

S. No. 3280

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*Prepared jointly by the Committees on Banks, Financial Institutions and Currencies and Justice and Human Rights with Senators Angara, Trillanes IV, Ejercito Estrada, Revilla Jr., Defensor Santiago, Osmeña III, Villar and Escudero as authors*

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**AN ACT  
REVISING 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 the House of Representatives of the Philippines in Congress assembled:*

**GENERAL PROVISIONS**

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

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

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

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

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

3 (a) making or proposing to make, as insurer, any insurance contract;

4 (b) making or proposing to make, as surety, any contract of suretyship as a vocation  
5 and not as merely incidental to any other legitimate business or activity of the surety;

6 (c) doing any kind of business, including a reinsurance business, specifically recognized  
7 as constituting the doing of an insurance business within the meaning of this Code;

8 (d) *doing or proposing to do any business in substance equivalent to any of the*  
9 *foregoing in a manner designed to evade the provisions of this Code.*

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

14 (3) As used in this Code, the term "*Commissioner*" means the "*Insurance Commissioner*".

15 **Chapter 1**

16 **THE CONTRACT OF INSURANCE**

17 **Title 1**

18 **WHAT MAY BE INSURED**

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

22 The consent of the [husband] **SPOUSE** is not necessary for the validity of an  
23 insurance policy taken out by a married [woman] **PERSON** on **HIS OR** her life or that of **HIS**  
24 **OR** her children.

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

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

8 All rights, title and interest in the policy of insurance taken out by an original owner on the  
9 life or health of [a minor] **THE PERSON INSURED** shall automatically vest in the [minor]  
10 **LATTER** upon the death of the original owner, unless otherwise provided for in the policy.

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

13 **Sec. 5.** All kinds of insurance are subject to the provisions of this chapter so far as the  
14 provisions can apply.

## 15 Title 2

### 16 PARTIES TO THE CONTRACT

17 **Sec. 6.** Every [person] **CORPORATION**, partnership, **OR** association, [or corporation]  
18 duly authorized to transact insurance business as elsewhere provided in this code, may be  
19 an insurer.

20 **Sec. 7.** Anyone except a public enemy may be insured.

21 **Sec. 8.** Unless the policy otherwise provides, where a mortgagor of property effects  
22 insurance in his own name providing that the loss shall be payable to the mortgagee, or  
23 assigns a policy of insurance to a mortgagee, the insurance is deemed to be upon the  
24 interest of the mortgagor, who does not cease to be a party to the original contract, and any  
25 act of his, prior to the loss, which would otherwise avoid the insurance, will have the same

1 effect, although the property is in the hands of the mortgagee, but any act which, under the  
2 contract of insurance, is to be performed by the mortgagor, may be performed by the  
3 mortgagee therein named, with the same effect as if it had been performed by the  
4 mortgagor.

5 **Sec. 9.** If an insurer assents to the transfer of an insurance from a mortgagor to a  
6 mortgagee, and, at the time of his assent, imposes further obligation on the assignee,  
7 making a new contract with him, the act of the mortgagor cannot affect the rights of said  
8 assignee.

9 Title 3

10 INSURABLE INTEREST

11 **Sec. 10.** Every person has an insurable interest in the life and health:

12 (a) Of himself, of his spouse and of his children;

13 (b) Of any person on whom he depends wholly or in part for education or support, or in  
14 whom he has a pecuniary interest;

15 (c) Of any person under a legal obligation to him for the payment of money, or respecting  
16 property or services, of which death or illness might delay or prevent the performance; and

17 (d) Of any person upon whose life any estate or interest vested in him depends.

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

20 **Sec. 12.** The interest of a beneficiary in a life insurance policy shall be forfeited when  
21 the beneficiary is the principal, accomplice, or accessory in willfully bringing about the death  
22 of the insured. [; in which event, the nearest relative of the insured shall receive the  
23 proceeds of said insurance if not otherwise disqualified.] **IN SUCH A CASE, THE SHARE**  
24 **FORFEITED SHALL PASS ON TO THE OTHER BENEFICIARIES, UNLESS OTHERWISE**  
25 **DISQUALIFIED. IN THE ABSENCE OF OTHER BENEFICIARIES, THE PROCEEDS SHALL BE PAID**

1 IN ACCORDANCE WITH THE POLICY CONTRACT. IF THE POLICY CONTRACT IS SILENT, THE  
2 PROCEEDS SHALL BE PAID TO THE INSURED'S ESTATE.

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

6 **Sec. 14.** An insurable interest in property may consist in:

7 (a) An existing interest;

8 (b) An inchoate interest founded on an existing interest; or

9 (c) An expectancy, coupled with an existing interest in that out of which the  
10 expectancy arises.

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

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

15 **Sec. 17.** The measure of an insurable interest in property is the extent to which the  
16 insured might be damnified by loss or injury thereof.

17 **Sec. 18.** No contract or policy of insurance on property shall be enforceable except  
18 for the benefit of some person having an insurable interest in the property insured.

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

23 **Sec. 20.** Except in the cases specified in the next four sections, and in the cases of  
24 life, accident, and health insurance, a change of interest in any part of a thing insured  
25 unaccompanied by a corresponding change in interest in the insurance, suspends the

1 insurance to an equivalent extent, until the interest in the thing and the interest in the  
2 insurance are vested in the same person.

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

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

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

10 **Sec. 24.** A transfer of interest by one of several partners, joint owners, or owners in  
11 common, who are jointly insured, to the others, does not avoid an insurance even though it  
12 has been agreed that the insurance shall cease upon an alienation of the thing insured.

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

#### 17 Title 4

#### 18 CONCEALMENT

19 **Sec. 26.** A neglect to communicate that which a party knows and ought to  
20 communicate, is called a concealment.

21 **Sec. 27.** A concealment whether intentional or unintentional entitles the injured  
22 party to rescind a contract of insurance. [(As amended by Batasang Pambansa Blg. 874)]

23 **Sec. 28.** Each party to a contract of insurance must communicate[d] to the other, in  
24 good faith, all facts within his knowledge which are material to the contract and as to which  
25 he makes no warranty, and which the other has not the means of ascertaining.

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

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

6           (a) Those which the other knows;

7           (b) Those which, in the exercise of ordinary care, the other ought to know, and of  
8   which the former has no reason to suppose him ignorant;

9           (c) Those of which the other waives communication;

10          (d) Those which prove or tend to prove the existence of a risk excluded by a  
11   warranty, and which are not otherwise material; and

12          (e) Those which relate to a risk excepted from the policy and which are not  
13   otherwise material.

14          **Sec. 31.** Materiality is to be determined not by the event, but solely by the probable  
15   and reasonable influence of the facts upon the party to whom the communication is due, in  
16   forming his estimate of the disadvantages of the proposed contract, or in making his  
17   inquiries.

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

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

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







1 Any rider, clause, warranty or endorsement purporting to be part of the contract of  
2 insurance and which is pasted or attached to said policy is not binding on the insured, unless  
3 the descriptive title or name of the rider, clause, warranty or endorsement is also  
4 mentioned and written on the blank spaces provided in the policy.

5 Unless applied for by the insured or owner, any rider, clause, warranty or  
6 endorsement issued after the original policy shall be countersigned by the insured or owner,  
7 which countersignature shall be taken as his agreement to the contents of such rider,  
8 clause, warranty or endorsement.

9 [Group insurance and group annuity policies, however, may be typewritten and need  
10 not be in printed form.]

11 **NOTWITHSTANDING THE FOREGOING, THE POLICY MAY BE IN ELECTRONIC FORM**  
12 **SUBJECT TO THE PERTINENT PROVISIONS OF REPUBLIC ACT NO. 8792, OTHERWISE**  
13 **KNOWN AS THE "ELECTRONIC COMMERCE ACT" AND TO SUCH RULES AND REGULATIONS**  
14 **AS MAY BE PRESCRIBED BY THE COMMISSIONER.**

15 **Sec. 51.** A policy of insurance must specify:

- 16 (a) The parties between whom the contract is made;
- 17 (b) The amount to be insured except in the cases of open or running policies;
- 18 (c) The premium, or if the insurance is of a character where the exact premium is  
19 only determinable upon the termination of the contract, a statement of the basis  
20 and rates upon which the final premium is to be determined;
- 21 (d) The property or life insured;
- 22 (e) The interest of the insured in property insured, if he is not the absolute owner  
23 thereof;
- 24 (f) The risks insured against; and
- 25 (g) The period during which the insurance is to continue.

1           **Sec. 52.** Cover notes may be issued to bind insurance temporarily pending the  
2 issuance of the policy. Within sixty days after the issue of the cover note, a policy shall be  
3 issued in lieu thereof, including within its terms the identical insurance bound under the  
4 cover note and the premium therefor.

5           Cover notes may be extended or renewed beyond such sixty days with the written  
6 approval of the Commissioner if he determines that such extension is not contrary to and is  
7 not for the purpose of violating any provisions of this Code. The Commissioner may  
8 promulgate rules and regulations governing such extensions for the purpose of preventing  
9 such violations and may by such rules and regulations dispense with the requirement of  
10 written approval by him in the case of extension in compliance with such rules and  
11 regulations.

12           **Sec. 53.** The insurance proceeds shall be applied exclusively to the proper interest of  
13 the person in whose name or for whose benefit it is made unless otherwise specified in the  
14 policy.

15           **Sec. 54.** When an insurance contract is executed with an agent or trustee as the  
16 insured, the fact that his principal or beneficiary is the real party in interest may be  
17 indicated by describing the insured as agent or trustee, or by other general words in the  
18 policy.

19           **Sec. 55.** To render an insurance effected by one partner or part-owner, applicable to  
20 the interest of his co-partners or other part-owners, it is necessary that the terms of the  
21 policy should be such as are applicable to the joint or common interest.

22           **Sec. 56.** When the description of the insured in a policy is so general that it may  
23 comprehend any person or any class of persons, only he who can show that it was intended  
24 to include him, can claim the benefit of the policy.

1           **Sec. 57.** A policy may be so framed that it will inure to the benefit of whomsoever,  
2 during the continuance of the risk, may become the owner of the interest insured.

3           **Sec. 58.** The mere transfer of a thing insured does not transfer the policy, but  
4 suspends it until the same person becomes the owner of both the policy and the thing  
5 insured.

6           **Sec. 59.** A policy is either open, valued or running.

7           **Sec. 60.** An open policy is one in which the value of the thing insured is not agreed  
8 upon, [but is left to be ascertained in case of loss.] **AND THE AMOUNT OF THE INSURANCE**  
9 **MERELY REPRESENTS THE INSURER'S MAXIMUM LIABILITY. THE VALUE OF SUCH THING**  
10 **INSURED SHALL BE ASCERTAINED AT THE TIME OF THE LOSS.**

11           **Sec. 61.** A valued policy is one which expresses on its face an agreement that the  
12 thing insured shall be valued at a specific sum.

13           **Sec. 62.** A running policy is one which contemplates successive insurances, and  
14 which provides that the object of the policy may be from time to time defined, especially as  
15 to the subjects of insurance, by additional statements or indorsements.

16           **Sec. 63.** A condition, stipulation, or agreement in any policy of insurance, limiting the  
17 time for commencing an action thereunder to a period of less than one year from the time  
18 when the cause of action accrues, is void.

19           **Sec. 64.** No policy of insurance other than life shall be cancelled by the insurer  
20 except upon prior notice thereof to the insured, and no notice of cancellation shall be  
21 effective unless it is based on the occurrence, after the effective date of the policy, of one or  
22 more of the following:

23           (a) non-payment of premium;

24           (b) conviction of a crime arising out of acts increasing the hazard insured against;

25           (c) discovery of fraud or material misrepresentation;

1 (d) discovery of willful or reckless acts or omissions increasing the hazard insured  
2 against;

3 (e) physical changes in the property insured which result in the property becoming  
4 uninsurable; or

5 (f) **DISCOVERY OF OTHER INSURANCE COVERAGE THAT MAKES THE TOTAL**  
6 **INSURANCE IN EXCESS OF THE VALUE OF THE PROPERTY INSURED; OR** a  
7 determination by the Commissioner that the continuation of the policy would violate  
8 or would place the insurer in violation of this Code.

9 **Sec. 65.** All notices of cancellation mentioned in the preceding section shall be in  
10 writing, mailed or delivered to the named insured at the address shown in the policy, **OR TO**  
11 **HIS BROKER PROVIDED THE BROKER IS AUTHORIZED IN WRITING BY THE POLICY OWNER**  
12 **TO RECEIVE THE NOTICE OF CANCELLATION ON HIS BEHALF**, and shall state (a) which of  
13 the grounds set forth in section sixty-four is relied upon and (b) that, upon written request  
14 of the named insured, the insurer will furnish the facts on which the cancellation is based.

15 **Sec. 66.** In case of insurance other than life, unless the insurer at least forty-five days  
16 in advance of the end of the policy period mails or delivers to the named insured at the  
17 address shown in the policy notice of its intention not to renew the policy or to condition its  
18 renewal upon reduction of limits or elimination of coverages, the named insured shall be  
19 entitled to renew the policy upon payment of the premium due on the effective date of the  
20 renewal. Any policy written for a term of less than one year shall be considered as if written  
21 for a term of one year. Any policy written for a term longer than one year or any policy with  
22 no fixed expiration date shall be considered as if written for successive policy periods or  
23 terms of one year.

24 Title 7

25 WARRANTIES



1           **Sec. 77.** An insurer is entitled to payment of the premium as soon as the thing  
2 insured is exposed to the peril insured against. Notwithstanding any agreement to the  
3 contrary, no policy or contract of insurance issued by an insurance company is valid and  
4 binding unless and until the premium thereof has been paid, except in the case of a life or  
5 an industrial life policy whenever the grace period provision applies, **OR WHENEVER UNDER**  
6 **THE BROKER AND AGENCY AGREEMENTS WITH DULY LICENSED INTERMEDIARIES, A 90-**  
7 **DAY CREDIT EXTENSION IS GIVEN. NO CREDIT EXTENSION TO A DULY LICENSED**  
8 **INTERMEDIARY SHOULD EXCEED 90-DAYS FROM DATE OF ISSUANCE OF THE POLICY.**

9           **SEC. 78. AN EMPLOYEE OF THE REPUBLIC OF THE PHILIPPINES, INCLUDING ITS**  
10 **POLITICAL SUBDIVISIONS AND INSTRUMENTALITIES, AND GOVERNMENT OWNED OR**  
11 **CONTROLLED CORPORATIONS, MAY PAY HIS INSURANCE PREMIUM AND LOAN**  
12 **OBLIGATIONS THROUGH SALARY DEDUCTION: PROVIDED, THE TREASURER, CASHIER,**  
13 **PAYMASTER OR OFFICIAL OF THE ENTITY EMPLOYING THE GOVERNMENT EMPLOYEE IS**  
14 **AUTHORIZED, NOTWITHSTANDING THE PROVISIONS OF ANY EXISTING LAW, RULES AND**  
15 **REGULATIONS TO THE CONTRARY, TO MAKE DEDUCTIONS FROM THE SALARY, WAGE OR**  
16 **INCOME OF THE LATTER PURSUANT TO THE AGREEMENT BETWEEN THE INSURER AND THE**  
17 **GOVERNMENT EMPLOYEE AND TO REMIT SUCH DEDUCTIONS TO THE INSURER**  
18 **CONCERNED, AND COLLECT SUCH REASONABLE FEE FOR ITS SERVICES.**

19           **Sec. [78] 79.** An acknowledgment in a policy or contract of insurance or the receipt  
20 of premium is conclusive evidence of its payment, so far as to make the policy binding,  
21 notwithstanding any stipulation therein that it shall not be binding until the premium is  
22 actually paid.

23           **Sec. [79] 80.** A person insured is entitled to a return of premium, as follows:

24           (a) To the whole premium if no part of his interest in the thing insured be exposed to  
25 any of the perils insured against;

1 (b) Where the insurance is made for a definite period of time and the insured  
2 surrenders his policy, to such portion of the premium as corresponds with the  
3 unexpired time, at a pro rata rate, unless a short period rate has been agreed upon  
4 and appears on the face of the policy, after deducting from the whole premium any  
5 claim for loss or damage under the policy which has previously accrued; Provided,  
6 That no holder of a life insurance policy may avail himself of the privileges of this  
7 paragraph without sufficient cause as otherwise provided by law.

8 **Sec. [80] 81.** If a peril insured against has existed, and the insurer has been liable for  
9 any period, however short, the insured is not entitled to return of premiums, so far as that  
10 particular risk is concerned.

11 **Sec. [81] 82.** A person insured is entitled to return of the premium when the contract  
12 is voidable **AND SUBSEQUENTLY ANNULLED UNDER THE PROVISIONS OF THE CIVIL CODE;**  
13 **OR** on account of fraud or misrepresentation of the insurer, or of his agent, or on account of  
14 facts, the existence of which the insured was ignorant without his fault; or when by any  
15 default of the insured other than actual fraud, the insurer never incurred any liability under  
16 the policy.

17 **A PERSON INSURED IS NOT ENTITLED TO A RETURN OF PREMIUM IF THE POLICY IS**  
18 **ANNULLED, RESCINDED OR IF A CLAIM IS DENIED BY REASON OF HIS FRAUD.**

19 **Sec. [82] 83.** In case of an over-insurance by several insurers[,] **OTHER THAN LIFE,**  
20 the insured is entitled to a ratable return of the premium, proportioned to the amount by  
21 which the aggregate sum insured in all the policies exceeds the insurable value of the thing  
22 at risk.

23 **SEC. 84. AN INSURER MAY CONTRACT AND ACCEPT PAYMENTS, IN ADDITION TO**  
24 **REGULAR PREMIUM, FOR THE PURPOSE OF PAYING FUTURE PREMIUMS ON THE POLICY**  
25 **OR TO INCREASE THE BENEFITS THEREOF.**



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Title 9

LOSS

**Sec. [83] 85.** An agreement not to transfer the claim of the insured against the insurer after the loss has happened, is void if made before the loss except as otherwise provided in the case of life insurance.

**Sec. [84] 86.** Unless otherwise provided by the policy, an insurer is liable for a loss of which a peril insured against was the proximate cause, although a peril not contemplated by the contract may have been a remote cause of the loss; but he is not liable for a loss which the peril insured against was only a remote cause.

**Sec. [85] 87.** An insurer is liable where the thing insured is rescued from a peril insured against that would otherwise have caused a loss, if, in the course of such rescue, the thing is exposed to a peril not insured against, which permanently deprives the insured of its possession, in whole or in part; or where a loss is caused by efforts to rescue the thing insured from a peril insured against.

**Sec. [86] 88.** Where a peril is especially excepted in a contract of insurance, a loss, which would not have occurred but for such peril, is thereby excepted although the immediate cause of the loss was a peril which was not excepted.

**Sec. [87] 89.** An insurer is not liable for a loss caused by the willful act or through the connivance of the insured; but he is not exonerated by the negligence of the insured, or of the insurance agents or others.

Title 10

NOTICE OF LOSS

**Sec. [88] 90.** In case of loss upon an insurance against fire, an insurer is exonerated, if **WRITTEN** notice thereof be not given to him by an insured, or some person entitled to the benefit of the insurance, without unnecessary delay. **FOR OTHER NON-LIFE INSURANCE,**

1 THE COMMISSIONER MAY SPECIFY THE PERIOD FOR THE SUBMISSION OF THE NOTICE OF  
2 LOSS.

3 Sec. [89] 91. When a preliminary proof of loss is required by a policy, the insured is  
4 not bound to give such proof as would be necessary in a court of justice; but it is sufficient  
5 for him to give the best evidence which he has in his power at the time.

6 Sec. [90] 92. All defects in a notice of loss, or in preliminary proof thereof, which the  
7 insured might remedy, and which the insurer omits to specify to him, without unnecessary  
8 delay, as grounds of objection, are waived.

9 Sec. [91] 93. Delay in the presentation to an insurer of notice or proof of loss is  
10 waived if caused by any act of him, or if he omits to take objection promptly and specifically  
11 upon that ground.

12 Sec. [92] 94. If the policy requires, by way of preliminary proof of loss, the certificate  
13 or testimony of a person other than the insured, it is sufficient for the insured to use  
14 reasonable diligence to procure it, and in case of the refusal of such person to give it, then  
15 to furnish reasonable evidence to the insurer that such refusal was not induced by any just  
16 grounds of disbelief in the facts necessary to be certified or testified.

17 Title 11

18 DOUBLE INSURANCE

19 Sec. [93] 95. A double insurance exists where the same person is insured by several  
20 insurers separately in respect to the same subject and interest.

21 Sec. [94] 96. Where the insured **IN A POLICY OTHER THAN LIFE** is over-insured by  
22 double insurance:

23 (a) The insured, unless the policy otherwise provides, may claim payment from the  
24 insurers in such order as he may select, up to the amount for which the insurers are  
25 severally liable under their respective contracts;

1 (b) Where the policy under which the insured claims is a valued policy, [the insured  
2 must give credit as against the valuation for] any sum received by him under any  
3 other policy **SHALL BE DEDUCTED FROM THE VALUE OF THE POLICY** without regard  
4 to the actual value of the subject matter insured;

5 (c) Where the policy under which the insured claims is an unvalued policy **ANY SUM**  
6 **RECEIVED BY HIM UNDER ANY POLICY SHALL BE DEDUCTED** [he must give credit, as]  
7 against the full insurable value, for any sum received by him under any policy;

8 (d) Where the insured receives any sum in excess of the valuation in the case of  
9 valued policies, or of the insurable value in the case of unvalued policies, he must  
10 hold such sum in trust for the insurers, according to their right of contribution among  
11 themselves;

12 (e) Each insurer is bound, as between himself and the other insurers, to contribute  
13 ratably to the loss in proportion to the amount for which he is liable under his  
14 contract.

15 Title 12

16 REINSURANCE

17 **Sec. [95] 97.** A contract of reinsurance is one by which an insurer procures a third  
18 person to insure him against loss or liability by reason of such original insurance.

19 **Sec. [96] 98.** Where an insurer obtains reinsurance, except under automatic  
20 reinsurance treaties, he must communicate all the representations of the original insured,  
21 and also all the knowledge and information he possesses, whether previously or  
22 subsequently acquired, which are material to the risk.

23 **Sec. [97] 99.** A reinsurance is presumed to be a contract of indemnity against  
24 liability, and not merely against damage.

25 **Sec. [98] 100.** The original insured has no interest in a contract of reinsurance.

1 Chapter II

2 CLASSES OF INSURANCE

3 Title I

4 MARINE INSURANCE

5 Sub-Title 1- A

6 DEFINITION

7 **Sec. [99] 101.** Marine Insurance includes:

8 (1) Insurance against loss of or damage to:

9 (a) Vessels, craft, aircraft, vehicles, goods, freights, cargoes, merchandise,  
10 effects, disbursements, profits, moneys, securities, choses in action, evidences  
11 of debts, valuable papers, bottomry, and respondentia interests and all other  
12 kinds of property and interests therein, in respect to, appertaining to or in  
13 connection with any and all risks or perils of navigation, transit or  
14 transportation, or while being assembled, packed, crated, baled, compressed  
15 or similarly prepared for shipment or while awaiting shipment, or during any  
16 delays, storage, transshipment, or reshipment incident thereto, including war  
17 risks, marine builder's risks, and all personal property floater risks;

18 (b) Person or property in connection with or appertaining to a marine, inland  
19 marine, transit or transportation insurance, including liability for loss of or  
20 damage arising out of or in connection with the construction, repair,  
21 operation, maintenance or use of the subject matter of such insurance (but  
22 not including life insurance or surety bonds nor insurance against loss by  
23 reason of bodily injury to any person arising out of ownership, maintenance,  
24 or use of automobiles);

1 (c) Precious stones, jewels, jewelry, precious metals, whether in course of  
2 transportation or otherwise;

3 (d) Bridges, tunnels and other instrumentalities of transportation and  
4 communication (excluding buildings, their furniture and furnishings, fixed  
5 contents and supplies held in storage); piers, wharves, docks and slips, and  
6 other aids to navigation and transportation, including dry docks and marine  
7 railways, dams and appurtenant facilities for the control of waterways.

8 (2) "*Marine protection and indemnity insurance,*" meaning insurance against, or  
9 against legal liability of the insured for loss, damage, or expense incident to ownership,  
10 operation, chartering, maintenance, use, repair, or construction of any vessel, craft or  
11 instrumentality in use of ocean or inland waterways, including liability of the insured for  
12 personal injury, illness or death or for loss of or damage to the property of another person.

13 Sub-Title 1-B

14 INSURABLE INTEREST

15 **Sec. [100] 102.** The owner of a ship has in all cases an insurable interest in it, even  
16 when it has been chartered by one who covenants to pay him its value in case of loss:  
17 Provided, That in this case the insurer shall be liable for only that part of the loss which the  
18 insured cannot recover from the charterer.

19 **Sec. [101] 103.** The insurable interest of the owner of the ship hypothecated by  
20 bottomry is only the excess of its value over the amount secured by bottomry.

21 **Sec. [102] 104.** Freightage, in the sense of a policy of marine insurance, signifies all  
22 the benefits derived by the owner, either from the chartering of the ship or its employment  
23 for the carriage of his own goods or those of others.





1 (a) When the insurance is made for a specified length of time, the implied warranty is  
2 not complied with unless the ship be seaworthy at the commencement of every  
3 voyage it undertakes during that time;

4 (b) When the insurance is upon the cargo which, by the terms of the policy,  
5 description of the voyage, or established custom of the trade, is to be transhipped at  
6 an intermediate port, the implied warranty is not complied with unless each vessel  
7 upon which the cargo is shipped, or transhipped be seaworthy at the commencement  
8 of each particular voyage.

9 **Sec. [116] 118.** A warranty of seaworthiness extends not only to the condition of the  
10 structure of the ship itself, but requires that it be properly laden, and provided with a  
11 competent master, a sufficient number of competent officers and seamen, and the requisite  
12 appurtenances and equipment, such as ballasts, cables and anchors, cordage and sails, food,  
13 water, fuel and lights, and other necessary or proper stores and implements for the voyage.

14 **Sec. [117] 119.** Where different portions of the voyage contemplated by a policy  
15 differ in respect to the things requisite to make the ship seaworthy therefor, a warranty of  
16 seaworthiness is complied with if, at the commencement of each portion, the ship is  
17 seaworthy with reference to that portion.

18 **Sec. [118] 120.** When the ship becomes unseaworthy during the voyage to which an  
19 insurance relates, an unreasonable delay in repairing the defect exonerates the insurer on  
20 ship or shipowner's interest from liability from any loss arising therefrom.

21 **Sec. [119] 121.** A ship which is seaworthy for the purpose of an insurance upon the  
22 ship may, nevertheless, by reason of being unfitted to receive the cargo, be unseaworthy for  
23 the purpose of the insurance upon the cargo.

24 **Sec. [120] 122.** Where the nationality or neutrality of a ship or cargo is expressly  
25 warranted, it is implied that the ship will carry the requisite documents to show such



1 nationality or neutrality and that it will not carry any documents which cast reasonable  
2 suspicion thereon.

3 Sub-Title 1-F

4 THE VOYAGE AND DEVIATION

5 **Sec. [121] 123.** When the voyage contemplated by a marine insurance policy is  
6 described by the places of beginning and ending, the voyage insured in one which conforms  
7 to the course of sailing fixed by mercantile usage between those places.

8 **Sec. [122] 124.** If the course of sailing is not fixed by mercantile usage, the voyage  
9 insured by a marine insurance policy is that way between the places specified, which to a  
10 master of ordinary skill and discretion, would mean the most natural, direct and  
11 advantageous.

12 **Sec. [123] 125.** Deviation is a departure from the course of the voyage insured,  
13 mentioned in the last two sections, or an unreasonable delay in pursuing the voyage or the  
14 commencement of an entirely different voyage.

15 **Sec. [124] 126.** A deviation is proper:

- 16 (a) When caused by circumstances over which neither the master nor the owner of  
17 the ship has any control;
- 18 (b) When necessary to comply with a warranty, or to avoid a peril, whether or not the  
19 peril is insured against;
- 20 (c) When made in good faith, and upon reasonable grounds of belief in its necessity to  
21 avoid a peril; or
- 22 (d) When made in good faith, for the purpose of saving human life or relieving  
23 another vessel in distress.

24 **Sec. [125] 127.** Every deviation not specified in the last section is improper.





1 separately insured, and recover for a total loss thereof, when the cause of the loss is a peril  
2 insured against:

3 (a) If more than three-fourths thereof in value is actually lost, or would have to be  
4 expended to recover it from the peril;

5 (b) If it is injured to such an extent as to reduce its value more than three-fourths;

6 (c) If the thing insured is a ship, and the contemplated voyage cannot be lawfully  
7 performed without incurring either an expense to the insured of more than three-  
8 fourths the value of the thing abandoned or a risk which a prudent man would not  
9 take under the circumstances; or

10 (d) If the thing insured, being cargo or freightage, and the voyage cannot be  
11 performed, nor another ship procured by the master, within a reasonable time and  
12 with reasonable diligence, to forward the cargo, without incurring the like expense or  
13 risk mentioned in the preceding sub-paragraph. But freightage cannot in any case be  
14 abandoned unless the ship is also abandoned.

15 **Sec. [140] 142.** An abandonment must be neither partial nor conditional.

16 **Sec. [141] 143.** An abandonment must be made within a reasonable time after  
17 receipt of reliable information of the loss, but where the information is of a doubtful  
18 character, the insured is entitled to a reasonable time to make inquiry.

19 **Sec. [142] 144.** Where the information upon which an abandonment has been made  
20 proves incorrect, or the thing insured was so far restored when the abandonment was made  
21 that there was then in fact no total loss, the abandonment becomes ineffectual.

22 **Sec. [143] 145.** Abandonment is made by giving notice thereof to the insurer, which  
23 may be done orally, or in writing; Provided, That if the notice be done orally, a written  
24 notice of such abandonment shall be submitted within seven days from such oral notice.

1           **Sec. [144] 146.** A notice of abandonment must be explicit, and must specify the  
2 particular cause of the abandonment, but need state only enough to show that there is  
3 probable cause therefor, and need not be accompanied with proof of interest or of loss.

4           **Sec. [145] 147.** An abandonment can be sustained only upon the cause specified in  
5 the notice thereof.

6           **Sec. [146] 148.** An abandonment is equivalent to a transfer by the insured of his  
7 interest to the insurer, with all the chances of recovery and indemnity.

8           **Sec. [147] 149.** If a marine insurer pays for a loss as if it were an actual total loss, he  
9 is entitled to whatever may remain of the thing insured, or its proceeds or salvage, as if  
10 there had been a formal abandonment.

11           **Sec. [148] 150.** Upon an abandonment, acts done in good faith by those who were  
12 agents of the insured in respect to the thing insured, subsequent to the loss, are at the risk  
13 of the insurer and for his benefit.

