

**[ REPUBLIC ACT NO. 10607, August 15, 2013 ]**

**AN ACT STRENGTHENING THE INSURANCE INDUSTRY, FURTHER AMENDING PRESIDENTIAL DECREE NO. 612, OTHERWISE KNOWN AS "THE INSURANCE CODE", AS AMENDED BY PRESIDENTIAL DECREE NOS. 1141, 1280, 1455, 1460, 1814 AND 1981, AND BATAS PAMBANSA BLG. 874, AND FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Presidential Decree No. 612, as amended, is hereby further amended to read as follows:

**"GENERAL PROVISIONS**

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

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

"(a) 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.

"(b) The term *doing an insurance business* or *transacting an insurance business*, within the meaning of this Code, shall include:

"(1) Making or proposing to make, as insurer, any insurance contract;

"(2) 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;

"(3) 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;

"(4) 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.

"(c) 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 spouse is not necessary for the validity of an insurance policy taken out by a married person on his or her life or that of his or her children.

"All rights, title and interest in the policy of insurance taken out by an original owner on the life or health of the person insured shall automatically vest in the latter 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 corporation, partnership, or association, 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. Notwithstanding the foregoing, in the event the insured does not change the beneficiary during his lifetime, the designation shall be deemed irrevocable.

"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 such a case, the share forfeited shall pass on to the other beneficiaries, unless otherwise disqualified. In the absence of other beneficiaries, the proceeds shall be paid in accordance with the policy contract. If the policy contract is silent, the proceeds shall be paid to the estate of the insured.

"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 damnified 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 whether intentional or unintentional 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) Those 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, 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. 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 51.

"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.