

[Act No. 2427, December 11, 1914]

AN ACT REVISING THE INSURANCE LAWS AND REGULATING INSURANCE BUSINESS IN THE PHILIPPINE ISLANDS.

By authority of the United States, be it enacted by the Philippine Legislature, that:

PRELIMINARY CHAPTER.

SECTION 1. The short title of this Act shall be "The Insurance Act."

CHAPTER I.—*Insurance in general.*

DEFINITION OF INSURANCE.

SEC. 2. Insurance is a contract whereby one undertakes for a consideration to indemnify another against loss, damage, or liability arising from an unknown or contingent

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 agarausi subject to the provisions of this chapter.

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.

PARTIES TO THE CONTRACT.

SEC. 6. The person who undertakes to indemnify another by a contract of insurance is called the insurer, and the person indemnified is called the insured.

SEC. 7. Every person, company, corporation, or association who holds a certificate of authority from the insurance commissioner, as elsewhere provided in this Act, may be an insurer.

SEC. 8. Anyone except a public enemy may be insured.

SEC. 9. 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. 10. 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 can not affect the rights of said assignee.

INSURABLE INTEREST.

SEC. 11. Every person has an insurable interest in the life and health:

- (a) Of himself;
- (b) Of any person on whom he depends wholly or in part for education or support;
- (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. 12. Every interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such a nature that a contemplated peril might directly damnify the insured, is an insurable interest

SEC. 13. 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. 14. 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. 15. A mere contingent or expectant interest in anything, not founded on an actual right to the thing, nor upon insurable. any valid contract for it, is not insurable.

SEC. 16. The measure of an insurable interest in property is the extent to which the insured might be damnified by loss or injury thereof.

SEC. 17. The sole object of insurance is the indemnity of the insured, and if he has no insurable interest the contract is void.

SEC. 18. An interest insured must exist when the insurance takes effect, and when the loss occurs, but need not exist in the meantime.

SEC. 19. Except in the cases specified in the next four change of interest, 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. 20. 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. 21. A change of interest in one or more of several distinct distinct things, separately insured by one policy, does not avoid the insurance as to the others.

SEC. 22. 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. 23. 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. 24. Every stipulation in a policy of insurance for stipulations the payment of loss whether the person insured has or has not any interest in the subject matter of the insurance except in the cases provided for in section one hundred and sixty-six or that the policy shall be received as proof of such interest, and every policy executed by way of gaming or wagering, is void.

CONCEALMENT AND REPRESENTATIONS.

SEC. 25. A neglect to communicate that which a party find knows and ought to communicate, is called a concealment.

SEC. 26. A concealment, whether intentional or unintentional, entitles the injured party to rescind a contract of insurance.

SEC. 27. 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 which the other has not the means of ascertaining, and as to which he makes no warranty.

SEC. 28. 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. 29. 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) Those which relate to a risk excepted from the policy, and which are not otherwise material.

SEC. 30. Materiality is to be determined not by the event, but 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. 31. Each party to a contract of insurance is bound the general causes which are open to his inquiry, equally with that of the other, and which may affect either the political or material perils contemplated: and all general usages of trade.

SEC. 32. The right to information of material facts may be waived either by the terms of insurance or by neglect to make inquiries as to such facts, where they are distinctly implied in other facts of which information is communicated.

SEC. 33. 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 forty-nine.

SEC. 34. Neither party to a contract of insurance is bound to communicate, even upon inquiry, information of his own judgment upon the matters in question.

SEC. 35. A representation may be oral or written.

SEC. 36. A representation may be made at the same time with issuing the policy, or before it.

SEC. 37. The language of a representation is to be interpreted by the same rules as the language of contracts in

SEC. 38. 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. 39. A representation can not be allowed to qualify an express provision in a contract of insurance; but it may qualify an implied warranty.

SEC. 40. A representation may be altered or withdrawn before the insurance is effected, but not afterwards.

SEC. 41. A representation must be presumed to refer to as date on which the contract goes into effect.

SEC. 42. 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 intelligence.

SEC. 43. A representation is to be deemed false when the facts fail to correspond with its assertions or stipulations.

SEC. 44. If a representation is 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. 45. The materiality of a representation is determined by the same rule as the materiality of a concealment.

SEC. 46. The provisions of sections twenty-five to forty-seven, inclusive, of this chapter apply as well to a modification of a contract of insurance as to its original formation.

SEC. 47. Whenever a right to rescind a contract of insurance is given to the insurer by any provision of this chapter, when exercise such right must be exercised previous to the commencement of an action on the contract.

THE POLICY.

SEC. 48. The written instrument, in which a contract of defined, insurance is set forth, is called a policy of insurance.

SEC. 49. A policy of insurance must specify:

- (a) The parties between whom the contract is made;
- (b) The amount to be insured except in the cases of open or running policies.
- (c) The rate of premium;
- (d) The property or life insured;
- (e) The interest of the insured in property insured, if he is not the absolute owner thereof;
- (f) The risks insured against; and,
- (g) The period during which the insurance is to continue.

SEC. 50. The insurance shall be applied exclusively to the proper interest of the person in whose name it is made unless otherwise specified in the policy.

SEC. 51. When an insurance is made by an agent or trustee, the fact that his principal or beneficiary is the person really insured may be indicated by describing him as agent or trustee, or by other general words in the policy.

SEC. 52. To render an insurance, effected by one partner common or part owner, applicable to the interest of his copartners, or of other part owners, it is necessary that the terms of the policy should be such as are applicable to the joint or common interest.

SEC. 53. When the description of the insured in a policy of the is so general that it may comprehend any person or any class of persons, he only can claim the benefit of the policy who can show that it was intended to include him.

SEC. 54. A policy may be so framed that it will inure to the benefit of whomsoever, during the continuance of the risk, may become the owner of the interest insured.

SEC. 55. The mere transfer of a thing insured does not transfer the policy, but suspends it until the same person becomes the owner of both the policy and the