14           **Sec. [149] 151.** Where notice of abandonment is properly given, the rights of the  
15 insured are not prejudiced by the fact that the insurer refuses to accept the abandonment.

16           **Sec. [150] 152.** The acceptance of an abandonment may be either express or implied  
17 from the conduct of the insurer. The mere silence of the insurer for an unreasonable length  
18 of time after notice shall be construed as an acceptance.

19           **Sec. [151] 153.** The acceptance of an abandonment, whether express or implied, is  
20 conclusive upon the parties, and admits the loss and the sufficiency of the abandonment.

21           **Sec. [152] 154.** An abandonment once made and accepted is irrevocable, unless the  
22 ground upon which it was made proves to be unfounded.

23           **Sec. [153] 155.** On an accepted abandonment of a ship, freightage earned previous  
24 to the loss belongs to the insurer of said freightage; but freightage subsequently earned  
25 belongs to the insurer of the ship.



1           **Sec. [160] 162.** When profits are valued and insured by a contract of marine  
2 insurance, a loss of them is conclusively presumed from a loss of the property out of which  
3 they are expected to arise, and the valuation fixes their amount.

4           **Sec. [161] 163.** In estimating a loss under an open policy of marine insurance the  
5 following rules are to be observed:

6           (a) The value of a ship is its value at the beginning of the risk, including all articles or  
7 charges which add to its permanent value or which are necessary to prepare it for the  
8 voyage insured;

9           (b) The value of the cargo is its actual cost to the insured, when laden on board, or  
10 where the cost cannot be ascertained, its market value at the time and place of  
11 lading, adding the charges incurred in purchasing and placing it on board, but without  
12 reference to any loss incurred in raising money for its purchase, or to any drawback  
13 on its exportation, or to the fluctuation of the market at the port of destination, or to  
14 expenses incurred on the way or on arrival;

15           (c) The value of freightage is the gross freightage, exclusive of primage, without  
16 reference to the cost of earning it; and

17           (d) The cost of insurance is in each case to be added to the value thus estimated.

18           **Sec. [162] 164.** If cargo insured against partial loss arrives at the port of destination  
19 in a damaged condition, the loss of the insured is deemed to be the same proportion of the  
20 value which the market price at that port, of the thing so damaged, bears to the market  
21 price it would have brought if sound.

22           **Sec. [163] 165.** A marine insurer is liable for all the expenses attendant upon a loss  
23 which forces the ship into port to be repaired; and where it is stipulated in the policy that  
24 the insured shall labor for the recovery of the property, the insurer is liable for the expense





1 the control of the insured, and increasing the risks, entitles an insurer to rescind a contract  
2 of fire insurance.

3 **Sec. [169] 171.** An alteration in the use or condition of a thing insured from that to  
4 which it is limited by the policy, which does not increase the risk, does not affect a contract  
5 of fire insurance.

6 **Sec. [170] 172.** A contract of fire insurance is not affected by any act of the insured  
7 subsequent to the execution of the policy, which does not violate its provisions, even  
8 though it increases the risk and is the cause of the loss.

9 **Sec. [171] 173.** If there is no valuation in the policy, the measure of indemnity in an  
10 insurance against fire is the expense it would be to the insured at the time of the  
11 commencement of the fire to replace the thing lost or injured in the condition in which at  
12 the time of the injury; but if there is a valuation in a policy of fire insurance, the effect shall  
13 be the same as in a policy of marine insurance.

14 **Sec. [172] 174.** Whenever the insured desires to have a valuation named in his  
15 policy, insuring any building or structure against fire, he may require such building or  
16 structure to be examined by an independent appraiser and the value of the insured's  
17 interest therein may then be fixed as between the insurer and the insured. The cost of such  
18 examination shall be paid for by the insured. A clause shall be inserted in such policy stating  
19 substantially that the value of the insured's interest in such building or structure has been  
20 thus fixed. In the absence of any change increasing the risk without the consent of the  
21 insurer or of fraud on the part of the insured, then in case of a total loss under such policy,  
22 the whole amount so insured upon the insured's interest in such building or structure, as  
23 stated in the policy upon which the insurers have received a premium, shall be paid, and in  
24 case of a partial loss the full amount of the partial loss shall be so paid, and in case there are  
25 two or more policies covering the insured's interest therein, each policy shall contribute pro

1 rata to the payment of such whole or partial loss. But in no case shall the insurer be  
2 required to pay more than the amount thus stated in such policy. This section shall not  
3 prevent the parties from stipulating in such policies concerning the repairing, rebuilding or  
4 replacing of buildings or structures wholly or partially damaged or destroyed.

5 **Sec. [173] 175.** No policy of fire insurance shall be pledged, hypothecated, or  
6 transferred to any person, firm or company who acts as agent for or otherwise represents  
7 the issuing company, and any such pledge, hypothecation, or transfer hereafter made shall  
8 be void and of no effect insofar as it may affect other creditors of the insured.

9 Title 3

10 CASUALTY INSURANCE

11 **Sec. [174] 176.** Casualty insurance is insurance covering loss or liability arising from  
12 accident or mishap, excluding certain types of loss which by law or custom are considered as  
13 falling exclusively within the scope of other types of insurance such as fire or marine. It  
14 includes, but is not limited to, employer's liability insurance, motor vehicle liability  
15 insurance, plate glass insurance, burglary and theft insurance, personal accident and health  
16 insurance as written by non-life insurance companies, and other substantially similar kinds  
17 of insurance.

18 Title 4

19 SURETYSHIP

20 **Sec. [175] 177.** A contract of suretyship is an agreement whereby a party called the  
21 surety guarantees the performance by another party called the principal or obligor of an  
22 obligation or undertaking in favor of a third party called the obligee. It includes official  
23 recognizances, stipulations, bonds or undertakings issued by any company by virtue of and  
24 under the provisions of Act No. 536, as amended by Act No. 2206.



1 EVERY CONTRACT OR UNDERTAKING FOR THE PAYMENT OF ANNUITIES INCLUDING  
2 CONTRACTS FOR THE PAYMENT OF LUMP SUMS UNDER A RETIREMENT PROGRAM WHERE  
3 A LIFE INSURANCE COMPANY MANAGES OR ACTS AS A TRUSTEE FOR SUCH RETIREMENT  
4 PROGRAM SHALL BE CONSIDERED A LIFE INSURANCE CONTRACT FOR PURPOSES OF THIS  
5 CODE.

6 Sec. [180] 182. An insurance upon life may be made payable on the death of the  
7 person, or on his surviving a specified period, or otherwise contingently on the continuance  
8 or cessation of life.

9 Every contract or pledge for the payment of endowments or annuities shall be  
10 considered a life insurance contract for purpose of this Code.

11 In the absence of a judicial guardian, the father, or in the latter's absence or  
12 incapacity, the mother, or any minor, who is an insured or a beneficiary under a contract of  
13 life, health or accident insurance, may exercise, in behalf of said minor, any right under the  
14 policy, without necessity of court authority or the giving of a bond, where the interest of the  
15 minor in the particular act involved does not exceed [twenty thousand] **ONE MILLION** pesos  
16 **OR IN SUCH AMOUNT AS MAY BE DETERMINED BY THE COMMISSIONER.** Such right may  
17 include, but shall not be limited to, obtaining a policy loan, surrendering the policy, receiving  
18 the proceeds of the policy, and giving the minor's consent to any transaction on the policy.

19 Sec. [180-A] 183. The insurer in a life insurance contract shall be liable in case of  
20 suicides only when it is committed after the policy has been in force for a period of two  
21 years from the date of its issue or of its last reinstatement, unless the policy provides a  
22 shorter period: *Provided, however,* That suicide committed in the state of insanity shall be  
23 compensable regardless of the date of commission. [(As amended by Batasang Pambansa  
24 Blg. 874).]



1 CHAPTER II

2 FINANCIAL REPORTING FRAMEWORK

3 SEC. 189. ALL COMPANIES REGULATED BY THE COMMISSION, UNLESS  
4 OTHERWISE REQUIRED BY LAW, SHOULD COMPLY WITH THE FINANCIAL REPORTING  
5 FRAMEWORKS ADOPTED BY THE COMMISSION FOR PURPOSES OF CREATING THE  
6 STATUTORY FINANCIAL REPORTS AND THE ANNUAL STATEMENTS TO BE SUBMITTED TO  
7 THE COMMISSION. FINANCIAL REPORTING FRAMEWORK MEANS A SET OF ACCOUNTING  
8 AND REPORTING PRINCIPLES, STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS  
9 THAT MUST BE ADOPTED IN THE PREPARATION AND SUBMISSION OF THE STATUTORY  
10 FINANCIAL STATEMENTS AND REPORTS REQUIRED BY THE COMMISSION. THIS FINANCIAL  
11 REPORTING FRAMEWORK IS NOT THE SAME AS THE FINANCIAL REPORTING FRAMEWORK  
12 USED TO PREPARE THE FINANCIAL STATEMENTS THAT THE SECURITIES AND EXCHANGE  
13 COMMISSION MAY REQUIRE. THE MAIN PURPOSE OF THE STATUTORY STATEMENTS IS TO  
14 PRESENT IMPORTANT INFORMATION ABOUT THE LEVEL OF RISK AND SOLVENCY  
15 SITUATION OF INSURERS. IN PRESCRIBING THE APPLICABLE STATUTORY FINANCIAL  
16 REPORTING FRAMEWORK, THE COMMISSIONER SHALL TAKE INTO ACCOUNT  
17 INTERNATIONAL STANDARDS CONCERNING SOLVENCY AND INSURANCE COMPANY  
18 REPORTING AS WELL AS GENERALLY ACCEPTED ACTUARIAL PRINCIPLES CONCERNING  
19 FINANCIAL REPORTING PROMULGATED BY THE ACTUARIAL SOCIETY OF THE PHILIPPINES.

20 THE ASSETS AND INVESTMENTS DISCUSSED IN SECTIONS 206 TO 213 SHALL BE  
21 ACCOUNTED FOR IN ACCORDANCE WITH THIS SECTION.

22 THE VALUATION OF RESERVES SHALL BE ACCOUNTED FOR IN ACCORDANCE WITH  
23 TITLE 5 OF THIS CODE.

24 Chapter III

25 THE BUSINESS OF INSURANCE

1 Title 1

2 INSURANCE COMPANIES, ORGANIZATION,  
3 CAPITALIZATION AND AUTHORIZATION

4 **Sec. [184] 190.** For purposes of this Code, the term "*insurer*" or "*insurance company*"  
5 shall include all [individuals,] partnerships, associations, or corporations, including  
6 government-owned or controlled corporations or entities, engaged as principals in the  
7 insurance business, excepting mutual benefit associations. Unless the context otherwise  
8 requires, the terms shall also include professional reinsurers defined in section two hundred  
9 [eighty eight] **NINETY SIX.** "*Domestic company*" shall include companies formed, organized  
10 or existing under the laws of the Philippines. "*Foreign company*" when used without  
11 limitation shall include companies formed, organized, or existing under any laws other than  
12 those of the Philippines.

13 **Sec. [185] 190.** [Corporations formed or organized to save any person or persons or  
14 other corporations harmless from loss, damage, or liability arising from any unknown or  
15 future or contingent event, or to indemnify or to compensate any person or persons or  
16 other corporations for any such loss, damage, or liability, or to guarantee the performance  
17 of or compliance with contractual obligations or the payment of debt of others shall be  
18 known as "*insurance corporations*".]

19 The provisions of the Corporation [Law] CODE, AS AMENDED shall apply to all insurance  
20 corporations now or hereafter engaged in business in the Philippines insofar as they do not  
21 conflict with the provisions of this chapter.

22 **Sec. [186] 191.** No [person] **CORPORATION**, partnership, or association of persons  
23 shall transact any insurance business in the Philippines except as agent of a [person or]  
24 corporation, **PARTNERSHIP OR ASSOCIATION** authorized to do the business of insurance in  
25 the Philippines, unless possessed of the capital and assets required of an insurance

1 corporation doing the same kind of business in the Philippines and invested in the same  
2 manner; nor unless the Commissioner shall have granted to [him or them] IT a certificate to  
3 the effect that [he or they] IT [have] HAS complied with all the provisions of [law which an  
4 insurance corporation doing business in the Philippines is required to observe] THIS CODE.

5 Every [person,] CORPORATION, partnership, or association receiving any such  
6 certificate of authority shall be subject to the insurance AND OTHER APPLICABLE laws of the  
7 Philippines and to the jurisdiction and supervision of the Commissioner [in the same manner  
8 as if an insurance corporation authorized by the laws of the Philippines to engage in the  
9 business of insurance specified in the certificate].

10 Sec. [187] 192. No insurance company shall transact any insurance business in the  
11 Philippines until after it shall have obtained a certificate of authority for that purpose from  
12 the Commissioner upon application therefor and payment by the company concerned of the  
13 fees hereinafter prescribed.

14 The Commissioner may refuse to issue a certificate of authority to any insurance  
15 company if, in his judgment, such refusal will best promote the interest of the people of this  
16 country. No such certificate of authority shall be granted to any such company until the  
17 Commissioner shall have satisfied himself by such examination as he may make and such  
18 evidence as he may require that such company is qualified by the laws of the Philippines to  
19 transact business therein, that the grant of such authority appears to be justified in the light  
20 of economic requirements, and that the direction and administration, as well as the  
21 integrity and responsibility of the organizers and administrators, the financial organization  
22 and the amount of capital, [notwithstanding the provisions of section one hundred eighty-  
23 eight,] reasonably assure the safety of the interests of the policyholders and the public.

24 ALL INSURANCE COMPANIES DULY LICENSED AND ISSUED CERTIFICATES OF  
25 AUTHORITY BY THE INSURANCE COMMISSION SHALL BE ALLOWED TO ISSUE INSURANCE



1 POLICIES OR TRANSACT INSURANCE BUSINESS WITHIN THE SCOPE OF THEIR LICENSES OR  
2 CERTIFICATES OF AUTHORITY, ANYWHERE IN THE PHILIPPINES, REGARDLESS OF ANY  
3 ACCREDITATION REQUIREMENTS, PRACTICES, OF ANY GOVERNMENT AGENCY OR  
4 INSTRUMENTALITY, OR ORDINANCE ENACTMENTS OF ANY LOCAL GOVERNMENT UNITS.

5 In order to maintain the quality of the management of the insurance companies  
6 and afford better protection to policyholders and the public in general, any person of good  
7 moral character, unquestioned integrity and recognized competence may be elected or  
8 appointed director or officer of insurance companies[.] **IN ACCORDANCE WITH THE**  
9 **PERTINENT PROVISIONS CONTAINED IN THE CORPORATE GOVERNANCE CIRCULARS**  
10 **PRESCRIBED BY THE COMMISSIONER. IN ADDITION HERETO, [T]the Commissioner shall**  
11 **prescribe the qualifications of DIRECTORS, [the] executive officers and other key officials of**  
12 **insurance companies for purposes of this section.**

13 No person shall concurrently be a director and/or officer of an insurance company  
14 and an adjustment company.

15 [Incumbent directors and/or officers affected by the above provisions are hereby  
16 allowed to hold on to their positions until the end of their terms or two years from the  
17 effectivity of this decree, whichever is shorter.]

18 Before issuing such certificate of authority, the Commissioner must be satisfied that  
19 the name of the company is not that of any other known company transacting a similar  
20 business in the Philippines, or a name so similar as to be calculated to mislead the public.[.]

21 **THE COMMISSIONER MAY ISSUE RULES AND REGULATIONS ON THE USE OF NAMES OF**  
22 **INSURANCE COMPANIES AND OTHER SUPERVISED PERSONS OR ENTITIES.**

23 **THE CERTIFICATE OF AUTHORITY ISSUED BY THE COMMISSIONER SHALL EXPIRE ON**  
24 **THE LAST DAY OF DECEMBER, THREE (3) YEARS FOLLOWING ITS DATE OF ISSUANCE, AND**  
25 **SHALL BE RENEWABLE EVERY THREE (3) YEARS THEREAFTER, SUBJECT TO THE COMPANY'S**

1 CONTINUING COMPLIANCE WITH THE PROVISIONS OF THIS CODE, CIRCULARS,  
2 INSTRUCTIONS, RULINGS OR DECISIONS OF THE COMMISSION.

3 [Such certificate of authority shall expire on the last day of June of each year and shall  
4 be renewed annually if the company is continuing to comply with the provisions of this Code  
5 or the circulars, instructions, rulings or decisions of the Commissioner.] Every company  
6 receiving any such certificates of authority shall be subject to the provisions of this Code and  
7 other related laws and to the jurisdiction and supervision of the Commissioner.

8 No insurance company may be authorized to transact in the Philippines the business of  
9 life and non-life insurance concurrently unless specifically authorized to do so **BY THE**  
10 **COMMISSIONER:** *Provided*, That the terms "life" and "non-life" insurance shall be deemed  
11 to include health, accident and disability insurance.

12 No insurance company shall have equity in an adjustment company and neither shall  
13 an adjustment company have [an] equity in an insurance company.

14 [Insurance companies and adjustment companies presently affected by the above  
15 provision shall have two years from the effectivity of this Code within which to divest of  
16 their stockholdings.] [(As amended by Presidential Decree No. 1455).]

17 **Sec. [188] 194.** [Except as provided in section two hundred eighty-one, no domestic  
18 insurance company shall, in a stock corporation, engage in business in the Philippines  
19 unless possessed of a paid-up capital stock equal to at least five million pesos: *Provided*,  
20 That a domestic insurance company already doing business in the Philippines with a paid-  
21 up capital stock which is less than five million pesos shall have a paid-up capital stock of at  
22 least three million pesos by December thirty-one, nineteen hundred seventy-eight, four  
23 million pesos by December thirty-one, nineteen hundred seventy-nine and five million  
24 pesos by December thirty-one, nineteen hundred eighty: *Provided, further*, that the  
25 Secretary of Finance may, upon recommendation of the Insurance Commissioner, increase

1 such minimum paid-up capital stock requirement, under such terms and conditions as he  
2 may impose, to an amount which, in his opinion, would reasonably assure the safety of the  
3 interests of the policyholders and the public.]

4 **NO DOMESTIC STOCK INSURANCE COMPANY SHALL ENGAGE IN INSURANCE OR**  
5 **REINSURANCE BUSINESS IN THE PHILIPPINES UNLESS POSSESSED OF THE REQUIRED**  
6 **CAPITALIZATION WHICH INCLUDES MINIMUM NET WORTH AND PAID-UP CAPITAL, AS**  
7 **DEFINED AND PROVIDED UNDER APPLICABLE ORDERS AND/OR CIRCULARS ISSUED BY**  
8 **THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE INSURANCE**  
9 **COMMISSIONER. SECRETARY OF FINANCE MAY CHANGE SUCH MINIMUM NET WORTH**  
10 **AND PAID-UP CAPITAL STOCK REQUIREMENT UNDER SUCH TERMS AND CONDITIONS AS**  
11 **HE MAY IMPOSE, TO AN AMOUNT WHICH, IN HIS OPINION, WOULD REASONABLY**  
12 **ASSURE THE SAFETY OF THE INTERESTS OF THE POLICYHOLDERS AND THE PUBLIC.**

13 The Commissioner may, as a pre-licensing requirement of a new insurance  
14 company, in addition to the paid-up capital stock, require the stockholders to pay in cash  
15 to the company in proportion to their subscription interests a contributed surplus fund [of  
16 not less than one million pesos, in the case of a life insurance company, or not less than  
17 five hundred thousand pesos, in the case of an insurance company other than life.] **IN AN**  
18 **AMOUNT AS MAY BE FIXED IN APPLICABLE ORDERS AND CIRCULARS DULY ISSUED BY**  
19 **THE COMMISSIONER.** He may also require such company **OR ALREADY EXISTING**  
20 **COMPANIES,** to submit to him a **CAPITAL BUILD-UP PROGRAM OR** business plan showing  
21 the company's estimated receipts and disbursements, as well as the basis therefor, for the  
22 next succeeding three years.

23 If organized as a mutual company, in lieu of such capital stock, it must have available  
24 cash assets [of at least five million pesos above all liabilities for losses reported, expenses,  
25 taxes, legal reserve, and reinsurance of all outstanding risks, and the contributed surplus

1 fund equal to the amounts required of stock corporations.] **IN AN AMOUNT NOT LESS THAN**  
2 **THAT REQUIRED UNDER PRESENT OR FUTURE APPLICABLE ORDERS OR CIRCULARS ISSUED**  
3 **BY THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER.**  
4 **THESE REQUIRED CASH ASSETS MUST BE NET OF ALL LIABILITIES FOR LOSSES REPORTED,**  
5 **EXPENSES, TAXES, LEGAL RESERVE, AND REINSURANCE OF ALL OUTSTANDING RISKS, AND**  
6 **THE CONTRIBUTED SURPLUS FUND MUST BE EQUAL TO THE AMOUNTS REQUIRED OF**  
7 **STOCK CORPORATIONS.** A stock insurance company doing business in the Philippines may,  
8 subject to the pertinent law and regulations which now are of hereafter may be in force,  
9 alter its organization and transform itself into a mutual insurance company. [(As amended  
10 by Presidential Decree No. 1455).]

11 **Sec. [189] 195.** Every company must, before engaging in the business of insurance in  
12 the Philippines, file with the Commissioner the following:

- 13 (a) A certified copy of the last annual statement or a verified financial statement  
14 exhibiting the condition and affairs of such company;
- 15 (b) If incorporated under the laws of the Philippines, a copy of the articles of  
16 incorporation and by-laws, and any amendments to either, certified by the Securities  
17 and Exchange Commission to be a copy of that which is filed in its Office;
- 18 (c) If incorporated under any laws other than those of the Philippines, a certificate  
19 from the Securities and Exchange Commission showing that it is duly registered in the  
20 mercantile registry of that Commission in accordance with the Corporation [Law]  
21 **CODE.** A copy of the articles of incorporation and by-laws, and any amendments to  
22 either, if organized or formed under any law requiring such to be filed, duly certified  
23 by the officer having the custody of same, or if not so organized, a copy of the law,  
24 charter or deed of settlement under which the deed of organization is made, duly  
25 certified by the proper custodian thereof, or proved by affidavit to be a copy; also, a

1 certificate under the hand and seal of the proper officer of such state or country  
2 having supervision of insurance business therein, if any there be, that such  
3 corporation or company is organized under the laws of such state or country, with the  
4 amount of capital stock or assets and legal reserve required by this Code;

5 (d) If not incorporated and of foreign domicile, aside from the certificate mentioned  
6 in paragraph (c) of this section, a certificate setting forth the nature and character of  
7 the business, the location of the principal office, the name of the individual or names  
8 of the persons composing the partnership or association, the amount of actual capital  
9 employed or to be employed therein and the names of all officers and persons by  
10 whom the business is or may be managed.

11 The certificate must be verified by the affidavit of the chief officer, secretary, agent,  
12 or manager of the company; and if there are any written articles of agreement of the  
13 company, a copy thereof must [be] accompany such certificate.

14 **Sec. [190] 196.** The Commissioner must require as a condition precedent to the  
15 transaction of insurance business in the Philippines by any foreign insurance company, that  
16 such company file in his office a written power of attorney designating some person who  
17 shall be a resident of the Philippines as its general agent, on whom any notice provided by  
18 law or by any insurance policy, proof of loss, summons and other legal processes may be  
19 served in all actions or other legal proceedings against such company, and consenting that  
20 service upon such general agent shall be admitted and held as valid as if served upon the  
21 foreign company at its home office. Any such foreign company shall, as further condition  
22 precedent to the transaction of insurance business in the Philippines, make and file with the  
23 Commissioner an agreement or stipulation, executed by the proper authorities of said  
24 company in form and substance as follows:

1        *"The (name of company) does hereby stipulate and agree in consideration of the*  
2        *permission granted by the Insurance Commissioner to transact business in the*  
3        *Philippines, that if at any time said company shall leave the Philippines, or cease to*  
4        *transact business therein, or shall be without any agent in the Philippines on whom*  
5        *any notice, proof of loss, summons, or legal process may be served, then in any*  
6        *action or proceeding arising out any business or transaction which occurred in the*  
7        *Philippines, service of any notice provided by law, or insurance policy, proof of loss,*  
8        *summons, or other legal process may be made upon the Insurance Commissioner*  
9        *shall have the same force and effect as if made upon the company."*

10       Whenever such service of notice, proof of loss, summons, or other legal process shall be  
11       made upon the [Commission] **COMMISSIONER**, he must, within ten days thereafter,  
12       transmit by mail, postage paid, a copy of such notice, proof of loss, summons, or other legal  
13       process to the company at its home or principal office. The sending of such copy by the  
14       Commissioner shall be a necessary part of the service of the notice, proof of loss, or other  
15       legal process.

16        **Sec. [191.] 197.** No insurance company organized or existing under the government  
17       or laws other than those of the Philippines shall engage in business in the Philippines unless  
18       possessed of paid-up unimpaired capital or assets and reserve not less than that herein  
19       required of domestic insurance companies **UNDER APPLICABLE ORDERS OR CIRCULARS OF**  
20       **THE COMMISSIONER**, nor until it shall have deposited with the *Commissioner* for the  
21       benefit and security of the policyholders and creditors of such company in the Philippines,  
22       securities satisfactory to the Commissioner consisting of good securities of the Philippines,  
23       including new issues of stock of "*registered enterprises*", as this term is defined in [Republic  
24       Act No. 5186, otherwise known as the *Investment Incentives Act*,] **THE OMNIBUS**  
25       **INVESTMENTS CODE** as amended, to the actual market value of not less than the minimum

1 paid-up capital required of domestic insurance companies: *Provided*, That at least fifty *per*  
2 *centum* of such securities shall consist of bonds or other evidences of debt of the  
3 Government of the Philippines, its political subdivisions and instrumentalities, or of  
4 government-owned or controlled corporations and entities, including the [Central Bank]  
5 **BANGKO SENTRAL NG PILIPINAS. PROVIDED FURTHER, THAT [T]** the total investment of a  
6 foreign insurance company in any registered enterprise shall not exceed twenty per centum  
7 of the net worth of said foreign insurance company [nor] **OR** twenty *per centum* of the  
8 capital of the registered enterprise, unless previously authorized in writing by the  
9 Commissioner.

10 For purposes of this Code, the net worth of a foreign insurance company shall refer only to  
11 its net worth in the Philippines.

12 **Sec. [192] 198.** The Commissioner shall hold the securities, deposited as [aforesaid]  
13 **REQUIRED IN THE IMMEDIATELY PRECEDING SECTION**, for the benefit and security of all  
14 the policyholders **AND CREDITORS** of the company depositing the same. [but shall]  
15 **PROVIDED, THAT THE COMMISSIONER MAY** as long as the company is solvent, permit the  
16 company to collect the interest or dividends on the securities so deposited, and, from time  
17 to time, with his assent, to withdraw any of such securities, upon depositing with said  
18 Commissioner other like securities, the market value of which shall be equal to the market  
19 value of such as may be withdrawn. In the event of any company ceasing to do business in  
20 the Philippines, the securities deposited as aforesaid shall be returned [upon] **TO** the  
21 company [making application therefor and proving to the satisfaction of the Commissioner]  
22 **UPON THE COMMISSIONER'S WRITTEN APPROVAL AND ONLY AFTER THE COMPANY HAS**  
23 **DULY PROVEN IN ITS APPLICATION THEREFOR** that it has no further liability **WHATSOEVER**  
24 under any of its policies **NOR TO ANY OF ITS CREDITORS** in the Philippines.





1 calendar year, in the case of a company other than a life insurance company: *Provided*, That  
2 in either case, such margin shall in no event be less than five hundred thousand pesos: and  
3 *Provided, further*, That the term "*paid-up capital*" shall not include contributed surplus and  
4 capital paid in excess of par value. Such assets, liabilities and reserves shall exclude assets,  
5 liabilities and reserves included in separate accounts established in accordance with section  
6 two hundred thirty-seven.]

7 Whenever the aforementioned [margin] **REQUIREMENT** be found to be less than  
8 that herein required to be maintained, the Commissioner shall forthwith direct the company  
9 to make good any such deficiency by cash, to be contributed by all stockholders of record in  
10 proportion to their respective interest, and paid to the treasurer of the company, within  
11 fifteen days from receipt of the order: *Provided*, That the company in the interim shall not  
12 be permitted to take any new risk of any kind or character unless and until it make good any  
13 such deficiency[;]: *Provided, further*, that a stockholder who aside from paying the  
14 contribution due from him, pays the contribution due from [the] another stockholder by  
15 reason of the failure or refusal of the latter to do so, shall have a lien on the certificates of  
16 stock of the insurance company concerned appearing in its books in the name of the  
17 defaulting stockholder on the date of default, as well as on any interests or dividends that  
18 have accrued or will accrue to the said certificates of stock, until the corresponding payment  
19 or reimbursement is made by the defaulting stockholder. [(As amended by Presidential  
20 Decree No. 1455(.)]

21 **Sec. [195] 201.** No domestic insurance corporation shall declare or distribute any  
22 dividend on its outstanding stocks **UNLESS IT HAS MET THE MINIMUM PAID-UP CAPITAL**  
23 **AND NET WORTH REQUIREMENTS UNDER SECTION ONE HUNDRED NINETY FOUR AND**  
24 except from profits attested in a sworn statement to the Commissioner by the president or  
25 treasurer of the corporation to be remaining on hand after retaining unimpaired:

1 (a) The entire paid-up capital stock;

2 (b) The [margin of] solvency [required] **REQUIREMENTS DEFINED** by section **TWO**  
3 [one] hundred [ninety-four];

4 (c) In the case of life insurance corporation, the legal reserve fund required by section  
5 two hundred [eleven] **SEVENTEEN**;

6 **(D) IN THE CASE OF CORPORATIONS OTHER THAN LIFE, THE LEGAL RESERVE FUND**  
7 **REQUIRED BY SECTION** two hundred [thirteen] **NINETEEN**;

8 ~~[(d)]~~ **(E)** [In the case of corporations other than life, the legal reserve fund required by  
9 section two hundred thirteen;] **A SUM SUFFICIENT TO PAY ALL NET LOSSES**  
10 **REPORTED, OR IN THE COURSE OF SETTLEMENT, AND ALL LIABILITIES FOR EXPENSES**  
11 **AND TAXES.**

12 ~~[(e)]~~ A sum sufficient to pay all net losses reported, or in the course of settlement, and  
13 all liabilities for expenses and taxes.]

14 Any dividend declared or distributed under the preceding paragraph shall be  
15 reported to the Commissioner within thirty days after such declaration or distribution.

16 If the Commissioner finds that any such corporation has declared or distributed any  
17 such dividend in violation of this section, he may order such corporation to cease and desist  
18 from doing business until the amount of such dividend or the portion thereof in excess of  
19 the amount allowed under this section has been restored to said corporation.

