

THIRTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
*First Regular Session* )

'04 JUN 30 P3:33

SENATE

RECEIVED BY:                     

S. No. 270

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Introduced by Senator S. R. Osmeña III

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**EXPLANATORY NOTE**

Because man is an imperfect being and does not have the faculty to divine the future, risk and uncertainty is a real part of every life. By allowing individuals to pool resources for an unforeseen exigency, insurance is one of the most popularly accepted institutions of our age. With insurance coverage, death, accidents and illness need not be a major disaster to an individual and his family. The compulsory insurance coverage that is required for motor vehicle registration is but one testimony to the wide acceptance of insurance as one of the mainstays of civilized society.

Reports of non-settlement of insurance claims is a non-trivial threat to the image of stability and reliability associated with the insurance industry. And yet, such practices are apparently perpetuated especially because the existing Insurance Code of the Philippines imposes no criminal liability on insurance companies for failure to compensate beneficiary claimants under the terms and conditions provided for in the insurance policy within the period prescribed by the code.

A claimant with limited resources stands no chance of pursuing the case to a favorable conclusion. Without the immediacy of the sanctions associated with a criminal complaint, an insurance company can cause the case to drag on, until the resources of the complainant run out.

This bill seeks to remedy the situation by the imposition of criminal liability to erring insurance companies who fail to pay or settle benefits due to claimants.

*In view of the foregoing, early passage of this bill is earnestly urged.*

  
SERGIO OSMEÑA III  
Senator

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AN ACT  
AMENDING SOME PROVISIONS OF THE PRESIDENTIAL DECREE NO. 1460, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE CODE OF 1978 BY PRESCRIBING A CRIMINAL PENALTY UPON ANY PERSON FOR REFUSING TO SETTLE ANY CLAIM FOR LOSS OR DAMAGE FOR WHICH AN INSURER MAY BE LIABLE WITHIN THE PERIOD PRESCRIBED BY THE CODE.

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

1           **SECTION 1.** Section 242 of Presidential Decree No. 1460, otherwise  
2 known as the Insurance Code of 1978 is hereby amended to read as follows:

3           "SEC 242. The proceeds of a life insurance policy shall be paid  
4 immediately upon maturity of the policy, unless such proceeds are  
5 made payable in installments, or as an annuity, in which case the  
6 installments or annuities shall be paid as they become due: *Provided,*  
7 *however,* That in the case of a policy maturing by the death of the  
8 insured, the proceeds thereof shall be paid within sixty (60) days after  
9 presentation of the claim and filing of the proof of the death of the  
10 insured. Refusal or failure to pay the claim within the time prescribed  
11 herein will entitle the beneficiary to collect interest on the proceeds of  
12 the policy for the duration of the delay at the rate of twice the ceiling  
13 prescribed by the Monetary Board, unless such failure or refusal to  
14 pay is based on the ground that the claim is fraudulent: *PROVIDED,*  
15 *FURTHER,* THAT IN CASE THE INSURANCE COMPANY  
16 CONCERNED FAILS OR REFUSES TO SETTLE THE PROCEEDS

1 OF THE POLICY, INCLUDING THE ACCRUED INTERESTS  
2 HEREIN WITHIN FIFTEEN (15) DAYS FROM FILING THE DEMAND  
3 FOR PAYMENT, SAID INSURANCE COMPANY IS LIABLE FOR  
4 ESTAFA AND THE PENALTY PRESCRIBED BY THE REVISED  
5 PENAL CODE SHALL BE IMPOSED UPON ITS PRESIDENT AND OR  
6 GENERAL MANAGER, UNLESS SUCH FAILURE OR REFUSAL TO  
7 PAY IS BASED ON THE GROUND THAT THE CLAIM IS  
8 FRAUDULENT.”

9 “The proceeds of the policy maturing by the death of the insured  
10 payable to the beneficiary shall include the discounted valued of all  
11 premiums paid in advance of their due dates, but are not due and  
12 payable at maturity.”

13 **SECTION 2.** Section 243 of Presidential Decree No. 1460, as  
14 amended otherwise known as the Insurance Code of 1978 is hereby  
15 amended to read as follows:

16 “SEC. 243. The amount of any loss or damage for which an  
17 insurer may be liable, under any policy other than life insurance policy  
18 shall be paid within thirty (30) days after proof of loss is received by  
19 the insurer and ascertainment of the loss of damage is made either by  
20 agreement between the insured and the insurer or by arbitration; but if  
21 such ascertainment is not had or made within sixty (60) days after such  
22 receipt by the insurer of the proof of loss, then the loss or damage  
23 shall be paid within ninety (90) days after such receipt. Refusal or  
24 failure to pay the loss or damage within the time prescribed herein will  
25 entitle the assured to collect interest on the proceeds of the policy for  
26 the duration of the delay at the rate of twice (2) the ceiling prescribed  
27 by the Monetary Board, unless such failure or refusal to pay is based  
28 on the ground that the claim is fraudulent: *PROVIDED, HOWEVER,*  
29 *THAT IN CASE THE INSURANCE COMPANY CONCERNED FAILS*

1 TO SETTLE THE PROCEEDS OF THE POLICY INCLUDING THE  
2 ACCRUED INTERESTS THEREIN WITHIN FIFTEEN (15) DAYS  
3 FROM THE FILING OF THE DEMAND FOR PAYMENT, SAID  
4 INSURANCE COMPANY IS LIABLE FOR ESTAFA, AND THE  
5 PENALTY PRESCRIBED BY THE REVISED PENAL CODE, SHALL  
6 BE IMPOSED UPON ITS PRESIDENT AND/OR GENERAL  
7 MANAGER UNLESS SUCH FAILURE OR REFUSAL TO PAY IS  
8 BASED ON THE GROUND THAT THE CLAIM IS FRAUDULENT.”

9 **SECTION 3.** This act shall take effect upon its approval.

Approved,