence of a risk excluded by a warranty, and which are not otherwise material; and
- e. These which relate to a risk excepted from the policy and which are not otherwise material.

SEC. 31. Materiality is to be determined not by the event, In: solely by the probable and reasonable influence of the facts upon the party to whom the communication is due, in forming his estimate of the disadvantages of the proposed contract, or in making his inquiries.

SEC. 32. Each party to a contract of insurance is bound to know all the general causes which are open to his inquiry, equally with that of the other, and which may affect the political or material perils contemplated; and all general usages of trade.

SEC. 33. The right to information of material facts may be waived, either by the terms of insurance or by neglect to make inquiry as to such facts, where they are distinctly implied in other facts of which information is communicated.

SEC. 34. Information of the nature or amount of the interest of one insured need not be communicated unless in answer to an inquiry, except as prescribed by section fifty-one.

SEC. 35. Neither party to a contract of insurance is bound to communicate, even upon inquiry, information of his own judgment upon the matters in question.

TITLE 5. — *Representation*

SEC. 36. A representation may be oral or written.

SEC. 37. A representation may be made at the time of, or before, issuance of the policy.

SEC. 38. The language of a representation is to be interpreted by the same rules as the language of contracts in general.

SEC. 39. A representation as to the future is to be deemed a promise, unless it appears that it was merely a statement of belief or expectation.

SEC. 40. A representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty.

SEC. 41. A representation may be altered or withdrawn before the insurance is effected, but not afterwards.

SEC. 42. A representation must be presumed to refer to the date on which the contract goes into effect.

SEC. 43. When a person insured has no personal knowledge of a fact, he may nevertheless repeat information which he has upon the subject, and which he believes to be true, with the explanation that he does so on the information of others; or he may submit the information, in its whole extent, to the insurer; and in neither case is he responsible for its truth, unless it proceeds from an agent of the insured, whose duty it is to give the information.

SEC. 44. A representation is to be deemed false when the facts fail to correspond with its assertions or stipulations.

SEC. 45. If a representation is intentionally false in a material point, whether affirmative or promissory, the injured party is entitled to rescind the contract from the time when the representation becomes false.

SEC. 46. The materiality of a representation is determined by the same rules as the materiality of a concealment.

SEC. 47. The provisions of this chapter apply as well to a modification of a contract of insurance as to its original formation.

SEC. 48. Whenever a right to rescind a contract of insurance is given to the insurer by any provision of this chapter, such right must be exercised previous to the commencement of an action on the contract.

After a policy of life insurance made payable on the death of the insured shall have been in force during the lifetime of the insured for a period of two years from the date of its issue or of its last reinstatement, the insurer cannot prove that the policy is void ab initio or is rescindible by reason of the fraudulent concealment or misrepresentation of the insured or his agent.

TITLE 6. — *The Policy*

SEC. 49. The written instrument in which a contract of insurance is set forth, is called a policy of insurance.