20 **THE COMMISSIONER SHALL PRESCRIBE SOLVENCY REQUIREMENTS FOR BRANCHES**  
21 **OF FOREIGN INSURANCE COMPANIES OPERATING IN THE PHILIPPINES.**

22 Title 3

23 ASSETS

24 **Sec. [196] 202.** In any determination of the financial condition of any insurance  
25 company doing business in the Philippines, there shall be allowed and admitted as assets

1 only such assets **LEGALLY OR BENEFICIALLY** owned by the insurance company concerned  
2 [and] **AS DETERMINED BY THE COMMISSIONER** which consist of:

3 1. Cash in the possession of the insurance company or in transit under its control, and  
4 the true and duly verified balance of any deposit of such company in a financially  
5 sound [commercial] bank or trust company **DULY AUTHORIZED BY THE BANGKO**  
6 **SENTRAL NG PILIPINAS.**

7 2. Investments in securities, including money market instruments, and in real  
8 property acquired or held in accordance with and subject to the applicable provisions  
9 of this Code and the income realized therefrom or accrued thereon.

10 3. Loans granted by the insurance company concerned to the extent of that portion  
11 thereof adequately secured by non-speculative assets with readily realizable values in  
12 accordance with and subject to the limitations imposed by applicable provisions of  
13 this Code.

14 4. Policy loans and other policy assets and liens on policies, contracts or certificates of  
15 a *life insurance company*, in an amount not exceeding legal reserves and other policy  
16 liabilities carried on each individual life insurance policy, contract or certificate.

17 5. The net amount of uncollected and deferred premiums and annuity considerations  
18 in the case of a life insurance company which carries the full mean tabular reserve  
19 liability.

20 6. Reinsurance recoverable by the ceding insurer:

21 (a) from an insurer authorized to transact business in this country, the full  
22 amount thereof; or

23 (b) from an insurer not authorized in this country, in an amount not exceeding  
24 the liabilities carried by the ceding insurer for amounts withheld under a  
25 reinsurance treaty with such unauthorized insurer as security for the payment

1 of obligations thereunder if such funds are held subject to withdrawal by, and  
2 under the control of, the ceding insurer. The Commissioner may prescribe the  
3 conditions under which a ceding insurer may be allowed credit, as an asset or  
4 as a deduction from loss and unearned premium reserves, for reinsurance  
5 recoverable from an insurer not authorized in this country but which presents  
6 satisfactory evidence that it meets the applicable standards of solvency  
7 required in this country.

8 7. Funds withheld by a ceding insurer under a reinsurance treaty, provided reserves  
9 for unpaid losses and unearned premiums are adequately provided.

10 8. Deposits or amounts recoverable from underwriting associations, syndicates and  
11 reinsurance funds, or from any suspended banking institution, to the extent deemed  
12 by the Commissioner to be available for the payment of losses and claims and values  
13 to be determined by him.

14 9. Electronic data processing machines, as may be authorized by the Commissioner  
15 to be acquired by the insurance company concerned, the acquisition cost of which to  
16 be amortized in equal annual amounts within a period of five years from the date of  
17 acquisition thereof.

18 **10. PARTICIPATION IN MUTUAL FUNDS, REAL ESTATE INVESTMENT TRUSTS, UNIT**  
19 **INVESTMENT TRUST FUNDS, SALARY LOANS, SPECIAL DEPOSIT ACCOUNTS AND**  
20 **SUCH SECURITIES AS MAY BE PRESCRIBED BY THE COMMISSIONER.**

21 **[10] 11. Other assets, not inconsistent with the provisions of paragraphs 1 to [9]10**  
22 **hereof, which are deemed by the Commissioner to be readily realizable and available**  
23 **for the payment of losses and claims at values to be determined by him IN A**  
24 **CIRCULAR, RULE OR REGULATION.**

1           **Sec. [197] 203.** In addition to such assets as the Commissioner may from time to  
2 time determine to be non-admitted assets of insurance companies doing business in the  
3 Philippines, the following assets shall in no case be allowed as admitted assets of an  
4 insurance company doing business in the Philippines, in any determination of its financial  
5 condition:

- 6           1. Goodwill, trade names, and other like intangible assets.
- 7           2. Prepaid or deferred charges for expenses and commissions paid by such insurance  
8           company.
- 9           3. Advances to officers (other than policy loans), which are not adequately secured  
10           and which are not previously authorized by the Commissioner, as well as advances to  
11           employees, agents, and other persons on mere personal security.
- 12           4. Shares of stock of such insurance company, owned by it, or any equity therein as  
13           well as loans secured thereby, or any proportionate interest in such shares of stock  
14           through the ownership by such insurance company of an interest in another  
15           corporation or business unit.
- 16           5. Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and  
17           supplies.
- 18           6. Items of bank credits representing checks, drafts or notes returned unpaid after  
19           the date of statement.
- 20           7. The amount, if any, by which the aggregate value of investments as carried in the  
21           ledger assets of such insurance company exceeds the aggregate value thereof as  
22           determined in accordance with the provisions of this Code and/or the rules of the  
23           Commissioner.

24           All non-admitted assets and all other assets of doubtful value or character included  
25 as ledger or non-ledger assets in any statement submitted by an insurance company to the

1 Commissioner, or in any insurance examiner's report to him, shall also be reported, to the  
2 extent of the value disallowed as deductions from the gross assets of such insurance  
3 company, except where the Commissioner permits a reserve to be carried among the  
4 liabilities of such insurance company in lieu of any such deduction.

5 Title 4

6 INVESTMENTS

7 **Sec. [198] 204. A LIFE INSURANCE COMPANY MAY LEND TO ANY OF ITS**  
8 **POLICYHOLDERS UPON THE SECURITY OF THE VALUE OF ITS POLICY SUCH SUM AS MAY BE**  
9 **DETERMINED PURSUANT TO THE PROVISIONS OF THE POLICY.**

10 No insurance company shall loan any of its money or deposits to any person,  
11 corporation or association, except upon **THE SECURITY OF ANY OF THE FOLLOWING:** [first  
12 mortgage or deeds of trust of unencumbered, improved or unimproved real estate,  
13 including condominiums, in cities and centers of population of municipalities in the  
14 Philippines when the amount of such loan is not in excess of seventy per centum of the  
15 market value of such real estate; or upon the security of first mortgages or deeds of trust of  
16 actually cultivated, improved and unencumbered agricultural lands in the Philippines when  
17 the amount of such loan is not in excess of forty *per centum* of the market value of such  
18 land; or upon the purchase money mortgages or like securities received by it upon the sale  
19 or exchange of real property acquired pursuant to sections two hundred and two hundred  
20 two; or upon bonds or other evidences of debt of the Government of the Philippines or its  
21 political subdivisions authorized by law to issue bonds, or upon bonds or other evidences of  
22 debt of government-owned or controlled corporations and instrumentalities including the  
23 Central Bank or upon obligations issued or guaranteed by the International Bank for  
24 Reconstruction and Development; or upon stocks, bonds or other evidences of debt as are  
25 specified in section two hundred.]

1 [A life insurance company, however, may lend to any of its policyholders upon the  
2 security of the value of its policy such sum as may be determined pursuant to the provisions  
3 of the policy.]

4 [Loans granted upon the security of real estate for a period longer than five years  
5 shall be amortized in monthly, quarterly, semi-annual or annual installments; Provided, That  
6 no such loans shall have a maturity in excess of twenty years.]

7 [The phrase "*improved real estate*" used above is hereby defined to mean land with  
8 permanent building or buildings erected or being erected thereon. Except as otherwise  
9 approved by the Commissioner, in case the building or buildings on land do not belong to  
10 the owner of the latter, no loan shall be granted on the security of the real estate in  
11 question unless both the owner of the building or buildings and the owner of the land sign  
12 the deed of mortgage, and unless the owner of the land is the Government of the  
13 Philippines or one of its political subdivisions, in which event the owner is not required to  
14 sign the deed of mortgage.]

15 **(A) FIRST MORTGAGE OR DEEDS OF TRUST OF REGISTERED, UNENCUMBERED,  
16 IMPROVED OR UNIMPROVED REAL ESTATE, INCLUDING CONDOMINIUMS; OR**

17 **(B) FIRST MORTGAGES OR DEEDS OF TRUST OF ACTUALLY CULTIVATED, IMPROVED  
18 AND UNENCUMBERED AGRICULTURAL LANDS IN THE PHILIPPINES; OR**

19 **(C) LEASE PURCHASE AGREEMENTS OR SIMILAR SECURITIES EXECUTED OR RECEIVED  
20 BY IT ON ACCOUNT OF THE SALE OR EXCHANGE OF REAL PROPERTY ACQUIRED  
21 PURSUANT TO SECTIONS TWO HUNDRED SIX AND TWO HUNDRED EIGHT; OR**

22 **D) BONDS OR OTHER EVIDENCES OF INDEBTEDNESS ISSUED OR GUARANTEED BY  
23 THE GOVERNMENT OF THE PHILIPPINES OR ITS POLITICAL SUBDIVISIONS  
24 AUTHORIZED BY LAW TO INCUR SUCH OBLIGATIONS OR ISSUE SUCH GUARANTEES**

1 OR OF GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS AND  
2 INSTRUMENTALITIES INCLUDING THE BANGKO SENTRAL NG PILIPINAS; OR

3 (E) OBLIGATIONS ISSUED OR GUARANTEED BY UNIVERSAL BANKS, COMMERCIAL  
4 BANKS, OFFSHORE BANKING UNITS, INVESTMENT HOUSES OR OTHER FINANCIAL  
5 INTERMEDIARIES DULY REGISTERED WITH THE BANGKO SENTRAL NG PILIPINAS; OR

6 (F) OBLIGATIONS ISSUED OR GUARANTEED BY FOREIGN BANKS OR CORPORATIONS,  
7 EACH OF WHICH SHALL HAVE TOTAL ASSETS OF ONE BILLION US DOLLARS, AS  
8 SHOWN IN THEIR FINANCIAL STATEMENTS AS OF THE IMMEDIATELY PRECEDING  
9 FISCAL YEAR; OR

10 (G) ASSIGNMENTS OF MONETARY INSTRUMENTS SUCH AS CASH DEPOSITS, DEPOSIT  
11 CERTIFICATES OR OTHER SIMILAR INSTRUMENTS OF UNIVERSAL BANKS,  
12 COMMERCIAL BANKS, INVESTMENTS HOUSES OR OTHER FINANCIAL  
13 INTERMEDIARIES DULY REGISTERED WITH THE BANGKO SENTRAL NG PILIPINAS;

14 (H) PLEDGES OF SHARES OF STOCK, BONDS OR OTHER EVIDENCES OF INDEBTEDNESS  
15 SPECIFIED IN SECTION TWO HUNDRED TEN;

16 (I) CHATTEL MORTGAGES OVER EQUIPMENT NOT MORE THAN THREE YEARS OLD;  
17 AND

18 (J) SUCH OTHER SECURITY AS MAY BE APPROVED BY THE COMMISSIONER.

19 THE LOANS PROVIDED IN THE PRECEDING SUBSECTION SHALL BE SUBJECT TO THE  
20 FOLLOWING CONDITIONS:

21 (a) THE AMOUNT OF LOAN SECURED BY REAL ESTATE MORTGAGE OVER A  
22 NON-AGRICULTURAL LAND SHALL NOT EXCEED SEVENTY PER CENTUM (70%) OF ITS  
23 APPRAISED VALUE, AND IN THE CASE OF A LOAN SECURED BY A REAL ESTATE  
24 MORTGAGE OVER AN AGRICULTURAL LAND, THE AMOUNT OF LOAN SHALL NOT  
25 EXCEED FORTY PER CENTUM (40%) OF ITS MARKET VALUE. PROVIDED THAT, IN NO



1 CASE SHALL SUCH LOAN HAVE A MATURITY PERIOD IN EXCESS OF TWENTY FIVE  
2 YEARS;

3 (b) UNLESS APPROVED BY THE COMMISSIONER, NO LOAN MAY BE GRANTED  
4 UPON THE SECURITY OF A MORTGAGE ON IMPROVED REAL ESTATE IF THE  
5 IMPROVEMENTS THEREON DO NOT BELONG TO THE OWNER OF THE LAND AND THE  
6 OWNER OF THE IMPROVEMENTS DOES NOT SIGN THE DEED OF MORTGAGE.  
7 HOWEVER, IF THE OWNER OF THE LAND IS THE GOVERNMENT OF THE PHILIPPINES  
8 OR ANY OF ITS POLITICAL SUBDIVISIONS AND A LONG TERM LEASE HAS BEEN  
9 EXECUTED IN FAVOR OF THE OWNER OF THE IMPROVEMENTS, THE OWNER OF THE  
10 LAND NEED NOT BE A PARTY TO THE DEED OF MORTGAGE. THE EXPIRATION DATE  
11 OF THE LEASE SHALL NOT, HOWEVER, PRECEDE THE MATURITY OF THE LOAN. THE  
12 PHRASE "IMPROVED REAL ESTATE" AS USED HEREIN SHALL MEAN LAND WITH  
13 PERMANENT BUILDING OR BUILDINGS ERECTED THEREON;

14 (c) LEASE-AGREEMENTS OR SIMILAR SECURITIES RECEIVED ON THE SALE OF  
15 REAL ESTATE PROPERTY SHALL NOT EXCEED ONE HUNDRED PER CENTUM (100%) OF  
16 THE SELLING PRICE OF SAID PROPERTY, OR ONE HUNDRED PER CENTUM OF ITS  
17 MARKET VALUE AT THE TIME OF ITS DISPOSITION, WHICHEVER AMOUNT IS LOWER.  
18 HOWEVER, IN NO CASE SHALL SUCH MORTGAGE OR AGREEMENT HAVE A MATURITY  
19 PERIOD NOT EXCEEDING TWENTY-FIVE YEARS;

20 (d) LOANS SECURED BY SHARES OF STOCK OF SOLVENT CORPORATIONS OR  
21 INSTITUTIONS SHALL NOT EXCEED FIFTY PER CENTUM (50%) OF:

22 1) FOR LISTED SHARES, THE LATEST SELLING PRICE OF SUCH STOCKS LISTED IN  
23 THE STOCK EXCHANGE; AND

1                   (1) THE WEIGHTED AVERAGED MARKET PRICE FOR THE THIRTY DAYS  
2                   PRECEDING THE RELEASE OF THE LOAN FOR SHARES LISTED IN THE STOCK EXCHANGE  
3                   AND]

4                   2) FOR UNLISTED SHARES, THE BOOK VALUE OF SUCH SHARES BASED ON THE  
5                   LATEST AUDITED FINANCIAL STATEMENTS OF THE CORPORATION.

6                   THE PHRASE, "SOLVENT CORPORATION" AS USED HEREIN SHALL MEAN A CORPORATION  
7                   OR ENTITY WHICH HAS RECORDED PROFITS FOR A PERIOD OF AT LEAST THREE YEARS  
8                   IMMEDIATELY PRECEDING THE DATE OF THE LOAN.

9                   (e)        LOANS SECURED BY THE CHATTEL MORTGAGES OVER EQUIPMENT SHALL  
10                  NOT EXCEED SEVENTY PER CENT (70%) OF THE MARKET VALUE OF SAID EQUIPMENT;  
11                  AND

12                Sec. [199] 205. No loan by any insurance company on the security of real estate shall  
13                be made unless the title to such real estate shall have first been registered in accordance  
14                with the existing Land Registration Act, or shall [be a *titulo real* duly registered, or] have  
15                been previously registered under the provisions of the existing Mortgage Law **AND THE LIEN**  
16                **OR INTEREST OF THE INSURANCE COMPANY AS MORTGAGEE HAS BEEN REGISTERED.**

17                Sec. [200] 206. (1) An insurance company may purchase, hold, own and convey such  
18                property, real and personal, as may have been mortgaged, pledged, or conveyed to it in  
19                good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular  
20                business of the company, and such real or personal property as may have been purchased  
21                by it at sales under pledges, mortgages or deeds of trust for its benefit on account of money  
22                loaned by it; and such real and personal property as may have been conveyed to it by  
23                borrowers in satisfaction and discharge of loans made by the company [to them: *Provided,*  
24                *however,* That any real estate purchased by an insurance company] in payment or by reason  
25                of any loan made by [it] **THE COMPANY IN PAYMENT OR BY REASON OF ANY LOAN MADE**

1 **BY IT** shall be sold by the company within twenty years after the title thereto has been  
2 vested in it.

3 (2) An insurance company may purchase, hold, **AND** own **THE FOLLOWING** [and  
4 convey real and personal property as follows]:

5 (a) **REAL PROPERTIES** [The lot with building thereon in] which **SERVE AS ITS MAIN**  
6 **PLACE OF** [the company conducts and carries on its] business **AND/OR BRANCH**  
7 **OFFICES; PROVIDED, THAT SUCH INVESTMENT SHALL NOT IN THE OVERALL**  
8 **EXCEED TWENTY PER CENTUM OF ITS NET WORTH AS SHOWN BY ITS LATEST**  
9 **FINANCIAL STATEMENT APPROVED BY THE COMMISSIONER.**

10 (b) Bonds or other evidence[s] of [debt] **INDEBTEDNESS** of the Government of the  
11 Philippines or its political subdivisions authorized by law to issue bonds at the  
12 reasonable market value thereof.

13 (c) Bonds or other evidences of debt of the government-owned or controlled  
14 corporations and entities, including the [Central Bank] **BANGKO SENTRAL NG**  
15 **PILIPINAS.**

16 (d) Bonds, debentures or other evidences of indebtedness of any solvent corporations  
17 or institution created or existing under the laws of the Philippines: *Provided, however,*  
18 That the issuing, assuming or guaranteeing entity or its predecessors shall not have  
19 defaulted in the payment of interest on any of its securities and that during each of  
20 any three including the last two of the five fiscal years next preceding the date of  
21 acquisition by such insurance company of such bonds, debentures, or other evidences  
22 of indebtedness, the net earnings of the issuing, assuming or guaranteeing institution  
23 available for its fixed charges, as hereinafter defined, shall have been not less than one  
24 and one-quarter times the total of its fixed charges for such year; and *Provided,*  
25 *further,* that no life insurance company shall invest in or loan upon the obligations of

1 any one institution in the kinds permitted under this sub-section an amount in excess  
2 of twenty-five per centum of the total admitted assets of such insurer as of December  
3 thirty-first next preceding the date of such investment.

4 As used in this sub-section the term "*net earnings available for fixed charges*" shall  
5 mean net income after deducting operating and maintenance expenses, taxes other  
6 than income taxes, depreciation and depletion; but excluding extraordinary non-  
7 recurring items of income or expense appearing in the regular financial statement of  
8 the issuing, assuming or guaranteeing institution. The term "*fixed charges*" shall  
9 include interest on funded and unfunded debt, amortization of debt discount, and  
10 rentals for leased properties.

11 (e) Preferred or guaranteed stocks of any solvent corporation or institution created or  
12 existing under the laws of the Philippines: *Provided, [however,* That the issuing,  
13 assuming or guaranteeing entity or its predecessors has paid regular dividends upon  
14 its preferred or guaranteed stocks for a period of at least three years next preceding  
15 the date of investment in such preferred or guaranteed stock: *Provided, further,]* That  
16 if the stocks are guaranteed, the amount of stocks so guaranteed is not **IN** excess of  
17 *fifty per centum* of the amount of the preferred or common stocks, as the case may  
18 be, of the guaranteeing corporation: and *Provided, finally,* That no life insurance  
19 company shall invest in or loan upon obligations of any one institution in the kinds  
20 permitted under this sub- section an amount in excess of ten per centum of the total  
21 admitted assets of such insurer as of December thirty-first next preceding the date of  
22 such investment.

23 (f) Common stocks of any solvent corporation or institution created or existing under  
24 the laws of the Philippines. [upon which regular dividends shall have been paid for the  
25 three years next preceding the purchase of such stock:] *Provided, however,* That no life

1 insurance company shall invest in or loan upon the obligations of any one corporation  
2 or institution in the kinds permitted under this sub-section an amount in excess of ten  
3 per centum of the total admitted assets of such insurer as of December thirty-first  
4 next preceding the date of such investment.

5 **(g) SECURITIES ISSUED BY A "REGISTERED ENTERPRISE", AS THIS TERM IS DEFINED**  
6 **IN REPUBLIC ACT NO. 5186, OTHERWISE KNOWN AS THE INVESTMENT INCENTIVES**  
7 **ACT, AS AMENDED, PROVIDED THAT THE TOTAL INVESTMENT OF A DOMESTIC**  
8 **NON-LIFE INSURANCE COMPANY IN ANY REGISTERED ENTERPRISE SHALL NOT**  
9 **EXCEED FIFTY PER CENT (50%) OF THE NET WORTH OF SAID INSURANCE COMPANY**  
10 **AS SHOWN BY ITS AFORESAID FINANCIAL STATEMENT UNLESS PREVIOUSLY**  
11 **AUTHORIZED BY THE COMMISSIONER.**

12 [g] **(H)** Certificates, notes and other obligations issued by the trustees or receivers of  
13 any institution created or existing under the laws of the Philippines which, or the  
14 assets of which, are being administered under the direction of any court having  
15 jurisdiction; *Provided, however,* That such certificates, notes or other obligations are  
16 adequately secured as to principal and interests.

17 [h] **(I)** Equipment trust obligations or certificates which are adequately secured or  
18 other adequately secured instruments evidencing an interest in equipment wholly or  
19 in part within the Philippines: *Provided, however,* that there is a right to receive  
20 determined portions of rental, purchase or other fixed obligatory payments for the  
21 use or purchase of such equipment.

22 [i] **(J)** Any obligation of any corporation or institution created or existing under the  
23 laws of the Philippines which is, on the date of acquisition by the insurer, adequately  
24 secured and has qualities and characteristics wherein the speculative elements are  
25 not predominant.

1            [j] (K) Such other securities as may be approved by the Commissioner.

2        (3) Any domestic insurer which has outstanding insurance, annuity or reinsurance contracts  
3        in currencies other than the national currency of the Philippines may invest in, or otherwise  
4        acquire or loan upon securities and investments in such currency which are substantially of  
5        the same kinds, classes and investment grades as those eligible for investment under the  
6        foregoing subdivisions of this section; but the aggregate amount of such investment and of  
7        such cash in such currency which is at anytime held by such insurer shall not exceed one and  
8        one-half times the amount of its reserves and other obligations under such contracts or the  
9        amount which such insurer is required by the law of any country or possession outside the  
10       Republic of the Philippines to be [invest] **INVESTED** in such country or possession, whichever  
11       shall be greater.

12            **Sec. [201] 207.** An insurance company may (1) invest in equities of other financial  
13        institutions, and (2) engage in the buying and selling of long-term debt instruments:  
14        *Provided,* That any or all of such investments **EXCEPT LISTED EQUITIES OF OTHER**  
15        **FINANCIAL INSTITUTIONS** shall be with the prior approval of the Commissioner.

16            **Sec. [202] 208.** Any life insurance company may:

17            (a) Acquire or construct housing projects and, in connection with any such project,  
18            may acquire land or any interest therein by purchase, lease or otherwise, or use land  
19            acquired pursuant to any other provision of this Code. Such company may thereafter  
20            own, maintain, manage, collect or receive income from, or sell and convey, any land or  
21            interest therein so acquired and any improvements thereon. The aggregate book  
22            value of the investments of any such company in all such projects shall not exceed at  
23            the time of such investments twenty-five per centum of the total admitted assets of  
24            such company on the thirty-first day of December next preceding; **PROVIDED, THAT**

1 THE FUNDS OF THE COMPANY FOR THE PAYMENT OF PENDING CLAIMS AND  
2 OBLIGATIONS SHALL NOT BE USED FOR SUCH INVESTMENTS;

3 (b) Acquire real property, other than property to be used primarily for providing  
4 housing and property for accommodation of its own business, as an investment for  
5 the production of income, or may acquire real property to be improved or developed  
6 for such investment purpose pursuant to a program therefor, subject to the condition  
7 that the cost of each parcel of real property so acquired under the authority of this  
8 paragraph (b), including the estimated cost to the company of the improvement or  
9 development thereof, when added to the book value of all other real property held by  
10 its pursuant to this paragraph (b), shall not exceed twenty-five *per centum* of its  
11 admitted assets as of the thirty-first day of December next preceding.

12 **Sec.[203] 209.** Every domestic insurance company shall, to the extent of an amount  
13 equal in value to twenty-five per centum of the minimum paid-up capital required under  
14 section one hundred [eighty-eight] **NINETY FOUR**, invest its funds only in securities,  
15 satisfactory to the Commissioner, consisting of bonds or other evidences of debt of the  
16 Government of the Philippines or its political subdivisions or instrumentalities, or of  
17 government-owned or controlled corporations and entities, including the [Central Bank of  
18 the Philippines] **BANGKO SENTRAL NG PILIPINAS**: *Provided*, That such investments shall at  
19 all times be maintained free from any lien or encumbrance; and *Provided, further*, That such  
20 securities shall be deposited with and held by the Commissioner for the faithful  
21 performance by the depositing insurer of all its obligations under its insurance contracts.  
22 The provisions of section one hundred ninety-[two] **EIGHT** shall, so far as practicable, apply  
23 to the securities deposited under this section.

24 Except as otherwise provided in this Code, no judgment creditor or other claimant  
25 shall have the right to levy upon any of the securities of the insurer held on deposit under

1 this section or held on deposit pursuant to the requirement of the Commissioner. [(As  
2 amended by Presidential Decree No. 1455).]

3       **Sec. [204] 210.** After satisfying the requirements contained in the preceding section,  
4 any domestic non-life insurance company, shall invest, to an amount prescribed below, its  
5 funds in, or otherwise, acquire or loan upon, only the classes of investments described in  
6 section two hundred **SIX**, including securities issued by any "*registered enterprise*", as this  
7 term is defined in Republic Act No. 5186, otherwise known as the Investment Incentives Act,  
8 and such other classes of investments as may be authorized by the Commissioner for  
9 purposes of this section: *Provided*, That (a) no more than twenty per centum of the net  
10 worth of such company as shown by its latest financial statement approved by the  
11 Commissioner shall be invested in the lot and building in which the insurance company  
12 conducts its business and (b) the total investment of an insurance company in any  
13 registered enterprise shall not exceed twenty *per centum* of the net worth of said insurance  
14 company as shown by its aforesaid financial statement nor twenty *per centum* of the paid-  
15 up capital of the registered enterprise excluding the intended investment, unless  
16 previously authorized by the Commissioner: and, *Provided, further*, That such investments  
17 free from any lien or encumbrance, shall be at least equal in amount to the aggregate  
18 amount of (a) its legal reserve, as provided in section two hundred [thirteen] **NINETEEN**,  
19 and (b) its reserve fund held for reinsurance as provided for in the pertinent treaty provision  
20 in the case of reinsurance ceded to authorized insurers. [(As amended by Presidential  
21 Decree No. 1455).]

22       **Sec. [205] 211.** After satisfying the requirements contained in sections one hundred  
23 ninety-[one] **SEVEN**, one hundred ninety-[three] **NINE**, two hundred [three] **NINE** and two  
24 hundred [four] **TEN**, any non-life insurance company may invest any portion of its funds  
25 representing earned surplus in any of the investments described in sections [one] **TWO**



1 hundred [ninety-eight] **FOUR**, two hundred **SIX** and two hundred [one] **SEVEN**, or in any  
2 securities issued by a "registered enterprise" mentioned in the preceding sections: *Provided*,  
3 That no investment in stocks or bonds of any single entity shall in the aggregate, exceed  
4 twenty per centum of the net worth of the insurance company as shown in its latest  
5 financial statement approved by the Commissioner or twenty per centum of the paid-up  
6 capital of the issuing company, whichever is lesser, unless otherwise approved by the  
7 Commissioner.

8 **Sec. [206] 212.** After satisfying the minimum capital investment required in section  
9 two hundred [three] **NINE**, any life insurance company may invest its legal policy reserve, as  
10 provided in section two hundred [eleven] **SEVENTEEN** or in section two hundred [twelve]  
11 **EIGHTEEN**, in any of the classes of securities or types of investments described in sections  
12 [one] **TWO** hundred [ninety-eight] **FOUR**, two hundred **SIX**, two hundred [one] **SEVEN** and  
13 two hundred [two] **EIGHT**, subject to the limitations therein contained, and in any securities  
14 issued by any "registered enterprise" mentioned in section two hundred [four] **TEN**, free  
15 from any lien or encumbrance, in such amounts as may be approved by the Commissioner.  
16 Such company may likewise invest any portion of its earned surplus in the aforesaid  
17 securities or investments subject to the aforesaid limitations.

18 **Sec. [207] 213.** Any investment made in violation of the applicable provisions of this  
19 title shall be considered non-admitted assets.

20 **Sec. [208] 214.** (1) All bonds or other evidences of indebtedness having a fixed term  
21 and rate of interest and held by any life insurance company authorized to do business in this  
22 country, if amply secured and if not in default as to principal or interest, shall be valued [as  
23 follows: If purchased at par, at the par value; if purchased above or below par, on the basis  
24 of the purchase price adjusted so as to bring the value to par at maturity and so as to yield  
25 in the meantime the effective rate of interest at which the purchase was made, or in the

1 discretion of the Commissioner, on the basis of the method of calculation commonly known  
2 as the pro-rata method. In applying the foregoing rule the purchase price shall in no case be  
3 taken at a higher figure than the actual market value at the time of acquisition.] **BASED ON**  
4 **THEIR AMORTIZED COST USING EFFECTIVE INTEREST METHOD LESS IMPAIRMENT AND**  
5 **UNRECOVERABLE AMOUNT BASED ON APPROPRIATE MEASUREMENT METHODS WHICH**  
6 **ARE GENERALLY ACCEPTED IN THE INDUSTRY AND ACCEPTED BY THE COMMISSIONER.** The  
7 Commissioner shall have the power to determine the eligibility of any such investments for  
8 valuation on the basis of amortization, and may by regulation prescribe or limit the classes  
9 of securities so eligible for amortization. All bonds or other evidences of indebtedness which  
10 in the judgment of the Commissioner are not amply secured shall not be eligible for  
11 amortization and shall be valued in accordance with paragraph two. The Commissioner may,  
12 if he finds that the interest of policy holders so permit or require, by official regulation  
13 permit or require any class or classes of insurers, other than life insurance companies,  
14 authorized to do business in this country, to value their bonds or other evidences of  
15 indebtedness in accordance with the foregoing rule.

