

**[IC CIRCULAR LETTER NO. 18-94, August 15,
1994]**

**PROVISIONS ON PREMIUM LOAN AND AUTOMATIC OPTION IN
CASE OF DEFAULT IN PREMIUM PAYMENT IN LIFE INSURANCE
POLICIES**

Pursuant to Section 227(h) of the Insurance Code, and to the Resolution of the Supreme Court dated January 6, 1982 in the case of Philippine American Life Insurance Company vs. Hon. Gregoria C. Arnaldo, etc., et. al., G.R. No. 57816, it is hereby required that no life insurance policy shall be issued or delivered in the Philippines unless its provisions on Premium Loan and Automatic Option in case of default in premium payment conform with the following conditions:

1. In the event of default in premium payment, the Premium Loan provision shall only apply if requested in writing by the policy holder either in the application or at any time before the expiration of the grace period.
2. The moment there is default in premium payment and no option has been elected either in the application or within the time specified in the policy, one of the paid-up options specified therein shall automatically take effect.

This Circular Letter takes effect immediately.

Adopted: 15 Aug. 1994

(Sgd.) ADELITA A. VERGEL DE DIOS
Insurance Commissioner



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