16 (2) The investments of all insurers authorized to do business in this country, except  
17 securities subject to amortization and except as otherwise provided in this chapter, shall be  
18 valued, in the discretion of the Commissioner, at their market value[, or at their appraised  
19 value, or at prices determined by him as] **AT THEIR AMORTIZED COST USING EFFECTIVE**  
20 **INTEREST METHOD LESS IMPAIRMENT AND UNRECOVERABLE AMOUNT OR AT**  
21 **VALUATION** representing their fair market value. If the Commissioner finds that in view of  
22 the character of investments of any insurer authorized to do business in this country it  
23 would be prudent for such insurer to establish a special reserve for possible losses or  
24 fluctuations in the values of its investments, he may require such insurer to establish such  
25 reserve, reasonable in amount, **AND INCLUDE A REPORT THEREON** [and may require that

1 such reserve be maintained and reported] in any statement or report of the financial  
2 condition of such insurer. The Commissioner may, in connection with any examination or  
3 required financial statement of an authorized insurer, require such insurer to furnish him  
4 complete financial statements and audited report of the financial condition of any  
5 corporation of which the securities are owned wholly or partly by such insurer and may  
6 cause an examination to be made of any subsidiary or affiliate of such insurer AS  
7 **APPROPRIATE TO SPECIFIC INVESTMENTS AS PROVIDED IN APPROPRIATE CIRCULARS**  
8 **ISSUED BY THE COMMISSIONER.**

9 **(3) INVESTMENTS IN EQUITY OF AN INSURANCE COMPANY SHALL BE VALUED AS**  
10 **FOLLOWS:**

11 **(a) LISTED STOCKS SHALL BE VALUED AT MARKET VALUE AND PERIODICALLY**  
12 **ADJUSTED TO REFLECT MARKET CHANGES THROUGH A SPECIAL VALUATION**  
13 **ACCOUNT TO REFLECT THEIR REALIZABLE VALUE WHEN SOLD;**

14 **(b) UNLISTED STOCKS SHALL BE VALUED AT ADJUSTED BOOK VALUE BASED**  
15 **ON THE LATEST UNQUALIFIED AUDITED FINANCIAL STATEMENTS OF THE**  
16 **COMPANY WHICH ISSUED SUCH STOCKS; AND**

17 **(c) STOCKS OF A CORPORATION UNDER THE CONTROL OF THE INSURER**  
18 **SHALL BE VALUED USING THE EQUITY METHOD WHICH IS THE COST PLUS OR**  
19 **MINUS THE SHARE OF THE CONTROLLING COMPANY IN THE EARNINGS OR**  
20 **LOSSES OF THE CONTROLLED COMPANY AFTER ACQUISITION OF SUCH STOCKS.**

21 **[3] (4) The stock of an insurance company shall be valued at the lesser of its market**  
22 **value or its book value as shown by its last approved annual statement or the last report**  
23 **on examination, whichever is more recent. The book value of a share of common stock of**  
24 **an insurance company shall be ascertained by dividing (a) the amount of its capital and**

1 surplus less the value of all of its preferred stock, if any, outstanding, by (b) the number of  
2 shares of its common stock issued and outstanding.

3 Notwithstanding the foregoing provisions, an insurer may, at its option, value its  
4 holdings of stock in a subsidiary insurance company in an amount not less than acquisition  
5 cost if such acquisition cost is less than the value determined as hereinbefore provided.

6 [4] (5) Real estate required by foreclosure or by deed in lieu thereof, in the absence  
7 of a recent appraisal deemed by the Commissioner to be reliable, shall not be valued at an  
8 amount greater than the unpaid principal of the defaulted loan at the date of such  
9 foreclosure or deed, together with any taxes and expenses paid or incurred by such  
10 insurer at such time in connection with such acquisition, and the cost of additions or  
11 improvements thereafter paid by such insurer and any amount or amounts thereafter paid  
12 by such insurer or any assessments levied for improvements in connection with the  
13 property.

14 [5] (6) Purchase money mortgages received on dispositions of real property held  
15 pursuant to section two hundred [two] EIGHT shall be valued in an amount equivalent to  
16 ninety per centum of the value of such real property. Purchase money mortgages received  
17 on disposition of real property otherwise held shall be valued in an amount not exceeding  
18 ninety per centum of the value of such real property as determined by an appraisal made  
19 by an appraiser at or about the time of disposition of such real property.

20 [6] (7) The stock of a subsidiary of an insurer shall be valued on the basis of the  
21 greater of (i) the value of only such [subsidiary] of the assets of such subsidiary as would  
22 constitute lawful investments for the insurer if acquired or held directly by the insurer or  
23 (ii) such other value determined pursuant to standards and cumulative limitations,  
24 contained in a regulation to be promulgated by the Commissioner.

1 (8) Notwithstanding any provision contained in this section or elsewhere in this  
2 chapter, if the Commissioner find that the interests of policyholders so permit or require,  
3 he may permit or require any class or classes of insurers authorized to do business in this  
4 country to value their investments or any class or classes thereof as of any date heretofore  
5 or hereafter in accordance with any applicable valuation or method.

6 **Sec. [209] 215.** It shall be the duty of the officers of the insurance company to report  
7 within the first fifteen days of every month all such investments as may be made by them  
8 during the preceding month, and the Commissioner may, if such investments or any of  
9 them seem injudicious to him, require the sale or disposal of the same. The report shall  
10 also include a list of investments sold or disposed of by the company during the same  
11 period.

12 Title 5

13 RESERVES

14 **Sec. [210] 216.** Every life insurance company, doing business in the Philippines, shall  
15 annually make a valuation of all policies, **RESERVE LIABILITY**, additions thereto, unpaid  
16 dividends, and all other obligations outstanding on the thirty-first day of December of the  
17 preceding year. All such valuations shall be made [upon the net premiums basis, according  
18 to the standard adopted by the company,] **USING ASSUMPTIONS AND METHODS IN**  
19 **ACCORDANCE WITH STANDARDS PRESCRIBED BY THE COMMISSIONER, WHICH**  
20 **STANDARDS SHALL BE IN ACCORDANCE WITH INTERNATIONALLY ACCEPTABLE ACTUARIAL**  
21 **STANDARDS, AND** which standard shall be stated in its annual report.

22 Such standard of valuation [whether of the net level premium, full preliminary term,  
23 any modified preliminary term, or select and ultimate reserve basis,] shall be according to a  
24 standard table of [mortality] **CONTINGENCY** with interest **AT A MAXIMUM TO BE**  
25 **PRESCRIBED BY THE COMMISSIONER BUT IN NO CASE** [at not] more than six per centum

1 compound interest. [When the preliminary term basis is used, the term insurance shall be  
2 limited to the first policy year.]

3 The results of such valuations shall be reported to the Commissioner on or before  
4 the thirtieth day of April of each year accompanied by a sworn statement **OF A DESIGNATED**  
5 **COMPANY OFFICER AND STATING THE METHODS AND ASSUMPTIONS USED IN ARRIVING**  
6 **AT THE VALUES REPORTED** [of the company's actuary certifying to the figures and stating  
7 upon what mortality table it is based, upon what rate of interest the valuation is made, and  
8 the methods used in arriving at the result obtained].

9 **Sec. [211] 217.** The aggregate net value so ascertained of the policies of such  
10 company shall be deemed its reserve liability, to provide for which it shall hold funds in  
11 secure investments equal to such net value, above all its other liabilities; and it shall be the  
12 duty of the Commissioner, after having verified, to such an extent as he may deem  
13 necessary, the valuation of all policies in force, to satisfy himself that the company has such  
14 amount in safe legal securities after all other debts and claims against it have been provided  
15 for.

16 The reserve liability for variable contracts defined in section two hundred thirty-  
17 [two] **EIGHT** shall be established in accordance with actuarial procedures that recognize the  
18 variable nature of the benefits provided, and shall be approved by the Commissioner.

19 **Sec. [212] 218.** Every [domestic] life insurance company, conducted on the mutual  
20 plan or a plan in which policyholders are by the terms of their policies entitled to share in  
21 the profits or surplus shall, on all policies of life insurance heretofore or hereafter issued,  
22 under the conditions of which the distribution of surplus is deferred to a fixed or specified  
23 time and contingent upon the policy being in force and the insured living at that time,  
24 annually ascertain the amount of the surplus to which all such policies as separate class are  
25 entitled, and shall annually apportion to such policies as a class the amount of the surplus so







1           The resident agent of such unauthorized foreign insurer or non- resident broker shall  
2 immediately upon registration furnish the Commissioner with the annual statement of such  
3 insurer, or of such company or companies where such broker may place Philippine business  
4 as of the year preceding such registration, and annually thereafter as soon as available.

5           **Sec. [218] 224.** All insurance companies, both life and non-life, authorized to do  
6 business in the Philippines shall cede their excess risks to other companies similarly  
7 authorized to do business in the Philippines in such amounts and under such arrangements  
8 as would be consistent with sound underwriting practices before they enter into  
9 reinsurance arrangements with unauthorized foreign insurers.

10           **Sec. [219] 225.** Any insurance company doing business in the Philippines desiring to  
11 cede their excess risks to foreign insurance or reinsurance companies not authorized to  
12 transact business in the Philippines may do so under [the following conditions:]

13           [(1) Except in facultative reinsurance and excess of loss covers, the full amount of the  
14 reserve fund required by law shall be set up in the books of and held by the ceding  
15 company for so long as the risk concerned is in force: *Provided*, That in case of  
16 facultative insurance, the ceding company shall show to the satisfaction of the  
17 Commissioner that the Philippine market cannot provide the facilities sought abroad

18           (2) The reserve fund withheld shall be invested in bonds or other evidences of debt of  
19 the Government of the Philippines or its political subdivisions or instrumentalities, or  
20 of government-owned or controlled corporations and entities, including the Central  
21 Bank, and/or other securities acceptable under section two hundred.] **SUCH TERMS  
22 AND CONDITIONS WHICH THE COMMISSIONER MAY PRESCRIBE.**

23           Should any reinsurance agreement be for any reason cancelled or terminated, the  
24 ceding company concerned shall inform the Commissioner in writing of such cancellation or  
25 termination within thirty days from the date of such cancellation or termination or from the

1 date notice or information of such cancellation or termination is received by such company  
2 as the case may be.

3       **Sec. [220] 226.** Every insurance company authorized to do business in the Philippines  
4 shall report to the Commissioner on forms prescribed by him the particulars of reinsurance  
5 treaties [as of the first day of January of the year following the approval of this Code and  
6 shall thereafter similarly report to the Commissioner particulars of] **OR** any new treaties or  
7 changes in existing treaties **WITHIN SIX MONTHS FROM THEIR EFFECTIVITY.**

8       **Sec. [221] 227.** No credit shall be allowed as an admitted asset or as a deduction  
9 from liability, to any ceding insurer for reinsurance made, ceded, renewed, or otherwise  
10 becoming effective after January first, nineteen hundred seventy-five, unless the  
11 reinsurance shall be payable by the assuming insurer on the basis of the liability of the  
12 ceding insurer under the contract or contracts reinsured without diminution because of the  
13 insolvency of the ceding insurer nor unless under the contract or contracts of reinsurance  
14 the liability for such reinsurance is assumed by the assuming insurer or insurers as of the  
15 same effective date; nor unless the reinsurance agreement provides that payments by the  
16 assuming insurer shall be made directly to the ceding insurer or to its liquidator, receiver, or  
17 statutory successor except (a) where the contract specifically provides another payee of  
18 such reinsurance in the event of the insolvency of the ceding insurer and (b) where the  
19 assuming insurer with the consent of the direct insured or insureds has assumed such policy  
20 obligations of the ceding insurer as direct obligations of the assuming insurer to the payees  
21 under such policies and in substitution for the obligations of the ceding insurer to such  
22 payees.

23       **Sec. [222] 228.** No life insurance company doing business in the Philippines shall  
24 reinsure its whole risk on any individual life or joint lives, or substantially all of its

1 insurance in force, without having first obtained the written permission of the  
2 Commissioner.

3 Title 8

4 ANNUAL STATEMENT

5 Sec. [223] 229. Every insurance company doing business in the Philippines shall  
6 terminate its fiscal period on the thirty-first day of December every year, and shall annually  
7 on or before the thirtieth day of April of each year render to the Commissioner a statement  
8 signed and sworn to by the chief officer of such company showing, in such form and details  
9 as may be prescribed by the Commissioner, the exact condition of its affairs on the  
10 preceding thirty-first day of December.

11 THE ANNUAL STATEMENT SHALL BE PREPARED IN ACCORDANCE WITH THE  
12 FINANCIAL REPORTING FRAMEWORK AS DETERMINED BY THE COMMISSIONER. IN  
13 ADDITION, THE COMMISSIONER MAY REQUIRE OTHER RELEVANT INFORMATION. THE  
14 FORM AND DETAILS OF SUCH OTHER RELEVANT INFORMATION SHALL BE PRESCRIBED BY  
15 THE COMMISSIONER AND SHALL FORM PART OF THE SUPPLEMENTARY SCHEDULES TO  
16 THE ANNUAL STATEMENT.

17 Any entry in the statement which is found to be false shall constitute a  
18 misdemeanor and the officer signing such statement shall be subject to the penalty  
19 provided for under section four hundred [nineteen] THIRTY FIVE.

20 Sec. [224] 230. Every insurance company authorized under title ten of this chapter to  
21 issue, deliver or use variable contracts shall annually file with the Commissioner separate  
22 annual statement of its separate variable accounts. Such statement shall be on a form  
23 prescribed or approved by the Commissioner and shall include details as to all of the  
24 income, disbursements, assets and liability items of and associated with the said separate

1 oath of two officers of the company and shall be filed simultaneously with the annual  
2 statement required by the preceding section.

3 **Sec. [225] 231.** Within thirty days after receipt of the annual statement approved by  
4 the Commissioner, every insurance company doing business in the Philippines shall publish  
5 in **A** [two] newspaper[s] of general circulation [in the City of Manila, one published in  
6 English and one in Pilipino], a full synopsis of its annual financial statement showing fully the  
7 conditions of its business, and setting forth its resources and liabilities **IN ACCORDANCE**  
8 **WITH SUCH FORM PRESCRIBED BY THE COMMISSIONER.**

9

10

#### Title 9

11

#### POLICY FORMS

12

13 **Sec. [226] 232.** No policy, certificate or contract of insurance shall be issued or  
14 delivered within the Philippines unless in the form previously approved by the  
15 Commissioner, and no application form shall be used with, and no rider, clause, warranty or  
16 endorsement shall be attached to, printed or stamped upon such policy, certificate or  
17 contract unless the form of such application, rider, clause, warranty or endorsement has  
18 been approved by the Commissioner.

18

19 **Sec. [227] 233.** In the case of individual life or endowment insurance, the policy shall  
20 contain in substance the following conditions:

20

21 (a) A provision that the policyholder is entitled to a grace period either of thirty days  
22 or of one month within which the payment of any premium after the first may be  
23 made, subject at the option of the insurer to an interest charge not in excess of six  
24 *per centum* per annum for the number of days of grace elapsing before the payment  
25 of the premium, during which period of grace the policy shall continue in full force,  
but in case the policy becomes a claim during the said period of grace before the

1 overdue premium is paid, the amount of such premium with interest may [de] BE  
2 deducted from the amount payable under the policy in settlement;

3 (b) A provision that the policy shall be incontestable after it shall have been *in force*  
4 during the lifetime of the insured for a period of two years from its date of issue as  
5 shown in the policy, or date of approval of last reinstatement, except for non-  
6 payment of premium and except for violation of the conditions of the policy relating  
7 to military or naval service *in time of war*;

8 (c) A provision that the policy shall constitute the entire contract between the  
9 parties, but if the company desires to make the application a part of the contract it  
10 may do so provided a copy of such application shall be indorsed upon or attached to  
11 the policy when issued, and in such case the policy shall contain a provision that the  
12 policy and the application therefor shall constitute the entire contract between the  
13 parties;

14 (d) A provision that if the age of the insured is considered in determining the  
15 premium and the benefits accruing under the policy, and the age of the insured has  
16 been misstated, the amount payable under the policy shall be such as the premium  
17 would have purchased at the correct age;

18 (e) If the policy is participating, a provision that the company shall periodically  
19 ascertain and apportion any divisible surplus accruing on the policy under conditions  
20 specified therein;

21 (f) A provision specifying the options to which the policyholder is entitled to in the  
22 event of default in a premium payment after three full annual premiums shall have  
23 been paid. Such option shall consist of:

24 (1) A cash surrender value payable upon surrender of the policy which shall  
25 not be less than the reserve on the policy, the basis of which shall be

1 indicated, for the then current policy year and any dividend additions thereto,  
2 reduced by a surrender charge which shall not be more than one-fifth of the  
3 entire reserve or two and one-half per centum of the amount insured and any  
4 dividend additions thereto;

5 (2) One or more paid-up benefits on a plan or plans specified in the policy of  
6 such value as may be purchased by the cash surrender value;

7 (g) A provision that at anytime after a cash surrender value is available under the  
8 policy and while the policy is in force, the company will advance, on proper  
9 assignment or pledge of the policy and on sole security thereof, a sum equal to, or at  
10 the option of the owner of the policy, less than the cash surrender value on the  
11 policy, at a specified rate of interest, not more than the maximum allowed by law, to  
12 be determined by the company from time to time, but not more often than once a  
13 year, subject to the approval of the Commissioner; and that the company will deduct  
14 from such loan value any existing indebtedness on the policy and any unpaid balance  
15 of the premium for the current policy year, and may collect interest in advance on the  
16 loan to the end of the current policy year, which provision may further provide that  
17 such loan may be deferred for not exceeding six months after the application  
18 therefor is made;

19 (h) A table showing in figures cash surrender values and paid-up options available  
20 under the policy each year upon default in premium payments, during at least twenty  
21 years of the policy beginning with the year in which the values and options first  
22 become available, together with a provision that in the event of the failure of the  
23 policyholder to elect one of the said options within the time specified in the policy,  
24 one of said options shall automatically take effect and no policyholder shall ever  
25 forfeit his right to same by reason of his failure to so elect;

1 (i) In case the proceeds of a policy are payable in installments or as an annuity, a table  
2 showing the minimum amounts of the installments or annuity payments;

3 (j) A provision that the policyholder shall be entitled to have the policy reinstated at  
4 any time within three years from the date of default of premium payment unless the  
5 cash surrender value has been duly paid, or the extension period has expired, upon  
6 production of evidence of insurability satisfactory to the company and upon payment  
7 of all overdue premiums and any indebtedness to the company upon said policy,  
8 with interest rate not exceeding that which would have been applicable to said  
9 premiums and indebtedness in the policy years prior to reinstatement.

10 Any of the foregoing provisions or portions thereof not applicable to single premium  
11 or term policies shall to that extent not be incorporated therein; and any such policy may be  
12 issued and delivered in the Philippines which in the opinion of the Commissioner contains  
13 provisions on any one or more of the foregoing requirements more favorable to the  
14 policyholder than hereinbefore required.

15 This section shall not apply to policies of group life or industrial life insurance.

16 **Sec. [228] 234.** No policy of group life insurance shall be issued and delivered in the  
17 Philippines unless it contains in substance the following provisions, or provisions which in  
18 the opinion of the Commissioner are more favorable to the persons insured, or at least as  
19 favorable to the persons insured and more favorable to the policy-holders:

20 (a) A provision that the policyholder is entitled to a grace period of either thirty days  
21 or of one month for the payment of any premium due after the first, during which  
22 grace period the death benefit coverage shall continue in force, unless the  
23 policyholder shall have given the insurer written notice of discontinuance in advance  
24 of the date of discontinuance and in accordance with the terms of the policy. The

1 policy may provide that the policyholder shall be liable for the payment of a pro rata  
2 premium for the time the policy is in force during such grace period;

3 (b) A provision that the validity of the policy shall not be contested, except for non-  
4 payment of premiums after it has been in force for two years from its date of issue;  
5 and that no statement made by any insured under the policy relating to his  
6 insurability shall be used in contesting the validity of the insurance with respect to  
7 which such statement was made after such insurance has been in force prior to the  
8 contest for a period of two years during such person's lifetime nor unless contained in  
9 written instrument signed by him;

10 (c) A provision that a copy of the application, if any, of the policyholder shall be  
11 attached to the policy when issued, that all statements made by the policyholder or  
12 by persons insured shall be deemed representations and not warranties, and that no  
13 statement made by any insured shall be used in any contest unless a copy of the  
14 instrument containing the statement is or has been furnished to such person or to his  
15 beneficiary;

16 (d) A provision setting forth the conditions, if any, under which the insurer reserves  
17 the right to require a person eligible for insurance to furnish evidence of individual  
18 insurability satisfactory to the insurer as a condition to part or all of his coverage;

19 (e) A provision specifying an equitable adjustment of premiums or of benefits or of  
20 both to be made in the event that the age of a person insured has been misstated,  
21 such provision to contain a clear statement of the method of adjustment to be used;

22 (f) A provision that any sum becoming due by reason of death of the person insured  
23 shall be payable to the beneficiary designated by the insured, subject to the  
24 provisions of the policy in the event that there is no designated beneficiary, as to all  
25 or any part of such sum, living at the death of the insured, and subject to any right



1 reserved by the insurer in the policy and set forth in the certificate to pay at its  
2 option a part of such sum not exceeding five hundred pesos to any person appearing  
3 to the insurer to be equitably entitled thereto by reason of having incurred funeral or  
4 other expenses incident to the last illness or death of the person insured;

5 (g) A provision that the insurer will issue to the policyholder for delivery to each  
6 person insured [an individual certificate setting forth] a statement as to the insurance  
7 protection to which he is entitled, to whom the insurance benefits are payable, and  
8 the rights set forth in paragraphs (h), (i) and (j) following;

9 (h) A provision that if the insurance, or any portion of it, on a person covered under  
10 the policy ceases because of termination of employment or of membership in the  
11 class or classes eligible for coverage under the policy, such person shall be entitled to  
12 have issued to him by the insurer, without evidence of insurability, an individual  
13 policy of life insurance without disability or other supplementary benefits, provided  
14 application for the individual policy and payment of the first premium to the insurer  
15 shall be made within thirty days after such termination and provided further that:

16 (1) the individual policy shall be on any one of the forms, except term  
17 insurance, then customarily issued by the insurer at the age and for an  
18 amount not in excess of the coverage under the group policy; and

19 (2) the premium on the individual policy shall be at the insurer's then  
20 customary rate applicable to the form and amount of the individual policy, to  
21 the class of risk to which such person then belongs, and to his age attained  
22 on the effective date of the individual policy.

23 (i) A provision that if the group policy terminates or is amended so as to terminate the  
24 insurance of any class of insured persons, every person insured thereunder at the  
25 date of such termination whose insurance terminates and who has been so insured

1 for five years prior to such termination date shall be entitled to have issued to him by  
2 the insurer an individual policy of life insurance subject to the same limitations as set  
3 forth in paragraph (h), except that the group policy may provide that the amount of  
4 such individual policy shall not exceed [the smaller of (a)] the amount of the person's  
5 life insurance protection ceasing [less the amount of any life insurance for what he is  
6 or becomes eligible under any group policy issued or reinstated by the same or  
7 another reinsurer within thirty days after such termination, and (b) two thousand  
8 pesos];

9 (j) A provision that if a person insured under the group policy dies during the thirty-  
10 day period within which he would have been entitled to an individual policy issued to  
11 him in accordance with (h) and (i) above and before such individual policy shall have  
12 become effective, the amount of life insurance which he would have been entitled to  
13 have issued to him as an individual policy shall be payable as a claim under the group  
14 policy whether or not application for the individual policy or the payment of the first  
15 premium has been made;

16 (k) In the case of a policy issued to a creditor to insure debtors of such creditor, a  
17 provision that the insurer will furnish to the policyholder for delivery to each debtor  
18 insured under the policy a form which will contain a statement that the life of the  
19 debtor is insured under the policy and that any death benefit paid thereunder by  
20 reason of his death shall be applied to reduce or extinguish indebtedness.

21 The provisions of paragraphs (f) to (j) shall not apply to policies issued to a creditor  
22 to insure his debtors. If a group life policy is on a plan of insurance other than term, it shall  
23 contain a non-forfeiture provision or provisions which in the opinion of the Commissioner is  
24 or are equitable to the insured or the policyholder: *Provided*, That nothing herein contained

1 shall be so construed as to require group life policies to contain the same non-forfeiture  
2 provisions as are required of individual life policies.

3       **Sec. [229] 235.** The term "*industrial life insurance*" as used in this Code shall mean  
4 that form of life insurance under which the premiums are payable either monthly or  
5 oftener, if the face amount of insurance provided in any policy is not more than five  
6 hundred times that of the current statutory minimum daily wage in the City of Manila, and if  
7 the words "*industrial policy*" are printed upon the policy as part of the descriptive matter.

8       An industrial life policy shall not lapse for non-payment of premium if such non-  
9 payment was due to the failure of the company to send its representative or agent to the  
10 insured at the residence of the insured or at some other place indicated by him for the  
11 purpose of collecting such premium: *Provided*, That the provisions of this paragraph shall  
12 not apply when the premium on the policy remains unpaid for a period of three months or  
13 twelve weeks after the grace period has expired.

14       **Sec. [230] 236.** In the case of industrial life insurance, the policy shall contain in  
15 substance the following provisions:

16       (a) A provision that the insured is entitled to a grace period of four weeks within  
17 which the payment of any premium after the first may be made, except that where  
18 premiums are payable monthly, the period of grace shall be either one month or  
19 thirty days; and that during the period of grace, the policy shall continue in full force,  
20 but if during such grace period the policy becomes a claim, then any overdue and  
21 unpaid premiums may be deducted from any amount payable under the policy in  
22 settlement;

23       (b) A provision that the policy shall be incontestable after it has been in force during  
24 the lifetime of the insured for a specified period, not more than two years from its  
25 date of issue, except for non-payment of premiums and except for violation of the

1 conditions of the policy relating to naval or military service, or services auxiliary  
2 thereto, and except as to provisions relating to benefits in the event of disability as  
3 defined in the policy, and those granting additional insurance specifically against  
4 death by accident or by accidental means, or to additional insurance against loss of,  
5 or loss of use of, specific members of the body;

6 (c) A provision that the policy shall constitute the entire contract between the  
7 parties, or if a copy of the application is endorsed upon and attached to the policy  
8 when issued, a provision that the policy and the application therefor shall constitute  
9 the entire contract between the parties, and in the latter case, a provision that all  
10 statements made by the insured shall, in the absence of fraud, be deemed  
11 representations and not warranties;

12 (d) A provision that if the age of the person insured, or the age of any person,  
13 considered in determining the premium, or the benefits accruing under the policy,  
14 has been misstated, any amount payable or benefit accruing under the policy shall  
15 be such as the premium paid would have purchased at the correct age;

16 (e) A provision that if the policy is a participating policy, the company shall  
17 periodically ascertain and apportion any divisible surplus accruing on the policy  
18 under the conditions specified therein;

19 (f) A provision that in the event of default in premium payments after three full  
20 years' premiums have been paid, the policy shall be converted into a stipulated form  
21 of insurance, and that in the event of default in premium payments after five full  
22 years' premiums have been paid, a specified cash surrender value shall be available,  
23 in lieu of the stipulated form of insurance, at the option of the policyholder. The net  
24 value of such stipulated form of insurance and the amount of such cash value shall  
25 not be less than the reserve on the policy and dividend additions thereto, if any, at

1 the end of the last completed policy year for which premiums shall have been paid  
2 (the policy to specify the mortality table, rate of interest and method of valuation  
3 adopted to compute such reserve), exclusive of any reserve on disability benefits and  
4 accidental death benefits, less an amount not to exceed two and one-half *per*  
5 *centum* of the maximum amount insured by the policy and dividend additions  
6 thereto, if any, at the end of the last completed policy year for which premiums shall  
7 have been paid (the policy to specify the mortality table, rate of interest and method  
8 of valuation adopted to compute such reserve), exclusive of any reserve on disability  
9 benefits and accidental death benefits, less an amount not to exceed two and one-  
10 half *per centum* of the maximum amount insured by the policy and dividend  
11 additions thereto, if any, when the issue age is under ten years, and less an amount  
12 not to exceed two and one-half *per centum* of the current amount insured by the  
13 policy and dividend additions thereto, if any, if the issue age is ten years or older,  
14 and less any existing indebtedness to the company on or secured by the policy;

15 (g) A provision that the policy may be surrendered to the company at its home office  
16 within a period of not less than sixty days after the due date of a premium in default  
17 for the specified cash value, provided that the insurer may defer payment for not  
18 more than six months after the application therefor is made;

19 (h) A table that shows in figures the non-forfeiture benefits available under the  
20 policy every year upon default in payment of premiums during at least the first  
21 twenty years of the policy, such table to begin with the year in which such values  
22 become available, and a provision that the company will furnish upon request an  
23 extension of such table beyond the year shown in the policy;

24 (i) A provision that specifies which one of the stipulated forms of insurance provided  
25 for under the provision of paragraph (f) of this section shall take effect in the event

1 of the insured's failure, within sixty days from the due date of the premium in  
2 default, to notify the insurer in writing as to which one of such forms he has  
3 selected;

4 (j) A provision that the policy may be reinstated at any time within two years from  
5 the due date of the premium in default unless the cash surrender value has been  
6 paid or the period of extended term insurance expired, upon production of evidence  
7 of insurability satisfactory to the company and payment of arrears of premiums with  
8 interest at a rate not exceeding six per centum per annum payable annually;

9 (k) A provision that when a policy shall become a claim by death of the insured,  
10 settlement shall be made upon receipt of due proof of death, or not later than two  
11 months after receipt of such proof;

12 (l) A title on the face and on the back of the policy correctly describing its form;

13 (m) A space on the front or the back of the policy for the name of the beneficiary  
14 designated by the insured with a reservation of the insured's right to designate or  
15 change the beneficiary after the issuance of the policy. The policy may also provide  
16 that no designation or change of beneficiary shall be binding on the insurer until  
17 endorsed on the policy by the insurer, and that the insurer may refuse to endorse  
18 the name of any proposed beneficiary who does not appear to the insurer to have an  
19 insurable interest in the life of the insured. Such policy may also contain a provision  
20 that if the beneficiary designated in the policy does not surrender the policy with  
21 due proof of death within the period stated in the policy, which shall not be less than  
22 thirty days after the death of the insured, or if the beneficiary is the estate of the  
23 insured, or is a minor, or dies before the insured, or is not legally competent to give  
24 valid release, then the insurer may make any payment thereunder to the executor or  
25 administrator of the insured, or to any of the insured's relatives by blood or legal

1 adoption or connections by marriage or to any person appearing to the insurer to be  
2 equitably entitled thereto by reason of having incurred expense for the  
3 maintenance, medical attention or burial of the insured; and

4 (n) A provision that when an industrial life insurance policy is issued providing for  
5 accidental or health benefits, or both, in addition to life insurance, the foregoing  
6 provisions shall apply only to the life insurance portion of the policy.

7 Any of the foregoing provisions or portions thereof not applicable to non-  
8 participating or term policies shall to that extent not be incorporated therein. The foregoing  
9 provisions shall not apply to policies issued or granted pursuant to the non-forfeiture  
10 provisions prescribed in provisions of paragraphs (f) and (i) of this section, nor shall  
11 provisions of paragraphs (f), (g), (h), and (i) hereof be required in term insurance of twenty  
12 years or less but such term policies shall specify the mortality table, rate of interest, and  
13 method of computing reserves.

14 **Sec. [231] 237.** No policy of industrial life insurance shall be issued or delivered in  
15 the Philippines if it contains any of the following provisions:

16 (a) A provision that gives the insurer the right to declare the policy void because the  
17 insured has had any disease or ailment, whether specified or not, or because the  
18 insured has received institutional, hospital, medical or surgical treatment or  
19 attention, except a provision which gives the insurer the right to declare the policy  
20 void if the insured has, within two years prior to the issuance of the policy, received  
21 institutional hospital, medical or surgical treatment or attention and if the insured or  
22 the claimant under the policy fails to show that the condition occasioning such  
23 treatment or attention was not of a serious nature or was not material to the risk;

24 (b) A provision that gives the insurer the right to declare the policy void because the  
25 insured has been rejected for insurance, unless such right be conditioned upon a

1 showing by the insurer that knowledge of such rejection would have led to a refusal  
2 by the insurer to make such contract;

3 (c) A provision that allows the company to pay the proceeds of the policy at the  
4 death of the insured to any person other than the named beneficiary, except in  
5 accordance with a standard provision as specified under the provisions of paragraph  
6 (m) of the preceding section;

7 (d) A provision that limits the time within which any action at law or in equity may be  
8 commenced to less than six years after the cause of action shall accrue; and

9 (e) A provision that specifies any mode of settlement at maturity of less value than  
10 the amount insured by the policy plus dividend additions, if any, less any  
11 indebtedness to the company on the policy and less any premium that may by the  
12 terms of the policy be deducted, payments to be made in accordance with the terms  
13 of the policy.

14 Nothing contained in this section nor in the provision of paragraph (b) of the  
15 preceding section, relating to incontestability, shall be construed as prohibiting the life  
16 insurance company from placing in its industrial life policies provisions limiting its liability  
17 with respect to: (1) death resulting from aviation other than as a fare-paying passenger on a  
18 regularly scheduled route between definitely established airports; and (2) military or naval  
19 service: *Provided*, That if the liability of the company is limited as herein provided, such  
20 liability shall in no event be fixed at an amount less than the reserve on the policy(excluding  
21 the reserve for any additional benefits in the event of death by accident or accidental means  
22 or for benefits in the event of any type of disability), less any indebtedness on or secured by  
23 such policy; nor shall any provision of this section apply to any provision in an industrial life  
24 insurance policy for additional benefits in the event of death by accident or accidental  
25 means.



VARIABLE CONTRACTS

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**Sec. [232] 238.** (1) No insurance company authorized to transact business in the Philippines shall issue, deliver, sell or use any variable contract in the Philippines, unless and until such company shall have satisfied the Commissioner that its financial and general condition and its methods of operations, including the issue and sale of variable contracts, are not and will not be hazardous to the public or to its policy and contract owners. No foreign insurance company shall be authorized to issue, deliver or sell any variable contract in the Philippines, unless it is likewise authorized to do so by the laws of its domicile.

(2) The term "variable contract" shall mean any policy or contract on either a group or on an individual basis issued by an insurance company providing for benefits or other contractual payments or values thereunder to vary so as to reflect investment results of any segregated portfolio of investments or of a designated separate account in which amounts received in connection with such contracts shall have been placed and accounted for separately and apart from other investments and accounts. This contract may also provide benefits or values incidental thereto payable in fixed or variable amounts, or both. It shall not be deemed to be a "security" or "securities" as defined in The Securities Act, as amended, or in the [The] Investment Company Act, as amended, nor subject to regulation under said Acts.

(3) In determining the qualifications of a company requesting authority to issue, deliver, sell or use variable contracts, the Commissioner shall always consider the following: (a) the history, financial and general condition of the company: *Provided*, That such company, if a foreign company, must have deposited with the Commissioner for the benefit and security of its variable contract owners in the Philippines, securities satisfactory to the Commissioner consisting of bonds of the Government of the Philippines or its instrumentalities with an actual market value of two million pesos; (b) the character, responsibility and fitness of the

1 officers and directors of the company; and (c).the law and regulation under which the  
2 company is authorized in the state of domicile to issue such contracts.

3 (4) If after notice and hearing, the Commissioner shall find that the company is qualified to  
4 issue, deliver, sell or use variable contracts in accordance with this Code and the regulations  
5 and rules issued thereunder, the corresponding order of authorization shall be issued. Any  
6 decision or order denying authority to issue, deliver, sell or use variable contracts shall  
7 clearly and distinctly state the reasons and grounds on which it is based.

8 **Sec. [233] 239.** Any insurance company issuing variable contracts pursuant to this  
9 Code may in its discretion issue contracts providing a combination of fixed amount and  
10 variable amount of benefits and for option lump-sum payment of benefits.

11 **Sec. [234] 240.** Every variable contract form delivered or issued for delivery in the  
12 Philippines, and every certified form evidencing variable benefits issued pursuant to any  
13 such contract on a group basis, and the application, rider and endorsement forms applicable  
14 thereto and used in connection therewith, shall be subject to the prior approval of the  
15 Commissioner.

16 **Sec. [235] 241.** Illustration of benefits payable under any variable contract shall not  
17 include or involve projections of past investment experience into the future and shall  
18 conform with the rules and regulations promulgated by the Commissioner.

19 **Sec. [236] 242.** Variable contracts may be issued on the industrial life basis, provided  
20 that the pertinent provisions of this Code and of the rules and regulations of the  
21 Commissioner governing variable contracts are complied with in connection with such  
22 contracts.

23 **Sec. [237] 243.** Every life insurance company authorized under the provisions of this  
24 Code to issue, deliver, sell or use variable contracts shall, in connection with same, establish  
25 one or more separate accounts to be known as separate variable accounts. All amounts

1 received by the company in connection with any such contracts which are required by the  
2 terms thereof, to be collected or applied to one or more designated separate variable  
3 accounts shall be placed in such designated account or accounts. The assets and liabilities of  
4 each such separate variable account shall at all times be clearly identifiable and  
5 distinguishable from the assets and liabilities in all other accounts of the company.  
6 Notwithstanding any provision of law to the contrary, the assets held in any such separate  
7 variable account shall not be chargeable with liabilities arising out of any other business the  
8 company conduct but shall be held and applied exclusively for the benefit of the owners or  
9 beneficiaries of the variable contracts applicable thereto. In the event of the insolvency of  
10 the company, the assets of each such separate variable account shall be applied to the  
11 contractual claims of the owners or beneficiaries of the variable contracts applicable  
12 thereto. Except as otherwise specifically provided by the contract, no sale, exchange or  
13 other transfer of assets may be made by a company, between any of its separate accounts  
14 or between any other investment account and one or more of its separate accounts, unless  
15 in the case of a transfer into a separate account, such transfer is made solely to establish the  
16 account or to support the operation of the contracts with respect to the separate account to  
17 which the transfer is made, or in case of a transfer from a separate account, such transfer  
18 would not cause the remaining assets of the account to become less than the reserves and  
19 other contract liabilities with respect to such separate account. Such transfer, whether into  
20 or from a separate account, shall be made by a transfer of cash, or by a transfer of securities  
21 having a valuation which could be readily determined in the market place, provided that  
22 such transfer of securities is approved by the Commissioner. The Commissioner may  
23 authorize other transfers among such accounts, if, in his opinion, such transfer would not be  
24 inequitable. All amounts and assets allocated to any such separate variable account shall be

1 owned by the company and with respect to **THE** same the company shall not be nor hold  
2 itself out to be a trustee.

3 **Sec. [238] 244.** Any insurance company which has established one or more separate  
4 variable accounts pursuant to the preceding section may invest and re-invest all or any part  
5 of the assets allocated to any such account in the securities and investments authorized by  
6 sections [one] **TWO** hundred [ninety-eight] **FOUR**, two hundred **SIX**, two hundred [one]  
7 **SEVEN** and two hundred [two] **EIGHT** for any of the funds of an insurance company in such  
8 amount or amounts as may be approved by the Commissioner. In addition thereto, such  
9 company may also invest in common stocks or other equities which are listed on or  
10 admitted to trading in a securities exchange located in the Philippines, or which are publicly  
11 held and traded in the "*over-the-counter market*" as defined by the Commissioner and as to  
12 which market quotations have been available: *Provided, however,* That no such company  
13 shall invest in excess of ten per centum of the assets of any such separate variable accounts  
14 in any one corporation issuing such common stock. The assets and investments of such  
15 separate variable accounts shall not be taken into account in applying the quantitative  
16 investment limitations applicable to other investments of the company. In the purchase of  
17 common capital stock or other equities, the insurer shall designate to the broker, or to the  
18 seller if the purchase is not made through a broker, the specific variable account for which  
19 the investment is made.

20 **Sec. [239] 245.** Assets allocated to any separate variable account shall be valued at  
21 their market value on the date of any valuation, or if there is no readily available market  
22 **VALUE** then in accordance with the terms of the variable contract applicable to such assets,  
23 or if there are no such contract terms then in such manner as may be prescribed by the  
24 rules and regulations of the Commissioner.



1 with other insurance companies writing similar lines of insurance shall be admissible in  
2 evidence in an administrative or judicial proceeding brought under this section.

3 (3) If it is found, after notice and an opportunity to be heard, that an insurance company has  
4 violated this section, each instance of non-compliance with paragraph (1) may be treated as  
5 a separate violation of this section and shall be considered sufficient cause for the  
6 suspension or revocation of the company's certificate of authority.

7 **Sec. [242] 248.** The proceeds of a life insurance policy shall be paid immediately  
8 upon maturity of the policy, unless such proceeds are made payable in installments or as an  
9 annuity, in which case the installments, or annuities shall be paid as they become due:  
10 *Provided, however,* That in the case of a policy maturing by the death of the insured, the  
11 proceeds thereof shall be paid within sixty days after presentation of the claim and filing of  
12 the *proof of the death* of the insured. Refusal or failure to pay the claim within the time  
13 prescribed herein will entitle the beneficiary to collect interest on the proceeds of the policy  
14 for the duration of the delay at the rate of twice the ceiling prescribed by the Monetary  
15 Board, unless such failure or refusal to pay is based on the ground that the claim is  
16 fraudulent.

17 The proceeds of the policy maturing by the death of the insured payable to the  
18 beneficiary shall include the discounted value of all premiums paid in advance of their due  
19 dates, but are not due and payable at maturity.

20 **Sec. [243] 249.** The amount of any loss or damage for which an insurer may be liable,  
21 under any policy other than life insurance policy, shall be paid within thirty days after proof  
22 **OF** loss is received by the insurer and ascertainment of the loss or damage is made either by  
23 agreement between the insured and the insurer or by arbitration; but if such ascertainment  
24 is not had or made within sixty days after such receipt by the insurer of the proof of loss,  
25 then the loss or damage shall be paid within ninety days after such receipt. Refusal or failure

1 to pay the loss or damage within the time prescribed herein will entitle the assured to  
2 collect interest on the proceeds of the policy for the duration of the delay at the rate of  
3 twice the ceiling prescribed by the Monetary Board, unless such failure or refusal to pay is  
4 based on the ground that the claim is fraudulent.

5       **Sec. [244] 250.** In case of any litigation for the enforcement of any policy or contract  
6 of insurance, it shall be the duty of the Commissioner or the Court, as the case may be, to  
7 make a finding as to whether the payment of the claim of the insured has been  
8 unreasonably denied or withheld; and in the affirmative case, the insurance company shall  
9 be adjudged to pay damages which shall consist of attorney's fees and other expenses  
10 incurred by the insured person by reason of such unreasonable denial or withholding of  
11 payment plus interest of twice the ceiling prescribed by the Monetary Board of the amount  
12 of the claim due the insured, from the date following the time prescribed in section two  
13 hundred forty-[two] **EIGHT** or in section two hundred forty-[three] **NINE**, as the case may  
14 be, until the claim is fully satisfied; Provided, That the failure to pay any such claim within  
15 the time prescribed in said sections shall be considered prima facie evidence of  
16 unreasonable delay in payment.

17

## 18 Title 12

19

### 20 EXAMINATION OF COMPANIES

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22       **Sec. [245] 251.** The Commissioner shall require every insurance company doing  
23 business in the Philippines to keep its books, records, accounts and vouchers in such manner  
24 that he or his authorized representatives may readily verify its annual statements and  
ascertain whether the company is solvent and has complied with the provisions of this Code  
or the circulars, instructions, rulings or decisions of the Commissioner.





1 suspend or revoke all certificates of authority granted to such insurance company, its  
2 officers and agents, and no new business shall thereafter be done by such company or for  
3 such company by its agent in the Philippines while such suspension, revocation or disability  
4 continues or until its authority to do business is restored by the Commissioner. Before  
5 restoring such authority, the Commissioner shall require the company concerned to submit  
6 to him a business plan showing the company's estimated receipts and disbursements, as  
7 well as the basis therefor, for the next succeeding three years. [(As amended by  
8 Presidential Decree No. 1455).]

9 Title 14

10 APPOINTMENT OF CONSERVATOR

11 Sec. [248] 254. If at any time before, or after, the suspension or revocation of the  
12 certificate of authority of an insurance company as provided in the preceding title, the  
13 Commissioner finds that such company is in a state of continuing inability or unwillingness  
14 to maintain a condition of solvency or liquidity deemed adequate to protect the interest of  
15 policy holders and creditors, he may appoint a conservator to take charge the assets,  
16 liabilities, and the management of such company, collect all moneys and debts due said  
17 company and exercise all powers necessary to preserve the assets of said company,  
18 reorganize the management thereof, and restore its viability. The said conservator shall  
19 have the power to overrule or revoke the actions of the previous management and board of  
20 directors of the said company, any provision of law, or of the articles of incorporation or by-  
21 laws of the company, to the contrary notwithstanding, and such other powers as the  
22 Commissioner shall deem necessary.

23 The conservator may be another insurance company doing business in the  
24 Philippines, by officer or officers of such company, or any other competent and qualified

1 person, firm or corporation. The remuneration of the conservator and other expenses  
2 attendant to the conservation shall be borne by the insurance company concerned.

3 The conservator shall not be subject to any action, claim or demand by, or liability to,  
4 any person in respect of anything done or omitted to be done in good faith in the exercise,  
5 or in connection with the exercise, of the powers conferred on the conservator.

6 The conservator appointed shall report and be responsible to the Commissioner until  
7 such time as the Commissioner is satisfied that the insurance company can continue to  
8 operate on its own and the conservatorship shall likewise be terminated should [be] THE  
9 Commissioner, on the basis of the report of the conservator or of his own findings,  
10 determine that the continuance in business of the insurance company would be hazardous  
11 to policy holders and creditors, in which case the provisions of Title 15 shall apply.

12 **NO INSURANCE COMPANY, LIFE OR NON-LIFE, OR ANY PROFESSIONAL REINSURER,**  
13 **ORDERED TO BE LIQUIDATED BY THE COMMISSIONER UNDER THE PROVISIONS**  
14 **HEREUNDER MAY BE REHABILITATED OR AUTHORIZED TO TRANSACT ANEW, INSURANCE**  
15 **OR REINSURANCE BUSINESS, AS THE CASE MAY BE.**

16 Title 15

17 PROCEEDINGS UPON INSOLVENCY

18 **Sec. [249] 255.** Whenever, upon examination or other evidence, it shall be disclosed  
19 that the condition of any insurance company doing business in the Philippines is one of  
20 insolvency, or that its continuance in business would be hazardous to its policyholders and  
21 creditors, the Commissioner shall forthwith order the company to cease and desist from  
22 transacting business in the Philippines and shall designate a receiver to immediately take  
23 charge of its assets and liabilities, as expeditiously as possible collect and gather all the  
24 assets and administer the same for the benefit of its policyholders and creditors, and

1 exercise all the powers necessary for these purposes including, but not limited to, bringing  
2 suits and foreclosing mortgages in the name of the insurance company.

3 The Commissioner shall thereupon determine within [thirty] **NINETY** days whether  
4 the insurance company may be reorganized or otherwise placed in such condition so that it  
5 may be permitted to resume business with safety to its policyholders and creditors and shall  
6 prescribe the conditions under which such resumption of business shall take place as well as  
7 the time for fulfillment of such conditions. In such case, the expenses and fees in the  
8 collection and administration of the insurance company shall be determined by the  
9 Commissioner and shall be paid out of the assets of such company.

10 If the Commissioner shall determine and confirm within the said period that the  
11 insurance company is solvent, as defined hereunder, or cannot resume business with safety  
12 to its policyholders and creditors, he shall, if the public interest requires, order its  
13 liquidation, indicate the manner of its liquidation and approve a liquidation plan and  
14 implement it immediately. The Commissioner shall designate a competent and qualified  
15 person as liquidator who shall take over the functions of the receiver previously designated  
16 and, with all convenient speed, reinsure all its outstanding policies, convert the assets of the  
17 insurance company to cash, or sell, assign or otherwise dispose of the same to the  
18 policyholders, creditors and other parties for the purpose of settling the liabilities or paying  
19 the debts of such company and he may, in the name of the company, institute such actions  
20 as may be necessary in the appropriate Court to collect and recover accounts and assets of  
21 the insurance company, and to do such other acts as may be necessary to complete the  
22 liquidation as ordered by the Commissioner.

23 The provisions of any law to the contrary notwithstanding, the actions of the  
24 Commissioner under this Section shall be final and executory, and can be set aside by the  
25 Court upon petition by the company and only if there is convincing proof that the action is

1 plainly arbitrary and made in bad faith. The Commissioner, through the Solicitor General,  
2 shall then file the corresponding answer reciting the proceeding taken and praying the  
3 assistance of the Court in the liquidation of the company. No restraining order or injunction  
4 shall be issued by the Court enjoining the Commissioner from implementing his actions  
5 under this Section, unless there is convincing proof that the action of the Commissioner is  
6 plainly arbitrary and made in bad faith and the petitioner or plaintiff files with the Clerk or  
7 Judge of the Court in which the action is pending a bond executed in favor of the  
8 Commissioner in an amount to be fixed by the Court. The restraining order or injunction  
9 shall be refused or, if granted, shall be dissolved upon filing by the Commissioner, if he so  
10 desires, of a bond in an amount twice the amount of the bond of the petitioner or plaintiff  
11 conditioned that it will pay the damages which the petition or plaintiff may suffer by the  
12 refusal or the dissolution of the injunction. The provisions of Rule 58 of the New Rules of  
13 Court insofar as they are applicable shall govern the issuance and dissolution of the  
14 restraining order or injunction contemplated in this Section.

15 All proceedings under this Title shall be given preference in the Courts. The  
16 Commissioner shall not be required to pay any fee to any public officer for filing, recording,  
17 or in any manner authenticating any paper or instrument relating to the proceedings.

18 As used in this Title, the term "*Insolvency*" shall mean the inability of an insurance  
19 company to pay its lawful obligations as they fall due in the usual and ordinary course of  
20 business as may be shown by its failure to maintain the [margin of] solvency [required]  
21 **REQUIREMENTS** under Section [194] **TWO HUNDRED** of this Code. [(As amended by  
22 Presidential Decree No. 1455).]

23 [Sec. 250 . In case of liquidation of an insurance company, after payment of the cost  
24 of the proceedings, including reasonable expenses and fees incurred in the liquidation to be



1 liabilities by the absorbing or acquiring company from the absorbed or dissolved company  
2 or companies; the proposed articles of merger or consolidation and by-laws of the surviving  
3 or acquiring company; the corporate name to be adopted which should not be that of any  
4 other existing company transacting similar business or one so similar as to be calculated to  
5 mislead the public; the rights of the stockholders or members of the absorbed or dissolved  
6 companies; date of effectivity of the merger or consolidation; and such particulars as may  
7 be necessary to explain and make manifest the objects and purposes of the absorbing or  
8 acquiring company.

9         **Sec. [254] 260.** Upon execution of such agreement to merge or consolidate by and  
10 between or among the boards of directors of the constituent companies, notice thereof  
11 shall be mailed immediately to their policyholders and creditors. The company or companies  
12 to be absorbed or dissolved shall discharge all its accrued liabilities; otherwise, such  
13 liabilities shall, with the consent of its creditors, be transferred to and assumed by the  
14 absorbing or acquiring company, or such liabilities be reinsured by the latter. In the case of  
15 such policies as are subject to cancellation by the company or companies to be absorbed or  
16 dissolved, same may be cancelled pursuant to the terms thereof in lieu of such transfer,  
17 assumption, or reinsurance.

18         **Sec. [255] 261.** Upon approval or adoption in the meetings of the stockholders or  
19 members called for the purpose in each of the constituent companies of the agreement to  
20 merge or consolidate, all stockholders or members dissenting or objecting to merger or  
21 consolidation shall be paid the value of their shares by the company concerned in  
22 accordance with the by-laws thereof.

23         **Sec. [256] 262.** Upon the approval or adoption of the agreement to merge or  
24 consolidate by the stockholders or members of the constituent companies, the  
25 corresponding articles of merger or of consolidation shall be duly executed by the

1 presidents and attested by the corporate secretaries and shall bear the corporate seals of  
2 the merging or consolidating companies setting forth:

3 (1) The plan of merger or the plan of consolidation;

4 (2) As to each corporation, the number of shares outstanding, or in case of mutual  
5 corporations, the number of members; and

6 (3) As to each corporation, the number of shares or members voted for and against  
7 such plan respectively. Thereafter, a certified copy of such articles of merger or  
8 consolidation, together with a certificate of approval or adoption by the stockholders  
9 or members of such articles of merger or consolidation, verified by affidavits of such  
10 officers and under the seal of the constituent companies, shall be submitted to the  
11 Commissioner, together with such other papers or documents which the  
12 Commissioner may require, for his consideration.

13 **Sec. [257] 263.** The articles of merger or of consolidation, signed and verified as  
14 hereinabove required, shall be filed with the Securities and Exchange Commission for its  
15 examination and approval.

16 **Sec. [258] 264.** Upon receipt from the Securities and Exchange Commission of the  
17 certificate of merger or of consolidation, the constituent companies shall surrender to the  
18 Commissioner their respective certificates of authority to transact insurance business. The  
19 absorbing or surviving company in case of merger, or the newly formed company in case of  
20 consolidation, shall immediately file with the [c]Commissioner the corresponding  
21 application for issuance of a new certificate of authority to transact insurance business,  
22 together with a certified copy of the certificate of merger or of consolidation, and of the  
23 certificate of increase of stocks, if there is any, issued by the Securities and Exchange  
24 Commission.





1 stock of the insurer was acquired, and the policyholders of such other class or classes as  
2 may be specified in such corporation's articles of incorporation as they may be amended  
3 from time to time. Such plan shall be:

4 (1) Adopted by a vote of a majority of the directors;

5 (2) Approved by the vote of the holders of at least a majority of the outstanding  
6 shares at a special meeting of shareholders called for that purpose, or by the written  
7 consent of such shareholders;

8 (3) Submitted to the Commissioner and approved by him in writing;

9 (4) Approved by a majority vote of all the policyholders of the class or classes for  
10 whose benefit the stock is to be acquired voting at an election by the policyholders  
11 called for that purpose, subject to the provisions of section two hundred [sixty-five]  
12 **SEVENTY ONE.** The terms "*policyholder*" or "*policyholders*" as used in this chapter  
13 shall be deemed to mean the person or persons insured under an individual policy of  
14 life insurance, or of health and accident insurance, or of any combination of life,  
15 health and accident insurance. They shall also include the person or persons to  
16 whom any annuity or pure endowment is presently or prospectively payable by the  
17 terms of an individual annuity or pure endowment contract, except where the policy  
18 or contract declares some other person to be the owner or holder thereof, in which  
19 case such other person shall be deemed policyholder. In any case where a policy or  
20 contract names two or more persons as joint insured, payees, owners or holders  
21 thereof, the persons so named shall be deemed collectively to be one policyholder  
22 for the purpose of this chapter. In any case where a policy or contract shall have  
23 been assigned by assignment absolute on its face to an assignee other than the  
24 insurer, and such assignment shall have been filed at the principal office of the  
25 insurer at least thirty days prior to the date of any election or meeting referred to in

1 this chapter, then such assignee shall be deemed at such election or meeting to be  
2 the policyholder. For the purpose of this chapter the terms "policyholder" and  
3 "policyholders" include the employer to whom, or a president, secretary or other  
4 executive officer of any corporation or association to which a master group policy  
5 has been issued, but exclude the holders of certificates or policies issued under or in  
6 connection with a master group policy. Beneficiaries under unmaturred contracts  
7 shall not as such be deemed to be policyholders;

8 (5) Filed with the Commissioner after having been approved as provided in this  
9 section.

10 **Sec. [264] 270.** The Commissioner shall examine the plan submitted to him under  
11 the provisions of sub-paragraph three of section two hundred sixty-[three] **NINE**. He shall  
12 not approve such plan unless in his opinion the rights and interest of the insurer, its  
13 policyholders and shareholders are protected nor unless he is satisfied that the plan will be  
14 fair and equitable in its operation.

15 **Sec. [265] 271.** The election prescribed by sub-paragraph four of section two  
16 hundred sixty-[three] **NINE** shall be called by the board of directors or the president, and  
17 every policyholder of the class or classes for whose benefit the stock is to be acquired,  
18 whose insurance shall have been in force for at least one year prior to such election shall  
19 have one vote, regardless of the number of policies or amount of insurance he holds, and  
20 regardless of whether such policies are policies of life insurance or policies of health and  
21 accident insurance or annuity contracts. Notice of such election shall be given to  
22 policyholders entitled to vote by mail from the principal office of such insurer at least thirty  
23 days prior to the date set for such election, in a sealed envelope, postage prepaid,  
24 addressed to each such policyholder at his last known address.

25 Voting shall be by one of the following methods:

1 (1) At a meeting of such policyholders, held pursuant to such notice, by ballot in  
2 person or by proxy.

3 (2) If not by the method described in the preceding sub-paragraph, then by mail  
4 pursuant to a procedure and on forms to be prescribed by such plan.

5 Such election shall be conducted under the direction and supervision of three  
6 impartial and disinterested inspectors appointed by the insurer and approved by the  
7 Commissioner. In case any person appointed as inspector fails to appear at such meeting or  
8 fails or refuses to act at such election, the vacancy, if occurring in advance of the convening  
9 of the meeting or in advance of the opening of the mail vote, may be filled in the manner  
10 prescribed for the appointment of inspectors and, if occurring at the meeting or during the  
11 canvass of the mail vote, may be filled by the person acting as chairman of said meeting or  
12 designated for that purpose in such plan. The decision, act or certificate of a majority of the  
13 inspectors shall be effective in all respects as the decision, act or certificate of all. The  
14 inspectors of election shall determine the number of policyholders, the voting power of  
15 each, the policyholders represented at the meeting or voting by mail, the existence of a  
16 quorum and the authenticity, validity and effect of proxies. They shall receive[s] votes, hear  
17 and determine all challenges and questions in any way arising in connection with the right  
18 to vote, count and tabulate all votes, determine the result, and do such other acts as are  
19 proper to conduct the vote with fairness to all policyholders. The inspectors of election  
20 shall, before commencing performance of their duties, subscribe to and file with the insurer  
21 and with the Commissioner on oath that they, and each of them, will perform their duties  
22 impartially, in good faith, to the best of their ability and as expeditiously as in practicable.  
23 On the request of the insurer, the Commissioner, a policyholder or his proxy, the inspectors  
24 shall make a report in writing of any challenge or question or matter determined by them  
25 and execute a certificate of any fact found by them. They shall also certify the result of such

1 vote to the insurer and to the Commissioner. Any report or certificate made by them shall  
2 be *prima facie* evidence of facts stated therein. All necessary expenses incurred in  
3 connection with such election shall be paid by the insurer. For the purpose of this section, a  
4 quorum shall consist of five *per centum* of the policyholders of such insurer entitled to vote  
5 at such election.

6       **Sec. [266] 272.** In carrying out any such plan, the insurer may acquire any shares of  
7 its own stock by gift, bequest or purchase. Any shares so acquired shall, unless as a result of  
8 such acquisition all of the shares of the insurer shall have been acquired, be acquired in  
9 trust for the policyholders of the class or classes for whose benefit the plan provides that  
10 the stock of the insurer shall be acquired as hereinafter provided. Such shares shall be  
11 assigned and transferred on the books of such insurer and approved by the Commissioner.  
12 Such trustees shall hold such stock in trust until all of the outstanding shares of capital stock  
13 of such insurer have been acquired, but for not longer than thirty years with such extensions  
14 of not more than five years each as may be granted by the Commissioner. Such extensions  
15 may be granted by the Commissioner if the plan so provides and if in his opinion the plan of  
16 acquisition of all of such stock can be completed within a reasonable period. Such trustees  
17 shall vote such stock at all corporate meetings at which stockholders have the right to vote.  
18 When all the outstanding shares of capital stock of such insurer have been acquired, all said  
19 shares shall be cancelled, the certificate of amendment of the insurer's articles of  
20 incorporation giving effect thereto shall be filed in accordance with the provisions of the  
21 Corporation [Law] CODE, and the insurer shall become a non-stock corporation for the  
22 profit of its members and such trust shall thereupon terminate. Thereafter such corporation  
23 shall be conducted for the mutual benefit, ratably, of its policyholders of the class or classes  
24 for whose benefit the stock was acquired and shall have power to issue non-assessable  
25 policies on a reserve basis subject to all provisions of law applicable to incorporated life

1 insurers issuing non-assessable policies on a reserve basis. Policies so issued may be upon  
2 the basis of full or partial participation therein as agreed between the insurer and the  
3 insured.

4       Upon the termination of any such voting trust, either in accordance with its terms or  
5 as hereinabove provided, such plan of mutualization shall terminate, unless theretofore  
6 completed. Upon such termination, unless the plan of mutualization provides for the  
7 disposition of the shares acquired by the insurer under such plan or for the disposition of  
8 the proceeds thereof, the shares held by such trustees shall be disposed of in accordance  
9 with an order of the court of competent jurisdiction in the judicial district in which is located  
10 the principal office of such insurer, made upon a verified petition of the Commissioner.

11       **Sec. [267] 273.** Any such plan of mutualization may provide for the creation of a  
12 voting trust under a trust agreement for the holding and voting by three or more trustees of  
13 any portion or all of the shares of the insurer not required upon the adoption of such plan.  
14 The voting trustees shall be named in accordance with such plan or, if no provision is made  
15 therein for the naming of such trustees, then by the insurer. The voting trust agreement and  
16 voting trustees shall be subject to the approval of the Commissioner. Any or all of the  
17 trustees under such voting trust agreement may be the same person or persons as any or all  
18 of the trustees referred to in section two hundred [sixty-six] **SEVENTY TWO**. Such voting  
19 trust agreement shall provide that in the event of acquisition by the insurer of any of the  
20 shares of stock held thereunder in accordance with the provisions of the plan, such shares  
21 so acquired together with the voting rights thereof shall be transferred by the trustees  
22 named under the provisions of this section to the trustees named under the provisions of  
23 section two hundred [sixty-six] **SEVENTY TWO**. Any voting trust agreement created pursuant  
24 to the provisions of this section may be made irrevocable for not longer than thirty years  
25 and thereafter until the termination of the trust provided for in section two hundred [sixty-

1 six] **SEVENTY TWO**. The trust created pursuant to the provisions of this section shall  
2 terminate in any event upon termination of the trust provided for in section two hundred  
3 [sixty-six] **SEVENTY TWO**. Upon the termination of the trust created pursuant to the  
4 provisions of this section, any shares held in such trust shall revert to the persons entitled  
5 thereto by law.

6 **Sec. [268] 274**. Every payment for the acquisition of any shares of the capital stock of  
7 such insurer, the purchase price of which is not fixed by such plan, shall be subject to the  
8 prior approval of the Commissioner. Neither such plan, nor any such payment, may be  
9 approved by the Commissioner unless he finds that the rights and interests of the insurer,  
10 its policyholders, and shareholders are protected.

11 **Sec. [269] 275**. The trustees referred to in section two hundred [sixty-six] **SEVENTY**  
12 **TWO** shall file with such insurer and with the Commissioner a verified acceptance of their  
13 appointments and verified declarations that they will faithfully discharge their duties as such  
14 trustees. All dividends and other sums received by said trustees on the shares held by them,  
15 after paying the necessary expenses of executing their trust, shall be immediately repaid to  
16 such insurer for the benefit of all who are, or may become, policyholders of such insurance  
17 of the class or classes for whose benefit the stock of such insurer was acquired and entitled  
18 to participate in the profits thereof and shall be added to and become part of the assets of  
19 such insurer.

20 **Sec. [269-A] 276** If, at any time within the period provided in the plan for the  
21 acquisition of the outstanding shares of stock of the insurer, ninety percent thereof has  
22 already been acquired and transferred to the trustees under the plan, the insurer by a vote  
23 of a majority of the directors may determine to make an offer, with the permission of the  
24 Commissioner and subject to such requirement as he may specify, to acquire by purchase all

1 of the shares not theretofore acquired under the plan, at a specified price which the insurer  
2 considers to be their fair value as of the date of making such offer.

3 If the offer to acquire is permitted by the Commissioner, the insurer shall make a  
4 written offer by registered mail to each shareholder whose shares have not theretofore  
5 been acquired under the plan or otherwise, offering to acquire all his shares at such price if  
6 accepted in writing within thirty days after the mailing of such offer. Any shareholder  
7 accepting such offer, within the time therefor shall, within sixty days after his acceptance,  
8 transfer to the insurer the certificates representing such shares and, upon doing so, shall be  
9 paid by the insurer the amount of such offer for his shares. Any share so acquired shall be  
10 assigned and transferred to the trustees under the plan and held by them as shares  
11 acquired pursuant to the plan.

12 Each shareholder who does not accept such offer to acquire his shares within the  
13 time stated in such offer for acceptance thereof shall within fifteen days after the expiration  
14 of such offer apply to the Secretary of Finance for determination of the fair value of his  
15 shares as of the date of making such offer. The Secretary of Finance may himself, after due  
16 notice and hearing, determine upon the evidence received the fair value of the shares as of  
17 the date of making such offer, or appoint three impartial and disinterested persons to  
18 appraise the fair value of such shares with such direction as he shall deem proper and  
19 necessary to expedite the proceedings. Upon completion of the appraisal proceedings, the  
20 appraisers shall file with the Secretary of Finance their report in writing stating the fair value  
21 of such shares as of the date of the making of such offer and setting forth their findings in  
22 support of such statement[:] (.). The appraisers shall furnish each party to the proceedings a  
23 copy of their appraisal report, and within ten days after receipt thereof any such party may  
24 signify his objection, if any, to the report or move for the approval thereof. Upon the  
25 expiration of the period of ten days referred to above, the report shall be set for hearing,

1 after which the Secretary of Finance shall issue an order adopting, modifying or rejecting the  
2 report in whole or in part or he may receive further evidence or may recommit it with  
3 instructions. Whenever the Secretary of Finance shall determine in any manner, as  
4 aforesaid, the fair value of such shares, he may also determine the terms of payment  
5 thereof by the insurer. The expenses incidental to the proceedings including charges of the  
6 appraisers, if any, shall be paid equally by the insurer and the shareholder.

7         The findings of the Secretary of Finance on all questions of fact raised at the hearing  
8 of the application for determination of the fair value of such shares shall be conclusive upon  
9 all parties to the proceedings. The order of the Secretary of Finance determining the fair  
10 value of the shares and the terms of payment thereof shall have the force and effect of a  
11 judgment which shall be appealable on any question of law. Such order shall become final  
12 and executory fifteen days after receipt thereof by the parties to the proceedings.

13         Upon any such order becoming final and from which no appeal is pending, or when  
14 the time to appeal therefrom has expired, each shareholder party to the proceedings shall  
15 transfer his shares to the insurer and surrender to the said insurer the certificates  
16 representing such shares and the insurer shall make payment therefor as provided in such  
17 order. Any shares so acquired by the insurer shall be assigned and transferred to the  
18 trustees and held by them as shares acquired pursuant to the plan.

19         Any shareholder who does not apply to the Secretary of Finance in the manner and  
20 within the time hereinbefore prescribed shall be deemed to have accepted the offer  
21 referred to above, effective, however, upon the expiration of the time hereinabove  
22 prescribed for making such application, and such shareholder's time for accepting such offer  
23 shall, for that purpose only, be deemed to have been extended accordingly.



1 Any offer to acquire shares made pursuant to this section shall, except as otherwise  
2 provided herein, be irrevocable until all proceedings upon such offer have been completed  
3 or all shares have otherwise been earlier acquired by the insurer.

4 Any shareholder who has expressly or impliedly accepted the plan or the offer to  
5 acquire his shares not theretofore acquired under the plan, and any shareholder who has  
6 rejected such plan or such offer and has applied, as aforesaid, to the Secretary of  
7 Finance for a determination of the fair value of his shares subsequent to which an  
8 agreement has been reached or a final order issued fixing such fair value but who fails to  
9 surrender his certificates for cancellation upon payment of the amount to which he is  
10 entitled, may be compelled to do so by an order of the Secretary of Finance for that  
11 purpose and such order may provide that upon failure of such shareholder to  
12 surrender such certificates for cancellation such order shall stand in lieu of such surrender  
13 and cancellation. [(As amended by Presidential Decree No. 1280).]

14 **Sec. [270] 277.** Such insurer, after mutualization, shall be a continuation of the  
15 original insurer, and such mutualization shall not affect such insurer's certificate of authority  
16 nor existing suits, rights or contracts except as provided in said plan for the acquisition of  
17 the outstanding shares of the capital stock of such insurer, approved as provided in this  
18 chapter. Such insurer, after mutualization, shall exercise all the rights and powers and shall  
19 perform all the duties conferred or imposed by law upon insurers writing the classes of  
20 insurance written by it, and to protect rights and contracts existing prior to mutualization,  
21 subject to the effect of said plan. The board of directors of such insurer, prior to  
22 mutualization, may adopt amendments to its by-laws to take effect upon mutualization.

23 **Sec. [271] 278. (1)** An annual meeting of members shall be held at ten o'clock in the  
24 morning of the fourth Tuesday of March of each year at the principal office of the insurer,  
25 unless a different time or place [be] IS provided in the by-laws.

1 (2) Special meetings of the members, for any purpose or purposes whatsoever, may be  
2 called at any time by the president, or by the board of directors, or by one or more  
3 members holding not less than one-fifth of the voting power of such insurer, or by such  
4 other officers or persons as the by-laws authorize.

5 (3) Notice of all meetings of members whether annual or special shall be given in writing to  
6 the members entitled to vote by the secretary, or an assistant secretary, or other person  
7 charged with that duty, or if there be no such officer, or in case of his neglect or refusal, by  
8 any director or member. At the option of the insurer such notice may be imprinted on  
9 premium notices of receipts or on both.

10 A notice may be given by such insurer to any member either personally, or by mail,  
11 or other means of written communication, charges prepaid, addressed to such member at  
12 his address appearing on the books of the insurer, or given by him to the insurer for the  
13 purpose of notice. If a member gives no address, notice shall be deemed to have been given  
14 him if sent by mail or other means of written communication addressed to the place where  
15 the principal office of the insurer is situated, or if published at least once in some newspaper  
16 of general circulation in the place in which said office is located.

17 Notice of any meeting of members shall be sent to each member entitled thereto  
18 not less than seven days before such meeting, unless the by-laws provide otherwise.

19 Notice of any meeting of members shall specify the place, the day and the hour of  
20 the meeting and the general nature of the business to be transacted.

21 Notice of an annual meeting to be held at the time and place specified in sub-  
22 paragraph one of this section shall be sufficiently given if published at least once in each of  
23 four successive weeks in a newspaper of general circulation in the place in which the  
24 principal office of such insurer is located, and if so published no other notice of such  
25 meeting shall be required.

1 (4) The presence in person or by proxy of five *per centum* of the members entitled to vote at  
2 any meeting shall constitute a quorum for the transaction of business, **INCLUDING THE**  
3 **AMENDMENT OF THE ARTICLES OF INCORPORATION AND/OR THE BY-LAWS** unless  
4 otherwise provided by the by-laws.

5 (5) Each such member shall have one vote at any meeting of members regardless of the  
6 number of policies or the amount of insurance that such member holds and regardless of  
7 whether such policies are policies of life insurance, or of health and accident insurance, or  
8 both. Any member entitled to vote shall have the right to do so either in person or by an  
9 agent or agents authorized by a written proxy executed by such person or his duly  
10 authorized agent and filed with the secretary of such insurer.

11 (6) The directors of the insurer in office at the time the insurer is mutualized as provided in  
12 this chapter shall continue in office until the first annual meeting of members. At the first  
13 annual meeting of members and at each annual meeting thereafter directors shall be  
14 elected by the members for the term or terms authorized by this chapter.

15 (7) The articles of incorporation or the [bay]BY-laws may provide that the directors may be  
16 divided into two or more classes whose terms of office shall expire at different times, but no  
17 terms shall continue longer than six years. In the absence of such provisions, each director,  
18 except members of the board of directors at the time the insurer is mutualized, shall be  
19 elected for a term of one year. All directors shall hold office for a term for which they are  
20 elected and until their successors are elected and qualified. A director may, but need not be  
21 a member or policyholder of the insurer of which he is acting as director. Vacancies in the  
22 board of directors may be filled by a majority of the remaining directors, though less than a  
23 quorum, and each director so elected shall hold office until the next annual meeting.

1 (8) All insurers mutualized under the provisions of this chapter shall be subject to all other  
2 applicable provisions of this Code [and of the Corporation Law]. **THE PROVISIONS OF THE**  
3 **CORPORATION CODE SHALL APPLY IN A SUPPLEMENTARY MANNER.**

4 **Sec. [272] 279.** The provisions of Commonwealth Act No. 83, otherwise known as the  
5 *Securities Act*, as amended, shall not apply to any of the following:

6 (a) Shares of the capital stock of such insurer acquired as provided in section two  
7 hundred [sixty-six] **SEVENTY TWO** and assigned and transferred to the trustees as is  
8 provided in said section, and the assignment and transfer of said shares as so  
9 provided;

10 (b) Any certificate or other instrument issued to a policyholder of such mutualized  
11 insurer conferring or evidencing membership in such mutualized insurer or  
12 conferring or evidencing such member's right to participate in the profits or share in  
13 the assets of such mutualized insurer by the virtue of his membership therein, and  
14 the issuance of such certificate or other instrument;

15 (c) The plan for the acquisition of the outstanding shares of the capital stock of such  
16 insurer authorized by the provisions of this chapter, the submission of said plan to  
17 the Commissioner and to the policyholders of such insurer as provided in this  
18 chapter, and the approval and carrying out of said plan or any part thereof in  
19 accordance with the provisions of this chapter.

20 **SEC. 280. A DOMESTIC MUTUAL LIFE INSURANCE COMPANY DOING BUSINESS IN**  
21 **THE PHILIPPINES MAY CONVERT ITSELF INTO AN INCORPORATED STOCK LIFE INSURANCE**  
22 **COMPANY BY DEMUTUALIZATION. TO THAT END, IT MAY PROVIDE AND CARRY OUT A**  
23 **PLAN FOR THE CONVERSION BY COMPLYING WITH THE REQUIREMENTS OF THIS TITLE.**

1 THE CONVERSION OF A DOMESTIC MUTUAL LIFE INSURANCE COMPANY TO AN  
2 INCORPORATED STOCK LIFE INSURANCE COMPANY SHALL BE CARRIED OUT PURSUANT TO  
3 A CONVERSION PLAN DULY APPROVED BY THE COMMISSIONER.

4 THE COMMISSIONER SHALL PROMULGATE SUCH RULES AND REGULATIONS AS HE  
5 OR SHE MAY DEEM NECESSARY TO CARRY OUT THE PROVISIONS OF THIS TITLE, AFTER  
6 DUE CONSULTATION WITH REPRESENTATIVES OF THE INSURANCE INDUSTRY.

7 ALL CONVERTED INSURERS UNDER THE PROVISIONS OF THIS TITLE SHALL BE  
8 SUBJECT TO ALL OTHER APPLICABLE PROVISIONS OF CODE. THE PROVISIONS OF THE  
9 CORPORATION CODE SHALL APPLY IN A SUPPLEMENTARY MANNER.

10 Title 18

11 WITHDRAWAL OF FOREIGN INSURANCE COMPANIES

12 Sec. [273] 281. A foreign insurance company doing business in the Philippines, upon  
13 payment of the fee hereinafter prescribed and surrender to the Commissioner of its  
14 certificate of authority, may apply to withdraw from the Philippines. Such application shall  
15 be duly executed in writing, accompanied by evidence of due authority for such execution,  
16 properly acknowledged.

17 Sec. [274] 282 The Commissioner shall publish the application for withdrawal [daily  
18 for a period of one week in two] ONCE A WEEK FOR THREE CONSECUTIVE WEEKS IN A  
19 newspaper[s] of general circulation in the [City of Manila] PHILIPPINES. [, one in English and  
20 the other in Pilipino] The expenses of such publication shall be paid by the insurance  
21 company filing such application.

22 Sec. [275] 283. Every foreign insurance company desiring to withdraw from the  
23 Philippines shall, prior to such withdrawal, discharge its liabilities to policyholders and  
24 creditors in this country. In case of its policies insuring residents of the Philippines, it shall  
25 cause the primary liabilities under such policies to be reinsured and assumed by another

1 insurance company authorized to transact business in the Philippines. In the case of such  
2 policies as are subject to cancellation by the withdrawing company, it may cancel such  
3 policies pursuant to the terms thereof in lieu of such reinsurance and assumption of  
4 liabilities.

5       **Sec. [276] 284.** The Commissioner shall [make] **CAUSE** an examination of the books  
6 and records of the withdrawing company, and if, upon such examination, the Commissioner  
7 finds that the insurer has no outstanding liabilities to [residents of the Philippines]  
8 **POLICYHOLDERS AND CREDITORS IN THE PHILIPPINES, AND NO POLICIES UNCANCELLED;**  
9 **OR ITS PRIMARY LIABILITIES HAVE BEEN REINSURED OR ASSUMED BY ANOTHER**  
10 **INSURANCE COMPANY AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES, AS**  
11 **REQUIRED IN THE PRECEDING SECTION,** it shall cancel the withdrawing company's  
12 certificate of authority, if unexpired, and shall permit the insurer to withdraw. The cost and  
13 expenses of all such examination shall be paid as prescribed in section [four hundred  
14 seventeen] **THIRTY THREE.**

15       **Sec. [277] 285.** Upon the failure of such withdrawing insurance company or its  
16 agents in the Philippines to pay the expenses of such publication within thirty days after the  
17 presentation of the bill therefor, the Commissioner shall collect such fee from the deposit  
18 furnished in accordance with the provisions of section one hundred ninety-[one] **SEVEN.**

19       **Sec. [278] 286.** A foreign life insurance company that withdraws from the Philippines  
20 shall be considered a "*servicing insurance company*" if its business transactions are confined  
21 to accepting periodic premium payments from, or granting policy loans and paying cash  
22 surrender values of outstanding policies to, or reviving lapsed policies of, Philippine  
23 policyholders, and such other related services.

24       **Sec. [279] 287.** No company shall act as a servicing insurance company until after it  
25 shall have obtained a special certification of authority to act as such from the Commissioner

1 upon application therefor and payment by the company of the fees hereinafter prescribed.  
2 Such certificate shall expire on the last day of [June] **DECEMBER** of **THE THIRD** [each] year  
3 and shall be renewed [annually], while the company continues to service its policyholders,  
4 and to comply with all the applicable provisions of law and regulations.

5 Title 19

6 PROFESSIONAL REINSURERS

7 **Sec. [280] 288.** Except as otherwise provided in this Code, no [person,] partnership,  
8 association or corporation shall transact any business in the Philippines as a professional  
9 reinsurer until it shall have obtained a certificate of authority for that purpose from the  
10 Commissioner upon the application therefor and payment by such person, partnership,  
11 association or corporation of the fees hereinafter prescribed. As used in this Code, the term  
12 "*professional reinsurer*" shall mean any person, partnership, association or corporation that  
13 transacts solely and exclusively reinsurance business in the Philippines.

14 The Commissioner may refuse to issue a certificate of authority to any such [person,]  
15 partnership, association or corporation if, in his judgment, such refusal will best promote  
16 public interest. No such certificate of authority shall be granted to any such [person,]  
17 partnership, association or corporation unless and until the Commissioner shall have  
18 satisfied himself by such examination as he may make and such evidence as he may require  
19 that such [person,] partnership, association or corporation is qualified by the laws of the  
20 Philippines to transact business therein as a professional reinsurer.

21 Before issuing such certificate of authority, [of] the Commissioner must be satisfied  
22 that the name of the applicant is not that of any other known company transacting  
23 insurance or reinsurance business in the Philippines, or a name so similar as to be calculated  
24 to mislead the public.

1           Such certificate of authority shall expire on **DECEMBER 31** [the last day of June] of  
2 **THE THIRD** [each] year and shall be renewed [annually] if such person, partnership,  
3 association, or corporation is continuing to comply with provisions of this Code, or the  
4 circulars, instructions, rulings, or decisions of the Commissioner and such other pertinent  
5 law, rules and regulations.

6           Every such [person,] partnership, association, or corporation receiving such  
7 certificate of authority shall be subject to the provisions of this Code and other related laws,  
8 and to the jurisdiction and supervision of the Commissioner.

9           **Sec. [281] 289.** Any [person,] partnership, association, or corporation authorized to  
10 transact solely reinsurance business must have a [paid-up capital stock]  
11 **CAPITALIZATION** of at least [ten million] **TWO BILLION** pesos **PAID IN CASH** [twenty-  
12 *five per centum*] of which **AT LEAST FIFTY PER CENTUM CONSISTS OF PAID-UP CAPITAL**  
13 **AND THE REMAINING PORTION THEREOF AS CONTRIBUTED SURPLUS, WHICH IN NO CASE**  
14 **SHALL BE LESS THAN FOUR HUNDRED MILLION PESOS OR SUCH CAPITALIZATION AS MAY**  
15 **BE DETERMINED BY THE SECRETARY OF FINANCE, UPON THE RECOMMENDATION OF THE**  
16 **COMMISSIONER; PROVIDED, THAT TWENTY-FIVE PER CENTUM OF THE PAID-UP CAPITAL**  
17 must be invested in securities satisfactory to the Commissioner, consisting of bonds or  
18 other evidences of debt of the Government of the Philippines or its political subdivisions or  
19 instrumentalities, or of government-owned or *controlled corporations* and entities,  
20 including the [Central Bank of the Philippines] **BANGKO SENTRAL NG PILIPINAS**, and  
21 deposited with the Commissioner, and the remaining *seventy-five per centum* in such other  
22 securities as may be allowed and permitted by the Commissioner, which securities shall at  
23 all times be maintained free from any lien or encumbrance: *Provided, THAT THE AFORESAID*  
24 **CAPITAL REQUIREMENT IS WITHOUT PREJUDICE TO OTHER REQUIREMENTS TO BE**  
25 **IMPOSED UNDER ANY RISK BASED CAPITAL METHOD AND OTHER SOLVENCY STANDARDS**



1 **THAT MAY BE ADOPTED BY THE COMMISSIONER** [That reinsurers already doing business as  
2 such in the Philippines shall comply with the requirement of this section by increasing their  
3 respective capital as herein provided not later than December thirty-one, nineteen hundred  
4 eighty]: *Provided*,~~[Further]~~ **FINALLY**, That the provisions of this chapter applicable to  
5 insurance companies shall so far as practicable be likewise applicable to professional  
6 reinsurers. [(As amended by Presidential Decree No. 1455).]

7

8 Title 20

8

9 HOLDING COMPANIES

9

10 **Sec. [282] 290.** As used in this title, the following terms shall have the respective  
11 meanings hereinafter set forth unless the context shall otherwise require:

12 (a) "*Person*" means an individual, partnership, firm, association, corporation, trust,  
13 any similar entity or any combination of the foregoing acting in concert;

14 (b) "*Control*", including the terms "*controlling*", "*controlled by*" and "*under common*  
15 *control with*", means the possession directly or indirectly of the power to direct or  
16 cause the direction of the management and policies of a person, whether through  
17 the ownership of voting securities by a contract other than a commercial contract for  
18 goods or non-management services or otherwise. Subject to section two hundred  
19 [eight-four] **NINETY TWO**, control shall be presumed to exist if any person directly or  
20 indirectly owns, controls or holds with the power to vote forty per centum or more  
21 of the voting securities of any other person: *Provided*, That no person shall be  
22 deemed to control another person solely by reason of his being an officer or director  
23 of such other person;

24 (c) "*Holding company*" means any person who directly or indirectly controls any  
25 authorized insurer;

1 (d) "Controlled insurer" means an authorized insurer controlled directly or indirectly  
2 by a holding company;

3 (e) "Controlled person" means any person, other than a controlled insurer, who is  
4 controlled directly or indirectly by a holding company;

5 (f) "Holding company system" means a holding company together with its controlled  
6 insurers and controlled persons.

7 **Sec. [283] 291.** Notwithstanding paragraph (b) of section two hundred [eighty-two]  
8 **NINETY**, the Commissioner may determine after notice and opportunity to be heard, that a  
9 person exercises directly or indirectly either alone or pursuant to an agreement with one or  
10 more other persons such a controlling influence over the management or policies of an  
11 authorized insurer as to make it necessary or appropriate in the public interest or for the  
12 protection of policyholders or stockholders of the insurer that the person be deemed to  
13 control the insurer.

14 **Sec. [284] 292.** The Commissioner may determine upon application that any person,  
15 either alone or pursuant to agreement with one or more other persons, does not or will not  
16 upon the taking of some proposed action control another person. The filing of an  
17 application hereunder in good faith by any person shall relieve the applicant from any  
18 obligation or liability imposed by this title with respect to the subject of the application,  
19 except as contained in section [two] **THREE** hundred [ninety-four] **TWO**, until the  
20 Commissioner has acted upon the application. Within thirty days or such further period as  
21 he may prescribe, the Commissioner may prospectively revoke or modify his determination,  
22 after notice and opportunity to be heard, whenever in his judgment revocation or  
23 modification is consistent with his title.

24 **Sec. [285] 293.** Notwithstanding any other provisions of this title, the following shall  
25 not be deemed holding companies:

1 (a) authorized insurers or reinsurers or their subsidiaries;

2 (b) the Government of the Philippines, or any political subdivision, agency or  
3 instrumentality thereof, or any corporation which is wholly owned directly or  
4 indirectly by one or more of the foregoing.

5 The Commissioner may conditionally or unconditionally exempt any specified person  
6 or class of persons from any of the obligations or liabilities imposed under this title, if and to  
7 the extent he finds the exemption necessary to appropriate in the public interest or not  
8 adverse to the interests of policyholders or stockholders and consistent with the purposes  
9 of this title.

10 **Sec. [286] 294.** (1) Every person who on the date this Code takes effect is a  
11 controlled insurer and every person who thereafter becomes a controlled insurer, shall,  
12 within sixty days thereafter, or within thirty days after becoming a controlled insurer,  
13 whichever is later, register with the Commissioner. Such registration shall be amended  
14 within thirty days following any change in the identity of its holding company. The  
15 Commissioner may grant one or more reasonable extensions of the time to register.

16 (2) Every registrant shall furnish the Commissioner with the following information  
17 concerning its holding company: (a) a copy of its charter or articles of incorporation and its  
18 by-laws, (b) the identities of its principal shareholders, officers, directors and controlled  
19 persons, and (c) information as to its capital structure and financial condition, and a  
20 description of its principal business activities.

21 **Sec. [287] 295.** Every controlled insurer shall file with the Commissioner such reports  
22 or material as he may direct for the purpose of disclosing information concerning the  
23 operations of persons within the holding company system which may materially affect the  
24 operations, management or financial condition of the insurer.

1           **Sec. [288] 296.** Every holding company and every controlled person within a holding  
2 company system shall be subject to examination by order of the Commissioner if he has  
3 cause to believe that the operations of such persons may materially affect the operations,  
4 management or financial condition of any controlled insurer with the system and that he is  
5 unable to obtain relevant information from such controlled insurer. The grounds relied upon  
6 by the Commissioner for such examination shall be stated in his order, which order shall be  
7 subject to judicial review only at the instance of the person sought to be examined. Such  
8 examination shall be confined to matters specified in the order. The cost of such  
9 examination shall be assessed against the person examined and no portion thereof shall  
10 thereafter be reimbursed to it directly or indirectly by the controlled insurer.

11           **Sec. [289] 297.** The Commissioner shall keep the contents of each report made  
12 pursuant to this title and any information obtained by him in connection therewith  
13 confidential and shall not make the same public without the prior written consent of the  
14 controlled insurer to which it pertains unless the Commissioner after notice and an  
15 opportunity to be heard shall determine that the interests of policyholders, stockholders or  
16 the public will be served by the publication thereof. In any action or proceeding by the  
17 Commissioner against the person examined or any other person within the same holding  
18 company system a report of such examination published by him shall be admissible as  
19 evidence of the facts stated therein.

20           **Sec. [290] 298.** Transactions within a holding company system to which a controlled  
21 insurer is a party shall be subject to the following:

22           (a) The terms shall be fair and equitable;

23           (b) Charges or fees for services performed shall be reasonable;

1 (c) expenses incurred and payments received shall be allocated to the insurer on an  
2 equitable basis in conformity with customary insurance accounting practices  
3 consistently applied.

4 The books, accounts and records of each party to all such transactions shall be  
5 maintained as to clearly and accurately disclose the nature and details of the transactions  
6 including such accounting information as is necessary to support the reasonableness of the  
7 charges or fees to the respective parties.

8 **Sec. [291] 299.** The prior written approval of the Commissioner shall be required for  
9 the following transactions between a controlled insurer and any person in its holding  
10 company system: sales, purchases, exchanges, loans or extensions of credit, or investments,  
11 involving five per centum or more of the insurer's admitted assets as of the thirty-first day  
12 of December next preceding.

13 **Sec. [292] 300.** The following transactions between a controlled insurer and any  
14 person in its holding company system may not be entered into unless the insurer has  
15 notified the Commissioner in writing of its intention to enter into any such transaction at  
16 least thirty days prior thereto, or such shorter period as he may permit, and he has not  
17 disapproved it within such period:

18 (a) sales, purchases, exchanges, loans or extensions of credit, or investments,  
19 involving more than one-half of one per centum but less than five per centum of the  
20 insurer's admitted assets as of the thirty-first day of December next preceding;

21 (b) reinsurance treaties or agreements;

22 (c) rendering of services on a regular or systematic basis; or

23 (d) any material transaction, specified by regulation, which the Commissioner  
24 determines may adversely affect the interest of the insurer's policyholders or  
25 stockholders or of the public.

1           Nothing herein contained shall be deemed to authorize or permit any transaction  
2 which, in the case of a non-controlled insurer, would be otherwise contrary to law.

3           **Sec. [293] 301.** The Commissioner, in reviewing transactions pursuant to sections  
4 two hundred ninety-[one] **NINE** and **THREE** [two] hundred [ninety-two], shall consider  
5 whether the transactions comply with the standard set forth in section two hundred ninety  
6 **EIGHT** and whether they may adversely affect the interests of policyholders. This section  
7 shall not apply to transactions subject to other sections of this Code which impose notice or  
8 approval requirements greater than those prescribed by this title.

9           **Sec. [294] 302. (1)** No person, other than an authorized insurer, shall acquire control  
10 of any domestic insurer, whether by purchase of its securities or otherwise, except (a) after  
11 twenty days written notice to its insurer or such shorter period as the Commissioner may  
12 permit, of its intention to acquire control, and (b) with the prior written approval of the  
13 Commissioner.

14 (2) The Commissioner shall disapprove the acquisition of control of a domestic insurer if he  
15 determines, after notice and an opportunity to be heard, that such action is reasonably  
16 necessary to protect the interest of the people of this country. The following shall be the  
17 only factors to be considered by him in reaching the foregoing determination:

- 18           (a) the financial condition of the acquiring person or and the insurer;
- 19           (b) the trustworthiness of the acquiring person or any of its officers or directors;
- 20           (c) a plan for the proper and effective conduct of the insurer's operations;
- 21           (d) the source of the funds or assets for the acquisition;
- 22           (e) the fairness of any exchange of stock, assets, cash or other consideration for the  
23 stock or assets to be received;
- 24           (f) whether the effect of the acquisition may be substantially to lessen competition in  
25 any line of commerce in insurance or to tend to create a monopoly therein; and

1 (g) whether the acquisition is likely to be hazardous or prejudicial to the insurer's  
2 policyholders or stockholders.

3 (3) The following conditions affecting any controlled insurer, regardless of when such  
4 control has been acquired, are violations of this title: (a) the controlling person or any of its  
5 officers or directors have demonstrated untrustworthiness; and (b) the effect of retention of  
6 control may be substantially to lessen competition in any line of commerce in insurance in  
7 this country or to tend to create a monopoly therein. If, after notice and an opportunity to  
8 be heard, the Commissioner determines that any of the foregoing violations exists, he shall  
9 reduce his findings to writing and shall issue an order based thereon and cause the same to  
10 be served upon the insurer and upon all persons affected thereby directing any person  
11 found to be in violation thereof to take appropriate action to cure such violation. Upon the  
12 failure of any such person to comply with such order, section [two] **THREE** hundred [ninety-  
13 eight] **SIX** shall become applicable.

14 (4) The Commissioner may require the submission of such information as he deems  
15 necessary to determine whether any acquisition or retention of control complies with this  
16 title and may require, as a condition of approval of such acquisition or retention of control,  
17 that all or any portion of such information be disclosed to the insurer's stockholders.

18 (5) Unless subject to registration under section two hundred [eighty-six] **NINETY FOUR** or  
19 unless acquisition of its control is subject to paragraphs one and two hereof, every  
20 authorized insurer shall [, on or before the first day of July, nineteen hundred seventy-five,  
21 or within thirty days after any event requiring notice hereunder, whichever is later,] notify  
22 the Commissioner in writing of the identity of any person whom the insurer then knows or  
23 has reason to believe controls or has taken any action, other than preliminary negotiations  
24 or discussion, to acquire control of the insurer.

1           **Sec. [295] 303. (1)** Notwithstanding the control of an authorized insurer by any  
2 person, the officers and directors of the insurer shall not thereby be relieved of any  
3 obligation or liability to which they would otherwise be subject by law, and the insurer shall  
4 be managed so as to assure its separate operating identity consistent with this title.

5           **(2)** Nothing herein shall preclude an authorized insurer from having or sharing a common  
6 management or cooperative or joint use of personnel, property or services with one or  
7 more other persons under arrangements meeting the standards of section two hundred  
8 ninety **EIGHT**.

9           **Sec. [296] 304.** To the extent that any information or material is set forth in forms or  
10 other matter on file with any government agency or in a registration form filed with the  
11 Commissioner by another person within the same holding company system, the controlled  
12 insurer may comply with the registration or reporting requirements of this title by referring  
13 in its registration form or report to such other filed matter and attaching a copy thereof  
14 certified by the insurer as a true and complete copy, to such registration form or report or, if  
15 such other filed matter is on file with the Commissioner, incorporating such matter by  
16 reference.

17           **Sec. [297] 305.** No holding company or controlled person shall directly or indirectly  
18 or through another person do or cause to be done for or in behalf of the controlled insurer  
19 any act intended to affect the insurance operations of the insurer which, if done by the  
20 insurer, would violate any provision of this Code.

21           **Sec. [298] 306.** In addition to any other penalty provided by law, the Commissioner  
22 may, upon the willful failure of any person within a holding company system to comply with  
23 this title or any regulation or order promulgated hereunder:

24           (a) proceed under title fourteen or title fifteen, Chapter III, of this Code with respect  
25 to insurer within the holding company system; or



1 (b) revoke or refuse to renew the authority to do business in this country of an  
2 insurer within the holding company system or refuse to issue such authority to any  
3 other insurer in the system; or

4 (c) direct that, in addition to any other penalty provided by law, such person forfeit  
5 to the people of this country a sum not **LESS THAN** [exceeding] five **THOUSAND**  
6 [hundred] pesos for a first violation and **TWENTY FIVE** [two] thousand [five hundred]  
7 pesos for any subsequent violation. An additional sum not **LESS THAN TWENTY FIVE**  
8 [exceeding two] thousand [five hundred] pesos shall be imposed for each month  
9 during which any such violation shall continue.

10 Chapter IV

11 SALES AGENCIES AND TECHNICAL SERVICES

12 Title 1

13 INSURANCE AGENTS AND INSURANCE BROKERS

14 **Sec. [299] 307.** No insurance company doing business in the Philippines, nor any  
15 agent thereof, shall pay any commission or other compensation to any person for services  
16 in obtaining insurance, unless such person shall have first procured from the Commissioner  
17 a license to act as an insurance agent of such company or as an insurance broker as  
18 hereinafter provided.

19 No person shall act as an insurance agent or as an insurance broker in the solicitation  
20 or procurement of applications for insurance, or receive for services in obtaining insurance,  
21 any commission or other compensation from any insurance company doing business in the  
22 Philippines, or any agent thereof, without first procuring a license to act from the  
23 Commissioner, which must be renewed [annually on the first day of January, or within six  
24 months thereafter] **EVERY THREE (3) YEARS ON THE BIRTH MONTH OF THE INSURANCE**  
25 **AGENT AND EVERY THREE (3) YEARS THEREAFTER.** Such license shall be issued by the

1 Commissioner only upon the written application of the person desiring it, such application if  
2 for a license to act as insurance agent, being approved and countersigned by the company  
3 such person desires to represent, and shall be upon a form prescribed by the Commissioner  
4 giving such information as he may require, and upon payment of the corresponding fee  
5 hereinafter prescribed. The Commissioner shall satisfy himself as to competence and  
6 trustworthiness of the applicant and shall have the right to refuse to issue or renew and to  
7 suspend or revoke any such license in his discretion. No such license shall be valid, **AFTER**  
8 **THE DATE OF ITS EXPIRATION ON THE THIRD YEAR** [after the thirtieth day of June of the  
9 year] following its issuance unless **OTHERWISE** [it is] renewed. [(As amended by  
10 Presidential Decree No. 1455).]

11 **LICENSES MAY BE RENEWED IN THE CASE OF THE COMPANY REPRESENTED BY**  
12 **SUCH AGENTS, AND IN THE CASE OF INSURANCE BROKERS, UPON THE APPLICATION OF**  
13 **THE SAID BROKERS, THEMSELVES.**

14 **SEC. 307-A. THE PROVISIONS OF SECTIONS 307 AND 308 SHALL APPLY TO AN**  
15 **EMPLOYEE WHO SHALL BE ENGAGED TO SELL INSURANCE PRODUCTS BY AN INSURANCE**  
16 **COMPANY.**

17 **SINCE THE INSURANCE INDUSTRY IS IMBUEW WITH PUBLIC INTEREST, THE**  
18 **INSURANCE COMPANIES UPON APPROVAL OF THE COMMISSIONER MAY EXERCISE WIDE**  
19 **LATITUDE IN SUPERVISING THE ACTIVITIES OF THEIR INSURANCE AGENTS TO ENSURE THE**  
20 **PROTECTION OF THE INSURING PUBLIC.**

21 **Sec. [300] 308.** Any person who for compensation solicits or obtains insurance on  
22 behalf of any insurance company or transmits for a person other than himself an application  
23 for a policy or contract of insurance to or from such company or offers or assumes to act in  
24 the negotiating of such insurance shall be an insurance agent within the intent of this

1 section and shall thereby become liable to all the duties, requirements, liabilities and  
2 penalties to which an insurance agent is subject.

3 **Sec. [301] 309.** Any person who for any compensation, commission or other thing of  
4 value acts or aids in any manner in soliciting, negotiating or procuring the making of any  
5 insurance contract or in placing risk or taking out insurance, on behalf of an insured other  
6 than himself, shall be an insurance broker within the intent of this Code, and shall thereby  
7 become liable to all the duties, requirements, liabilities and penalties to which an insurance  
8 broker is subject.

9 **Sec. [302] 310.** Every applicant for an insurance broker's license shall file with the  
10 application and shall thereafter maintain in force while so licensed, a bond in favor of the  
11 people of the Republic of the Philippines executed by a company authorized to become  
12 surety upon official recognizances, stipulations, bonds and undertakings. The bond shall be  
13 in such amount as may be fixed by the Commissioner, but in no case less than [one] FIVE  
14 hundred thousand pesos, and shall be conditioned upon full accounting and due payment to  
15 the person entitled thereto of funds coming into the broker's possession through insurance  
16 transactions under license. The bond shall remain in force until released by the  
17 Commissioner, or until cancelled by the surety. Without prejudice to any liability previously  
18 incurred thereunder, the surety may cancel the bond on thirty days advance written notice  
19 to both the broker and the Commissioner.

20 Upon approval of the application, the applicant must also file two errors and  
21 omissions (professional liability or professional indemnity) policies issued separately by two  
22 insurance companies authorized to do business in the Philippines, satisfactory to the  
23 Commissioner to indemnify the applicant against any claim or claims for breach of duty as  
24 insurance broker which may be made against him by reason of any negligent act, error or  
25 omission, whenever or wherever committed or alleged to have been committed, on the part

1 of the applicant or any person who has been, is now, or may hereafter during the  
2 subsistence of the policies be employed by the said applicant in his capacity as insurance  
3 broker, provided that the filing of any claim or claims under one of such policies shall  
4 preclude the filing of the said claim or claims under the other policy. The said policies shall  
5 be in such amounts as may be prescribed by the [Insurance] Commissioner, depending upon  
6 the size or amount of the broking business of the applicant, but in no case shall the amount  
7 of each of such policies be less than five hundred thousand pesos. [(As amended by  
8 Presidential Decree No. 1455).]

9       **Sec. [303] 311.** The Commissioner shall, in order to determine the competence of  
10 every applicant have the kind of license applied for, require such applicant to submit to a  
11 written examination and to pass the same to the satisfaction of the Commissioner. [Such  
12 examination shall be held at such times and places as the Commissioner shall from time to  
13 time determine.] **THE COMMISSIONER MAY DELEGATE OR AUTHORIZE THE**  
14 **ADMINISTRATION OF THE EXAMINATION TO AN INDEPENDENT ORGANIZATION, SUBJECT**  
15 **TO SUCH CONDITIONS THAT THE COMMISSIONER MAY PROVIDE.**

16       **Sec. [304] 312.** An applicant for the written examination mentioned in the preceding  
17 section must be of good moral character and must not have been convicted of any crime  
18 involving moral turpitude. He must satisfactorily show to the Commissioner that he has  
19 been trained in the kind of insurance contemplated in the license applied for. Such  
20 examination may be waived if it is shown to the satisfaction of the Commissioner that the  
21 applicant has undergone extensive education and/or training in insurance.

22       **Sec. [305] 313.** An application for the issuance or renewal of a license to act as an  
23 insurance agent or insurance broker may be refused, or such license, if already issued or

1 renewed, shall be suspended or revoked if the Commissioner finds that the applicant for, or  
2 holder of, such license:

3 (a) has willfully violated any provision of this Code; or

4 (b) has intentionally made a material misstatement in the application to qualify for  
5 such license; or

6 (c) has obtained or attempted to obtain a license by fraud or misrepresentation; or

7 (d) has been guilty of fraudulent or dishonest practices; or

8 (e) has misappropriated or converted to his own use or illegally withheld moneys  
9 required to be held in a fiduciary capacity;

10 (f) has not demonstrated trustworthiness and competence to transact business as an  
11 insurance agent or insurance broker in such manner as to safeguard the public; or

12 (g) has materially misrepresented the terms and conditions of policies or contracts of  
13 insurance which he seeks to sell or has sold; or

14 (h) has failed to pass the written examination prescribed, if not otherwise exempt  
15 from taking the same.

16 In addition to the foregoing causes, no license to act as insurance agent or insurance broker  
17 shall be renewed if the holder thereof has not been actively engaged as such agent or  
18 broker in accordance with such rules as the Commissioner may prescribe. [(As amended by  
19 Presidential Decree No. 1814).]

20 **Sec. [306] 314.** The premium, or any portion thereof, which an insurance agent or  
21 insurance broker collects from an insured and which is to be paid to an insurance company  
22 because of the assumption of liability through the issuance of policies or contracts of  
23 insurance, shall be held by the agent or broker in a fiduciary capacity and shall not be  
24 misappropriated or converted to his own use or illegally withheld by the agent or broker.

1 Any insurance company which delivers to an insurance agent or insurance broker a  
2 policy or contract of insurance shall be deemed to have authorized such agent or broker to  
3 receive on its behalf payment of any premium which is due on such policy or contract of  
4 insurance at the time of its issuance or delivery or which becomes due thereon.

5 **Sec. [307] 315.** Any provision of existing laws to the contrary notwithstanding, no  
6 person shall, within the Philippines, sell or offer for sale a variable contract or do or perform  
7 any act or thing in the sale, negotiation, making or consummating of any variable contract  
8 other than for himself unless such person shall have a valid and current license from the  
9 Commissioner authorizing such person to act as a variable contract agent. No such license  
10 shall be issued unless and until the Commissioner is satisfied, after examination that such  
11 person is by training, knowledge, ability and character-qualified to act as such agent. Any  
12 such license may be withdrawn and cancelled by the Commissioner after notice and hearing,  
13 if he shall find that the holder thereof does not then have the qualifications required for the  
14 issuance of such license.

15 **Sec. [308] 316.** It shall be unlawful for any person, company or corporation in the  
16 Philippines to act as general agent of any insurance company unless he is empowered by a  
17 written power of attorney duly executed by such insurance company, and registered with  
18 the Commissioner to receive notices, summons and legal processes for and in behalf of the  
19 insurance company concerned in connection with actions or other legal proceedings against  
20 said insurance company. It shall be the duty of said general agent to notify the  
21 *Commissioner of his post office address in the Philippines, or any change thereof. Notices,*  
22 *summons, or processes of any kind sent by registered mail to the last registered address of*  
23 *such general agent of the company concerned or to the Commissioner shall be sufficient*  
24 *service and deemed as if served on the insurance company itself.*









1 to amounts of retentions, under which such risks are to be accepted by the company, unless  
2 such underwriter is registered as such with the Commissioner.

3 **Sec. [319] 327.** Every non-life insurance company doing business in the Philippines  
4 must maintain at all times a register of risks accepted and a claims register for each line of  
5 risks engaged in by such non-life insurance company with such entries therein as are now or  
6 as may hereafter be required by the Commissioner, and it shall be the responsibility of the  
7 underwriter on the particular line or risk involved to see to it that the said registers are well  
8 maintained and kept, and that all entries therein are properly and correctly recorded. Such  
9 registers shall be open to inspection and examination of duly authorized representative of  
10 the Commissioner at all times during business hours.

11 **Sec. [320] 328.** No person shall be registered with the Commissioner, unless such  
12 person shall be at least twenty-one years of age on the date of such registration; a resident  
13 of the Philippines; of good moral character and with no conviction of any crime involving  
14 moral turpitude; has had at the time such registration is made at least two years of  
15 underwriting work in the particular line or risk involved; and has passed such qualifying  
16 written examination that the Commissioner shall conduct at such time and in such place as  
17 he may decide to hold for applicants desiring to act as underwriters.

18 Such examination shall not be required of any person who has served as non-life  
19 company underwriter for a period of at least five years, if the Commissioner is satisfied of  
20 the applicant's competence as shown by the results of his underwriting work in the non-life  
21 insurance company or companies that employed him in that capacity. The minimum  
22 underwriting experience herein required may be reduced or waived if it is shown to the  
23 satisfaction of the Commissioner that the non-life company underwriter has undergone  
24 extensive education and/or training in insurance.



1 association or corporation, at least sixty per centum of its capital must be owned by citizens  
2 of the Philippines.

3 **Sec. [324] 332.** An adjuster may be an independent adjuster or a public adjuster.

4 The term "*independent adjuster*" means any person, partnership, association or  
5 corporation which, for money, commission or any other thing of value, acts for or on behalf  
6 of an insurer in the adjusting of claims arising under insurance contracts or policies issued by  
7 such insurer.

8 The term "*public adjuster*" means any person, partnership, association or  
9 corporation which, for money, commission or any other thing of value, acts on behalf of an  
10 insured in negotiating for, or effecting, the settlement of a claim or claims of the said  
11 insured arising under insurance contracts or policies, or which advertises for or solicits  
12 employment as an adjuster of such claims.

13 **Sec. [325] 333.** For every line of insurance claim adjustment, adjusters shall be  
14 licensed either as independent adjusters or as public adjusters. No adjuster shall act on  
15 behalf of an insurer unless said adjuster is licensed as an independent adjuster; and no  
16 adjuster shall act on behalf of an insured unless said adjuster is licensed as a public adjuster:  
17 *Provided, however,* That when a firm or person has been licensed as public adjuster, he shall  
18 not be granted another license as independent adjuster and *vice versa*.

19 No license, however, shall be required of any company adjuster who is a salaried  
20 employee of an insurance company for the adjustment of claims filed under policies issued  
21 by such insurance company.

22 **Sec. [326] 334.** Such license or any renewal thereof may be issued by the  
23 Commissioner upon written application filed by the person interested on the form or forms  
24 prescribed by the Commissioner, which shall contain such information as he may require,  
25 and upon payment of the corresponding fee hereinafter prescribed.

1           **Sec. [327] 335.** The Commissioner shall conduct, at such times, and in such places as  
2 he may decide to hold, written examinations to determine the competence and ability of  
3 applicants desiring to act as adjuster of insurance claims.

4           **Sec. [328] 336.** [Every] **NO** adjuster's license issued hereunder shall be valid **AFTER**  
5 **DECEMBER 31** [until after the thirtieth day of June] of the **THIRD** year following the issuance  
6 of such license unless it is renewed. [(As amended by Presidential Decree No. 1455).]

7           **Sec. [329] 337.** Nothing contained in this title shall apply to any duly licensed  
8 attorney-at-law who acts or aids in adjusting insurance claims as an incident to the practice  
9 of his profession and who does not advertise himself as an adjuster.

10           **Sec. [330] 338.** The Commissioner may suspend or revoke any adjuster's license if,  
11 after giving notice and hearing to the adjuster concerned, the Commissioner finds that the  
12 said adjuster:

13           (1) has violated any provision of this Code and of the circulars, rulings and  
14 instructions of the Commissioner or has violated any law in the course of his dealings  
15 as an adjuster; or

16           (2) has made a material misstatement in the application for such license; or

17           (3) has been guilty of fraudulent or dishonest practices; or

18           (4) has demonstrated his incompetence or untrustworthiness to act as adjuster; or

19           (5) has made patently unjust valuation of loss; or

20           (6) has failed to make a report of the adjustment he proposed within sixty days from  
21 the date of the filing of the claim by the insured with the insurer, unless prevented  
22 so to do by reasons beyond his control; or

23           (7) has refused to allow an examination into his affairs or method of doing business  
24 as hereinafter provided.

1           **Sec. [331] 339.** Every adjuster shall submit to the Commissioner a quarterly report of  
2 all losses which are the subject of adjustment effected by him during each month in the  
3 form prescribed by the Commissioner. The report shall be filed within one month after the  
4 end of each quarter.

5           **Sec. [332] 340.** Every adjuster shall keep his or its books, records, reports, accounts,  
6 and vouchers in such manner that the Commissioner or his duly authorized representatives  
7 may readily verify the quarterly reports of the said adjuster and ascertain whether the said  
8 adjuster has complied with the provisions of law or regulations obligatory upon him or  
9 whether the method of doing business of the said adjuster has been fair, just and honest.

10           **Sec. [333] 341.** The Commissioner shall, at least once a year and whenever he  
11 considers the public interest so demands, cause an examination to be made into the affairs  
12 and method of doing business of every adjuster.

13           **Sec. [334] 342.** Any violation of any provision of this title shall be punished by a fine  
14 of not LESS (more) than ten thousand pesos, or by imprisonment in the discretion of the  
15 court; Provided, That, in case of a partnership, association or corporation, the said penalty  
16 shall be imposed upon the partner, president, manager, managing director, director or  
17 person in charge of its business or responsible for the violation.

18

19

## Title 6

20

### ACTUARIES

21           **Sec. [335] 343.** No life insurance company shall be licensed to do business in the  
22 Philippines nor shall any life insurance company doing business in the Philippines be allowed  
23 to continue doing such business unless they shall engage the services of an actuary duly  
24 accredited with the Commissioner who shall, during his tenure of office, be directly  
25 responsible for the direction and supervision of all actuarial work connected with or that

1 may be involved in the business of the insurance company. **THE COMMISSIONER MAY ALSO**  
2 **REQUIRE NON-LIFE INSURANCE COMPANIES TO ENGAGE THE SERVICES OF AN**  
3 **ACCREDITED ACTUARY, IN ACCORDANCE WITH THE RULES AND REGULATIONS THAT THE**  
4 **COMMISSIONER WILL FORMULATE.**

5 **Sec. [336] 344.** Any person may be officially accredited by the Commissioner to act  
6 as any actuary in any life insurance company, **NON-LIFE INSURANCE COMPANY** or in any  
7 mutual benefit association authorized to do business in the Philippines upon application  
8 therefor and the payment of the corresponding fee hereinafter prescribed: *Provided, That:*  
9 (1) he is a fellow of good standing of the Actuarial Society of the Philippines at the time of  
10 his appointment and remains in such good standing during the tenure of his engagement; or  
11 (2) in the case of one who is not a fellow of the Actuarial Society of the Philippines, he meets  
12 all the requirements of the said Society for accreditation as a fellow of the Society, and has  
13 been given permission by the pertinent government authorities in the Philippines to render  
14 services in the Philippines, in the event that he is not a citizen of the Philippines.

15 No certificate of registration issued under this title shall be valid after **DECEMBER 31**  
16 [the thirtieth day of June] of the **THIRD** year following its issuance unless it is renewed. [(As  
17 amended by Presidential Decree No. 1455).]

18 **Sec. [337] 345.** The following documents, which are from time to time submitted to  
19 the Commissioner by a life insurance company authorized to do business in the Philippines,  
20 shall be duly certified by an accredited actuary employed by such company:

- 21 1. Policy reserves, **CLAIMS OR LOSS RESERVES** and net due and deferred premiums.
- 22 2. Statements of bases and net premiums, loading for gross premiums, and on non-  
23 forfeiture values and reserves, when applying for approval of gross premiums,  
24 reserves and non-forfeiture values.

1 3. Policies of insurance under any plan submitted to the Commissioner as required  
2 by law.

3 4. Annual statements and valuation reports submitted to the Commissioner as  
4 required by law.

5 5. Financial projection showing the *probable income and outgo* and reserve  
6 requirements, enumerating the actuarial assumptions and bases of projections.

7 6. Valuation of annuity funds or retirement plans.

8 **THE COMMISSIONER MAY ALSO REQUIRE NON-LIFE INSURANCE COMPANIES TO**  
9 **SUBMIT, FROM TIME TO TIME, SIMILAR DOCUMENTS WHICH SHALL BE DULY CERTIFIED BY**  
10 **AN ACCREDITED ACTUARY EMPLOYED BY SUCH COMPANY.**

11 Any life insurance company authorized to do business in the Philippines may employ  
12 any person who is not officially accredited under either of the qualifications for any kind of  
13 actuarial work, provided that he shall not, at any time, have the authority to certify to the  
14 correctness of the foregoing documents.

15 **Sec. [338] 346.** No accredited actuary shall serve more than one client or employer  
16 at the same time. However, one already in the employ of an insurance company may be  
17 allowed by the Commissioner to serve a mutual benefit association or any other insurance  
18 company, provided the following conditions are first complied with: (a) that the request to  
19 engage his services by the other employer is in writing; (b) that his present employer  
20 acquiesced to it in writing; and (c) that he furnishes the Commissioner with copies of said  
21 request and acquiescence.

22 **SEC. 347. THE REGISTRATION OF THE ACTUARY MAY BE SUSPENDED OR**  
23 **REVOKED BY THE COMMISSIONER AFTER DUE NOTICE AND HEARING BASED ON THE**  
24 **FOLLOWING GROUNDS:**



- 1 1. FAILURE TO ADEQUATELY PERFORM HIS REQUIRED FUNCTIONS AND DUTIES
- 2 UNDER THIS CODE;
- 3 2. FAILURE TO DISCLOSE CONFLICT OF INTEREST;
- 4 3. FAILURE TO COMPLY WITH THE CODE OF CONDUCT OF THE ACTUARIAL SOCIETY OF
- 5 THE PHILIPPINES; OR
- 6 4. SUCH OTHER GROUNDS THAT MAY BE DETERMINED BY THE COMMISSIONER.

7 NO ACTUARY ENGAGED BY A LIFE INSURANCE COMPANY SHALL BE AT THE SAME TIME A  
8 MAJORITY OR CONTROLLING STOCKHOLDER OR SERVE AS A CHIEF EXECUTIVE OFFICER OF  
9 THE COMPANY OR ANY POSITION THAT THE COMMISSIONER MAY DETERMINE TO HAVE  
10 AN INHERENT CONFLICT OF INTEREST TO THE POSITION OF AN ACTUARY.

11 Title 7

12 RATING ORGANIZATION AND RATE MAKING

13 Sec. [339] 348. Every organization which now exists or which may hereafter be  
14 formed for the purpose of making rates to be used by more than one insurance company  
15 authorized to do business in the Philippines shall be known as a "rating organization." The  
16 term "rate" as used in this title shall generally mean the ratio of the premium to the amount  
17 insured and shall include, as the context may require, either the consideration to be paid or  
18 charged for insurance contracts, including surety bonds, or the elements and factors  
19 forming the basis for the determination or application of the same, or both.

20 Sec. [340] 349. Every rating organization which now exists or which may hereafter be  
21 formed shall be subject to the provisions of this title.

22 Sec. [341] 350. No rating organization hereafter formed shall commence rate-  
23 making operations until it shall have obtained a license from the Commissioner. Before  
24 obtaining such license, such rating organization shall file with the Commissioner a notice of  
25 its intention to commence rate-making operations, a copy of its constitution, articles of

1 agreement or association, or of incorporation, and its by-laws, a list of insurance companies  
2 that have agreed to become members or subscribers, and such other information  
3 concerning such rating organization and its operations as may be required by the  
4 Commissioner. If the Commissioner finds that the organization has complied with the  
5 provisions of law and that it has a sufficient number of members or subscribers and is  
6 otherwise qualified to function as a rating organization, the Commissioner may issue a  
7 license to such rating organization authorizing it to make rates for the kinds of insurance or  
8 subdivisions thereof as may be specified in such license. No license issued to a rating  
9 organization shall be valid after **DECEMBER 31** [the thirtieth day of June] of the **THIRD** year  
10 following its issuance unless it is renewed. No rating organization which now exists and is  
11 not licensed pursuant to this section shall continue rate-making operations until it shall have  
12 obtained from the Commissioner a license which he may issue if satisfied that such  
13 organization is complying with the provisions of this title. Every rating organization shall  
14 notify the Commissioner promptly of every change in (1) its constitution, its articles of  
15 agreement or association or its certificate of incorporation, and its by-laws rules and  
16 regulations governing the conduct of its business, and (2) its list of members and  
17 subscribers.

18 A "*member*" means an insurer who participates in or is entitled to participate in the  
19 management of a rating organization.

20 A "*subscriber*" means an insurer which is furnished at its request with rates and  
21 rating manuals by a rating organization of which it is not a member. [(As amended by  
22 Presidential Decree No. 1455).]

23 **Sec. [342] 351.** Each rating organization shall furnish its rating service without  
24 discrimination to all of its members and subscribers, and shall, subject to reasonable rules  
25 and regulations, permit any insurance company doing business in the Philippines, not

1 admitted to membership, to become a subscriber to its rating services for any kind of  
2 insurance or subdivisions thereof. Notice of proposed changes in such rules and regulations  
3 shall be given to subscribers. The reasonableness of any rule or regulation in its application  
4 to subscribers, or the refusal of any rating organization to admit an insurance company as a  
5 subscriber, shall, at the request of any subscriber or any such insurance company, be  
6 reviewed by the Commissioner at a hearing held upon at least ten days' written notice to  
7 such rating organization and to such subscriber or insurance company. The Commissioner  
8 may, after such hearing, issue an appropriate order.

9       **Sec. [343] 352.** No rating organization or any other association shall refuse to do  
10 business with, or prohibit or prevent the payment of commissions to, any person licensed as  
11 an insurance broker pursuant to the provisions of title one of this chapter.

12       **Sec. [344] 353.** Rating organization shall be subject to examination by the  
13 Commissioner, as often as he may deem such examination expedient, pursuant to the  
14 provisions of this Code applicable to the examination of insurance companies. He shall  
15 cause such an examination of each rating organization to be made at least once in every five  
16 years.

17       **Sec. [345] 354.** The Commissioner may suspend or revoke the license of any rating  
18 organization which fails to comply with his order within the time limited by such order, or  
19 any extension thereof which he may grant. The Commissioner may determine when a  
20 suspension of license shall become effective and it shall remain in effect for the period fixed  
21 by him, unless he modifies or rescinds such suspension.

22       **Sec. [346] 355.** Any rating organization may subscribe for or purchase actuarial,  
23 technical or other services, and such services shall be available to all members and  
24 subscribers without discrimination.

1           **Sec. [347] 356.** Any rating organization may provide for the examination of policies,  
2 daily reports, binders, renewal certificates, endorsements or other evidences of insurance,  
3 or the cancellation thereof, and may make reasonable rules governing their submission.  
4 Such rules shall contain a provision that in the event an insurance company does not within  
5 sixty days furnish satisfactory evidence to the rating organization of the correction of any  
6 error or omission previously called to its attention by the rating organization, it shall be the  
7 duty of the rating organization to notify the Commissioner thereof. All information so  
8 submitted for examination shall be confidential.

9           **Sec. [348] 357.** Cooperation among rating organizations or among rating  
10 organizations and insurers in rate making or in other matters within the scope of this title is  
11 hereby authorized, provided the filings resulting from such cooperation are subject to all  
12 provisions of this title which are applicable to filings generally. The Commissioner may  
13 review such cooperative activities and practices and if he finds that any such activity or  
14 practice is unfair or unreasonable or otherwise inconsistent with the provisions of this title,  
15 he may issue a written order specifying in what respects such activity or practice is unfair or  
16 unreasonable or otherwise inconsistent with the provisions of this title, and requiring the  
17 discontinuance of such activity or practice.

18           **Sec. [349] 358.** Every rating organization and every insurance company which makes  
19 and files its own rates, shall make rates for all risks rated by such organization or insurance  
20 company in accordance with the following provisions:

21           (a) Basic classification, manual, minimum, class, or schedule rates or rating plans,  
22 shall be made and adopted for all such risks. Any departure from such rates shall be  
23 in accordance with schedules, rating plans and rules filed with the Commissioner;

24           (b) Rates shall be reasonable and adequate for the class of risks to which they apply;

1 (c) No rate shall discriminate unfairly between risks involving essentially the same  
2 hazards and expense elements or between risks in the application of like charges and  
3 credits;

4 (d) Consideration shall be given to the past and prospective loss experience,  
5 including the conflagration and catastrophe hazards, if any, to all factors reasonably  
6 attributable to the class of risks, to a reasonable profit, to commissions paid during  
7 the most recent annual period and to past and prospective other expenses. In case  
8 of fire insurance rates, consideration shall be given to the experience of the fire  
9 insurance business during a period of not less than five years next preceding the  
10 year in which the review is made;

11 (e) Risk may be grouped by classifications for the establishment of rates and  
12 minimum premiums. Classification rates may be modified to produce rates for  
13 individual risks in accordance with rating plans which establish standards for  
14 measuring variations in hazards or expense provisions, or both. Such standards may  
15 measure any difference among risks that can be demonstrated to have a probable  
16 effect upon losses or expenses.

17 **Sec. [350] 359.** No rating organization and no insurance company which makes and  
18 files its own rates shall make or promulgate any rate or schedule of rates which is to be  
19 applied to any fire risk on the condition that the whole amount of insurance on any risk or  
20 any specified part thereof shall be placed with the members of or subscribers to such rating  
21 organization or with such insurer.

22 **Sec. [351] 360.** Every insurance company doing business in the Philippines shall  
23 annually file with the rating organization of which it is a member or subscriber, or with such  
24 other agency as the Commissioner may designate, a statistical report showing a  
25 classification schedule of its premiums and losses on all kinds or types of insurance business

1 to which three hundred [forty-nine] **FIFTY EIGHT** is applicable, and such other information  
2 as the Commissioner may deem necessary or expedient for the administration of the  
3 provisions of this title.

4 **Sec. [352] 361.** Every non-life rating organization and every non-life insurance  
5 company doing business in the Philippines shall file with the Commissioner, except as to  
6 risks which by general custom of the business are not written according to manual rates or  
7 rating plans, every rate manual, schedule of rates, classification of risks, rating plan, and  
8 every other rating rule and every modification of any of the foregoing which it proposes to  
9 use. An insurance company may satisfy its obligation to make such filings for any kind or  
10 type of insurance by becoming a member of or subscriber to a rating organization which  
11 makes such filings for such kind or type of insurance, and by authorizing the Commissioner  
12 to accept such filings of the rating organization on behalf of such insurance company.

13 **Sec. [353] 362.** Every manual or schedule of rates and every rating plan filed as  
14 provided in the preceding section shall state or clearly indicate the character and extent of  
15 the coverage to which any such rate or any modification thereof will be applied.

16 **Sec. [354] 363.** The Commissioner shall review filings as soon as reasonably possible  
17 after they have been made in order to determine whether they meet the requirements of  
18 this title. When a filing is not accompanied by the information upon which the insurance  
19 company supports such filing, and the Commissioner does not have sufficient information to  
20 determine whether such filing meets the requirements of this title, he shall require such  
21 insurance company to furnish the information upon which it supports such filing. The  
22 information furnished in support of a filing may include: (1) the experience or judgment of  
23 the insurance company or rating organization making the filing; (2) its interpretation of any  
24 statistical data it relies upon; (3) the experience of other insurance companies or rating  
25 organization; or (4) any other relevant factors.

1           **Sec. [355] 364.** If the Commissioner finds that any rate filings theretofore filed with  
2 him do not comply with the provisions of this title or that they provide rates or rules which  
3 are inadequate, excessive, unfairly discriminatory or otherwise unreasonable, he may order  
4 the same withdrawn and at the expiration of sixty days thereafter the same shall be deemed  
5 no longer on file. Before making any such finding and order, the Commissioner shall give  
6 notice, not less than ten days in advance, and a hearing, to the rating organization, or to the  
7 insurer, which filed the same. Such order shall not affect any contract or policy made or  
8 issued prior to the expiration of such sixty day period.

9           **Sec. [356] 365.** No member or subscriber of a rating organization, and no insurance  
10 company doing business in the Philippines, or agent, employee or other representative of  
11 such company, and no insurance broker shall charge or demand a rate or receive a premium  
12 which deviates from the rates, rating plans, classifications, schedules, rules and standards,  
13 made and last filed by a rating organization or by or on behalf of the insurance company, or  
14 shall issue or make any policy or contract involving violation of such rate filings.

15           **Sec. [357] 366.** Notwithstanding any other provisions of this title, upon the written  
16 application of the insurer, stating his reasons therefor, filed with and approved by the  
17 Commissioner, a rate in excess of that provided by a filing otherwise applicable may be used  
18 on any specific risk.

19           **Sec. [358] 367.** Whenever the Commissioner shall determine, after notice and a  
20 hearing, that the rates charged or filed on any class of risks are excessive, discriminatory,  
21 inadequate or unreasonable, he shall order that such rates be appropriately adjusted. For  
22 the purpose of applying the provisions of this section, the Commissioner may from time to  
23 time approve reasonable classifications of risks for any or all such classes, having due regard  
24 to the past and prospective loss experience, including conflagration or catastrophe hazards,  
25 if any, to all other relevant factors and to a reasonable profit.

1           **Sec. [359] 368.** Nothing contained in this title shall be construed as requiring any  
2 insurer to become a member of or subscriber to any rating organization.

3           **Sec. [360] 369.** Agreements may be made among insurance companies with respect  
4 to the equitable apportionment among them of insurance which may be afforded applicants  
5 who are in good faith entitled to but are unable to procure such insurance through ordinary  
6 methods and such insurance companies may agree among themselves on the use of  
7 reasonable rates and modifications for such insurance, such agreements and rate  
8 modifications to be subject to the approval of the Commissioner; *Provided, however, That*  
9 the provisions of this section shall not be deemed to apply to workmen's compensation  
10 insurance.

11           **Sec. [361] 370.** No insurance company doing business in the Philippines or any agent  
12 thereof, no insurance broker, and no employee or other representative of any such  
13 insurance company, agent, or broker, shall make, procure or negotiate any contract of  
14 insurance or agreement as to policy contract, other than is plainly expressed in the policy or  
15 other written contract issued or to be issued as evidence thereof, or shall directly or  
16 indirectly, by giving or sharing a commission or in any manner whatsoever, pay or allow or  
17 offer to pay or allow to the insured or to any employee of such insured, either as an  
18 inducement to the making of such insurance or after such insurance has been effected, any  
19 rebate from the premium which is specified in the policy, or any special favor or advantage  
20 in the dividends or other benefits to accrue thereon, or shall give or offer to give any  
21 valuable consideration or inducement of any kind, directly or indirectly, which is not  
22 specified in such policy or contract of insurance; nor shall any such company, or any agent  
23 thereof, as to any policy or contract of insurance issued, make any discrimination against  
24 any Filipino in the sense that he is given less advantageous rates, dividends or other policy  
25 conditions or privileges than are accorded to other nationals because of his race.





1 additional license fee as to each respective individual so named in such license in excess of  
2 one.

3 Licenses and certificates of registration issued under the provisions of this chapter  
4 may be renewed by the filing of notices of intention on forms to be prescribed by the  
5 Commissioner and payment of the fees therefor. [(As amended by Presidential Decree No.  
6 1455).]

7 **SEC. 374. THE COMMISSIONER, IN CONSULTATION WITH THE DULY ACCREDITED**  
8 **ASSOCIATIONS REPRESENTING THE INSURANCE INDUSTRY, SHALL ADOPT AND**  
9 **PROMULGATE A CODE OF CONDUCT TO PROMOTE INTEGRITY, HONESTY AND ETHICAL**  
10 **BUSINESS PRACTICES AMONG INSURANCE AGENTS, DISTRIBUTORS AND OTHER**  
11 **INTERMEDIARIES.**

12 **Title 9**

13 **BANCASSURANCE**

14 **SEC. 375. THE TERM "BANCASSURANCE" SHALL MEAN THE PRESENTATION AND**  
15 **SALE TO BANK CUSTOMERS BY AN INSURANCE COMPANY OF ITS INSURANCE PRODUCTS**  
16 **WITHIN THE PREMISES OF THE HEAD OFFICE OF SUCH BANK DULY LICENSED BY THE**  
17 **BANGKO SENTRAL NG PILIPINAS OR ANY OF ITS BRANCHES UNDER SUCH RULES AND**  
18 **REGULATIONS WHICH THE COMMISSIONER AND THE BANGKO SENTRAL NG PILIPINAS**  
19 **MAY PROMULGATE. TO ENGAGE IN BANCASSURANCE ARRANGEMENT, A BANK IS NOT**  
20 **REQUIRED TO HAVE EQUITY OWNERSHIP OF THE INSURANCE COMPANY. NO INSURANCE**  
21 **COMPANY SHALL ENTER INTO A BANCASSURANCE ARRANGEMENT UNLESS IT POSSESSES**  
22 **ALL THE REQUIREMENTS AS MAY BE PRESCRIBED BY THE COMMISSIONER AND THE**  
23 **BANGKO SENTRAL NG PILIPINAS.**

24 **AN INSURANCE COMPANY SHALL BE ALLOWED TO ENTER INTO BANCASSURANCE**  
25 **ARRANGEMENTS WITH ONE OR MORE BANKS, WHICH BANKS MAY BE INDEPENDENT OF**

1 OR RELATED TO EACH OTHER. NO BANCASSURANCE AGREEMENT SHALL PROHIBIT A  
2 BANK FROM ENTERING INTO BANCASSURANCE ARRANGEMENTS WITH OTHER  
3 INSURANCE COMPANIES.

4 NO INSURANCE COMPANY SHALL BE ALLOWED TO ENTER INTO OR MAINTAIN  
5 BANCASSURANCE ARRANGEMENTS WHICH PROHIBIT THE BANK FROM ENTERING INTO  
6 BANCASSURANCE ARRANGEMENTS WITH OTHER INSURANCE COMPANIES. LIKEWISE, NO  
7 INSURANCE COMPANY SHALL BE ALLOWED TO ENTER INTO OR MAINTAIN  
8 BANCASSURANCE ARRANGEMENTS WHICH PROHIBIT THE INSURANCE COMPANY FROM  
9 ENTERING INTO BANCASSURANCE ARRANGEMENTS WITH OTHER BANKS.

10 THE COMMISSIONER SHALL PRESCRIBE A PERIOD FOR THE REVISION OF ANY  
11 EXISTING ARRANGEMENTS WHICH VIOLATE THIS PROVISION, WHICH PERIOD SHALL IN NO  
12 CASE BE LONGER THAN FIVE (5) YEARS FROM THE EFFECTIVITY OF THIS CODE.

13 NO INSURANCE PRODUCT UNDER THIS SECTION, WHETHER LIFE OR NON-LIFE, SHALL  
14 BE ISSUED OR DELIVERED UNLESS IN THE FORM PREVIOUSLY APPROVED BY THE  
15 COMMISSIONER.

16 SEC. 376. PERSONNEL TASKED TO PRESENT AND SELL INSURANCE PRODUCTS WITHIN  
17 THE BANK PREMISES SHALL BE DULY LICENSED BY THE COMMISSIONER AND SHALL BE  
18 SUBJECT TO THE RULES AND REGULATIONS OF THIS ACT.

19 SEC. 377. THE COMMISSIONER AND THE BANGKO SENTRAL NG PILIPINAS SHALL  
20 PROMULGATE RULES AND REGULATIONS TO EFFECTIVELY SUPERVISE THE BUSINESS OF  
21 BANCASSURANCE.

22 Chapter V

23 SECURITY FUND

24 Sec. [365] 378. There is hereby created a fund to be known as the "*Security Fund*"  
25 which shall be used in the payment of allowed claims against an insurance company

1 authorized to transact business in the Philippines remaining unpaid by reason of the  
2 solvency of such company. The said Fund may also be used to reinsure the policy of the  
3 insolvent insurer in any solvent insurer authorized to do business in the Philippines as  
4 provided in section two hundred [forty-nine] **FIFTY FIVE**. [In the event of national  
5 emergency or calamity,] [t]The Fund may likewise be used to pay insured claims which  
6 otherwise would not be compensable under the provisions of the policy. No payment from  
7 the Security Fund shall, however, be made to any person who owns or controls ten per  
8 centum or more of the voting shares of stock of the insolvent insurer and no payment on  
9 any one claim shall exceed twenty thousand pesos.

10 **Sec. [366] 379.** Such Fund shall consist of all payments made to the Fund by  
11 insurance companies authorized to do business in the Philippines. Payments made by life  
12 insurance companies shall be treated separately from those made by non-life insurance  
13 companies and the corresponding fund shall be called "*Life Account*" and "*Non-Life*  
14 *Account*", respectively, and shall be held and administered as such by the Commissioner in  
15 accordance with the provisions of this title. The "*Life Account*" shall be utilized exclusively  
16 for disbursements that refer to life insurance companies, while the "*Non-Life Account*" shall  
17 be utilized exclusively for disbursements that refer to non-life insurance companies.

18 **Sec. [367] 380.** All insurance companies doing business in the Philippines shall  
19 contribute to the Security Fund, Life or Non-Life Account, as the case may be, [on or before  
20 the fifteenth day of June, nineteen hundred and seventy-five,] the aggregate amount of five  
21 million pesos for each Account. The contributions of the life insurance companies and of the  
22 non-life insurance companies shall be in direct proportion to the ratio between a particular  
23 life insurance company or a particular non-life insurance company's net worth and the  
24 aggregate net worth of all life insurance companies or all non-life insurance companies, as  
25 the case may be, as shown in their latest financial statements approved by the

1 Commissioner. This proportion applied to the five million pesos shall be the contribution of  
2 a particular company to the corresponding Account of the Security Fund.

3 The amount of five million pesos in each Account shall be in the form of a revolving  
4 trust fund. The respective contributions of the companies shall remain as admitted assets in  
5 their books and any disbursement therefrom shall be deducted proportionately from the  
6 contributions of each company which will be allowed as deductions for income tax  
7 purposes. Any earnings of the Fund shall be turned over to the contributing companies in  
8 proportion to their contributions.

9 In the case of disbursements of funds from the Fund as provided in the foregoing  
10 paragraph, the life and non-life companies, as the case may be, shall replenish the amount  
11 disbursed in direct proportion to the individual company's net worth and the aggregate net  
12 worth of the life or non-life companies, as the case may be. However, in no case shall the  
13 Fund exceed the aggregate amount of ten million pesos, or five million pesos for each  
14 Account.

15 Should the Fund, Life or Non-Life Account, as the case may be, be inadequate for a  
16 disbursement as provided for, then the Life or Non-Life companies, as the case may be, shall  
17 contribute to the Fund their respective shares in the proportion previously mentioned.

18 **Sec. [368] 381.** The Commissioner may adopt, amend, and enforce all reasonable  
19 rules and regulations necessary for the proper administration of the Fund and of the  
20 Accounts. In the event any insurer shall fail to make any payment required by this title, or  
21 that any payment made is incorrect, he shall have full authority to examine all the books  
22 and records of the insurer for the purpose of ascertaining the facts and shall determine the  
23 correct amount to be paid and may proceed in any court of competent jurisdiction to  
24 recover for the benefit of the Fund or of the Account concerned any sum shown to be due  
25 upon such examination and determination. Any insurer which fails to make any payment to

1 the Fund or to the Account concerned when due, shall thereby forfeit to said Fund or  
2 Account concerned a penalty of five per centum of the amount determined to be due as  
3 provided by this title, plus one per centum of such amount for each month of delay or  
4 fraction thereof, after the expiration of the first month of such delay, but the Commissioner,  
5 if satisfied that the delay was excusable, may remit all or any part of such penalty. The  
6 Commissioner, in his discretion, may suspend or revoke the certificate of authority to do  
7 business in the Philippines of any insurance company which shall fail to comply with this  
8 title or to pay any penalty imposed in accordance therewith.

9 **Sec. [369] 382.** The Accounts created by this title shall be separate and apart from  
10 each other and from any other fund. The Treasurer of the Philippines shall be the custodian  
11 of the Life Account and Non-Life Account of the Security Fund; and all disbursements from  
12 any Account shall be made by the Treasurer of the Philippines upon vouchers signed by the  
13 Commissioner or his deputy, as hereinafter provided. The moneys of said Account may be  
14 invested by the Commissioner only in bonds or other evidences of debt of the government  
15 of the Philippines or its political subdivisions or instrumentalities. The Commissioner may  
16 sell any of the securities in which an Account is [in vested] **INVESTED**, if advisable, for its  
17 proper administration or in the best interest of such Account.

18 **Sec. [370] 383.** Payments from either the Life Insurance Account or Non-Life  
19 Account, as the case may be, shall be made by the Treasurer of the Philippines to the  
20 Commissioner, upon the authority of appropriate certificate filed with him by the  
21 Commissioner acting in such capacity.

22 **Sec. [371] 384.** The Commissioner may, in his discretion, designate or appoint a duly  
23 authorized representative or representatives to appear and defend before any court or  
24 other body or official having jurisdiction any or all actions or proceedings against principals  
25 or assureds on insurance policies or contracts issued to them where the insurer has become

1 insolvent or unable to meet its insurance obligations. The Commissioner shall have, as of the  
2 date of insolvency of such insurer or as of the date of its inability meet its insurance  
3 obligations, only the rights which such insurer would have had if it had not become  
4 insolvent or unable to meet its insurance obligations. For the purpose of this title the  
5 Commissioner shall have power to employ such counsel, clerks and assistants as he may  
6 deem necessary.

7 **Sec. [372] 385.** The expense of administering an Account shall be paid out of the  
8 Account concerned. The Commissioner shall serve as administrator of the Fund and of the  
9 Accounts without additional compensation, but may be allowed and paid from the Account  
10 concerned expenses incurred in the performance of his duties in connection with said  
11 Account. The compensation of those persons employed payable from the Account  
12 concerned. The Commissioner shall include in his annual report to the Secretary of Finance a  
13 statement of the expenses of administration of the Fund and of the Life Account and Non-  
14 Life Account for the preceding year.

15 Chapter VI

16 COMPULSORY MOTOR VEHICLE

17 LIABILITY INSURANCE

18 **Sec. [373] 386.** For purposes of this chapter:

- 19 (a) "*Motor Vehicle*" is any vehicle as defined in section three, paragraph (a) of Republic Act  
20 Numbered Four Thousand One Hundred Thirty-Six, Otherwise known as the "*Land*  
21 *Transportation and Traffic Code.*"
- 22 (b) "*Passenger*" is any fare paying person being transported and conveyed in and by a motor  
23 vehicle for transportation of passengers for compensation, including persons expressly  
24 authorized by law or by the vehicle's operator or his agents to ride without fare.

1 (c) "Third-Party" is any person other than a passenger as defined in this section and shall  
2 also exclude a member of the household, or a member of the family within the second  
3 degree of consanguinity or affinity, of a motor vehicle owner or land transportation  
4 operator, as likewise defined herein, or his employee in respect of death, bodily injury, or  
5 damage to property arising out of and in the course of employment. [(As amended by  
6 Presidential Decree No. 1814 and 1981).]

7 (d) "Owner" or "motor vehicle owner" means the actual legal owner of a motor vehicle, in  
8 whose name such vehicle is duly registered with the Land Transportation Commission;

9 (e) "Land transportation operator" means the owner or owners of motor vehicles for  
10 transportation of passengers for compensation, including school buses;

11 (f) "Insurance policy" or "Policy" refers to a contract of insurance against passenger and  
12 thirty-party liability for death or bodily injuries and damaged to property arising from motor  
13 vehicle accidents. [(As amended by Presidential Decree No. 1455 and 1814).]

14 **Sec. [374] 387.** It shall be unlawful for any land transportation operator or owner of  
15 a motor vehicle to operate the same in the public highways unless there is in force in  
16 relation thereto a policy of insurance or guaranty in cash or surety bond issued in  
17 accordance with the provisions of this chapter to indemnify the death, bodily injury, and/or  
18 damage to property of a third-party or passenger, as the case may be, arising from the use  
19 thereof. [(As amended by Presidential Decree No. 1455 and 1814).]

20 **Sec. [375] 388.** The Commissioner shall furnish the Land Transportation  
21 Commissioner with a list of insurance companies authorized to issue the policy of insurance  
22 or surety bond required by this chapter. [(As amended by Presidential Decree No. 1814).]

23 **Sec. [376] 389.** The Land Transportation Commission shall not allow the registration  
24 or renewal of registration of any motor vehicle without first requiring from the land  
25 transportation operator or motor vehicle owner concerned the presentation and filing of a



1 substantiating documentation in a form approved by the Commissioner evidencing that the  
2 policy of insurance or guaranty in cash or surety bond required by this chapter is in effect.  
3 [(As amended by Presidential Decree No. 1455).]

4 **Sec. [377] 390.** Every land transportation operator and every owner of a motor  
5 vehicle shall, before applying for the registration or renewal of registration of any motor  
6 vehicle, at his option, either secure an insurance policy or surety bond issued by any  
7 insurance company authorized by the Commissioner or make a cash deposit in such amount  
8 as herein required as limit of liability for purposes specified in section three hundred  
9 [seventy-four] **EIGHTY SEVEN.**

10 (1) In the case of a land transportation operator, the insurance guaranty in cash or  
11 surety bond shall cover liability for death or bodily injuries of third-parties and/or  
12 passengers arising out of the use of such vehicle in the amount not less than twelve  
13 thousand pesos per passenger or third party and an amount, for each of such categories, in  
14 any one accident of not less than that set forth in the following scale:

15 (a) Motor vehicles with an authorized capacity of twenty-six or more passengers:

16 Fifty thousand pesos;

17 (b) Motor vehicles with an authorized capacity of from twelve to twenty-five  
18 passengers: Forty thousand pesos;

19 (c) Motor vehicles with an authorized capacity of from six to eleven passengers:  
20 Thirty thousand pesos;

21 (d) Motor vehicles with an authorized capacity of five or less passengers: Five  
22 thousand pesos multiplied by the authorized capacity.

23 *Provided, however,* That such cash deposit made to, or surety bond posted with, the  
24 Commissioner shall be resorted to by him in cases of accidents the indemnities for which to  
25 third-parties and/or passengers are not settled accordingly by the land transportation

1 operator and, in that event, the said cash deposit shall be replenished or such surety bond  
2 shall be restored with sixty days after impairment or expiry, as the case may be, by such  
3 land transportation operator, otherwise, he shall secure the insurance policy required by  
4 this chapter. The aforesaid cash deposit may be invested by the Commissioner in readily  
5 marketable government bonds and/or securities.

6 (2) In the case of an owner of a motor vehicle, the insurance or guaranty in cash or  
7 surety bond shall cover liability for death or injury to third parties in an amount not less  
8 than that set forth in the following scale in any one accident:

9 I. Private Cars

10 (a) Bantam: Twenty thousand pesos;

11 (b) Light: Twenty thousand pesos;

12 (c) Heavy: Thirty thousand pesos;

13 II. Other Private Vehicles

14 (a) Tricycles, motorcycles, and scooters: Twelve thousand pesos;

15 (b) Vehicles with an unladen weight of 2,600 kilos or less: Twenty thousand  
16 pesos;

17 (c) Vehicles with an unladen weight of between 2,601 kilos and 3,930 kilos:  
18 Thirty thousand pesos;

19 (d) Vehicles with an unladen weight over 3,930 kilos: Fifty thousand pesos.

20 The Commissioner may, if warranted, set forth schedule of indemnities for the  
21 payment of claims for death or bodily injuries with the coverages set forth herein. [(As  
22 amended by Presidential Decree No. 1455 and 1814).]

23 **Sec. [378] 391.** Any claim for death or injury to any passenger or third party pursuant  
24 to the provisions of this chapter shall be paid without the necessity of proving fault or  
25 negligence of any kind; Provided, That for purposes of this section:

1 (i) The total indemnity in respect of any person shall not **BE LESS THAN FIFTEEN**  
2 [~~exceed five~~] thousand pesos;

3 (ii) The following proofs of loss, when submitted under oath, shall be sufficient  
4 evidence to substantiate the claim:

5 (a) Police report of accident; and

6 (b) Death certificate and evidence sufficient to establish the proper payee; or

7 (c) Medical report and evidence of medical or hospital disbursement in respect  
8 of which refund is claimed;

9 (iii) Claim may be made against one motor vehicle only. In the case of an occupant of  
10 a vehicle, claim shall lie against the insurer of the vehicle in which the occupant is  
11 riding, mounting or dismounting from. In any other case, claim shall lie against the  
12 insurer of the directly offending vehicle. In all cases, the right of the party paying the  
13 claim to recover against the owner of the vehicle responsible for the accident shall  
14 be maintained.

15 **Sec. [379] 392.** No land transportation operator or owner of motor vehicle shall be  
16 unreasonably denied the policy of insurance or surety bond required by this chapter by the  
17 insurance companies authorized to issue the same, otherwise, the Land Transportation  
18 Commission shall require from said land transportation operator or owner of the vehicle, in  
19 lieu of a policy of insurance or surety bond, a certificate that a cash deposit has been made  
20 with the Commissioner in such amount required as limits of indemnity in section three  
21 hundred [~~seventy-seven~~] **NINETY** to answer for the passenger and/or third-party liability of  
22 such land transportation operator or owner of the vehicle.

23 No insurance company may issue the policy of insurance or surety bond required  
24 under this chapter unless so authorized under existing laws.

1           The authority to engage in the casualty and/or surety lines of business of an  
2 insurance company that refuses to issue or renew, without just cause, the insurance policy  
3 or surety bond therein required shall be withdrawn immediately. [(As amended by  
4 Presidential Decree No. 1455 and 1814).]

5           **Sec. [380] 393.** No cancellation of the policy shall be valid unless written notice  
6 thereof is given to the land transportation operator or owner of the vehicle and to the Land  
7 Transportation Commission at least fifteen days prior to the intended effective date  
8 thereof. Upon receipt of such notice, the Land Transportation Commission, unless it  
9 receives evidence of a new valid insurance or guaranty in cash or surety bond as prescribed  
10 in this chapter, or an endorsement of revival of the cancelled one, shall order the immediate  
11 confiscation of the plates of the motor vehicle covered by such cancelled policy. The same  
12 may be re-issued only upon presentation of a new insurance policy or that a guaranty in  
13 cash or surety band has been made or posted with the Commissioner and which meets the  
14 requirements of this chapter, or an endorsement or revival of the cancelled one. [(As  
15 amended by Presidential Decree No. 1455).]

16           **Sec. [381] 394.** If the cancellation of the policy or surety bond is contemplated by the  
17 land transportation operator or owner of the vehicle, he shall, before the policy or surety  
18 bond ceases to be effective, secure a similar policy of insurance or surety bond to replace  
19 the policy or surety bond to be cancelled or make a cash deposit in sufficient amount with  
20 the Commissioner and without any gap, file the required documentation with the Land  
21 Transportation Commission, and notify the insurance company concerned of the  
22 cancellation of its policy or surety bond. [(As amended by Presidential Decree No. 1455).]

23           **Sec. [382] 395.** In case of change of ownership of a motor vehicle, or change of the  
24 engine of an insured vehicle, there shall be no need of issuing a new policy until the next  
25 date of registration or renewal of registration of such vehicle, and provided that the

1 insurance company shall agree to continue the policy, such change of ownership or such  
2 change of the engine shall be indicated in a corresponding endorsement by the insurance  
3 company concerned, and a signed duplicate of such endorsement shall, within a reasonable  
4 time, be filed with the Land Transportation Commission.

5 **Sec. [383] 396.** In the settlement and payment of claims, the indemnity shall not be  
6 availed of by any accident victim or claimant as an instrument of enrichment by reason of an  
7 accident, but as an assistance or restitution insofar as can fairly be ascertained.

8 **Sec. [384] 397.** Any person having any claim upon the policy issued pursuant to this  
9 Chapter shall, without any unnecessary delay, present to the insurance company  
10 concerned a written notice of claim setting forth the nature, extent and duration of  
11 the injuries sustained as certified by a duly licensed physician. Notice of claim must be filed  
12 within six months from date of accident, otherwise, the claim shall be deemed waived.  
13 Action or suit for recovery of damage due to loss or injury must be brought, in proper cases,  
14 with the Commissioner or the Courts within one year from denial of the claim, otherwise,  
15 the claimant's right of action shall prescribe. [(As amended by Presidential Decree 1814 and  
16 Batas Pambansa Blg. 874).]

17 **Sec. [385] 398.** The insurance company concerned shall forthwith ascertain the truth  
18 and extent of the claim and make payment within five working days after reaching an  
19 agreement. If no agreement is reached, the insurance company shall pay only the "no-fault"  
20 indemnity provided in section three hundred [seventy-eight] **NINETY ONE** without  
21 prejudice to the claimant from pursuing his claim further, in which case, he shall not be  
22 required or compelled by the insurance company to execute any quit claim or document  
23 releasing it from liability under the policy of insurance or surety bond issued. [(As amended  
24 by Presidential Decree No. 1455).]

1 In case of any dispute in the enforcement of the provisions of any policy issued  
2 pursuant to this chapter, the adjudication of such dispute shall be within the original and  
3 exclusive jurisdiction of the Commissioner, subject to the limitations provided in section  
4 four hundred [sixteen] **THIRTY TWO**.

5 **Sec. [386] 399.** It shall be unlawful for a land transportation operator or owner of  
6 motor vehicle to require his or its drivers or other employees to contribute in the payment  
7 of premiums.

8 **Sec. [387] 400.** No government office or agency having the duty of implementing the  
9 provisions of this chapter nor any official or employee thereof shall act as agent in procuring  
10 the insurance policy or surety bond provided for herein. The commission of an agent  
11 procuring the said policy or bond shall in no case exceed ten per centum of the amount of  
12 the premiums therefor.

13 **Sec. [388] 401.** Any land transportation operator or owner of motor vehicle or any  
14 other person violating any of the provisions of the preceding sections shall be punished by a  
15 fine of not less than five hundred pesos [but not more than one thousand pesos] and/or  
16 imprisonment for not more than six months. The violation of section three hundred  
17 [seventy-seven] **NINETY** by a land transportation operator shall be a sufficient cause for the  
18 revocation of the certificate of public convenience issued by the Board of Transportation  
19 covering the vehicle concerned.

20 **Sec. [389] 402.** Whenever any violation of the provisions of this chapter is  
21 committed by a corporation or association, or by a government office or entity, the  
22 executive officer or officers of said corporation, association or government office or entity  
23 who shall have knowingly permitted, or failed to prevent, said violation shall be held liable  
24 as principals.

1 Chapter VII

2 MUTUAL BENEFIT ASSOCIATIONS AND TRUSTS

3 FOR CHARITABLE USES

4 Title 1

5 MUTUAL BENEFIT ASSOCIATIONS

6 **Sec. [390] 403.** Any society, association or corporation, without capital stock, formed  
7 or organized not for profit but mainly for the purpose of paying sick benefits to members, or  
8 of furnishing financial support to members while out of employment, or of paying to  
9 relatives of deceased members of fixed or any sum of money, irrespective of whether such  
10 aim or purpose is carried out by means of fixed dues or assessments collected regularly  
11 from the members, or of providing, by the issuance of certificates of insurance, payment of  
12 its members of accident or life insurance benefits out of such fixed and regular dues or  
13 assessments, but in no case shall include any society, association, or corporation with such  
14 mutual benefit features and which shall be carried out purely from voluntary contributions  
15 collected not regularly and or no fixed amount from whomsoever may contribute, shall be  
16 known as a mutual benefit association within the intent of this Code.

17 Any society, association, or corporation principally organized as labor union shall be  
18 governed by the Labor Code notwithstanding any mutual benefit feature provisions in its  
19 charter as incident to its organization.

20 In no case shall a mutual benefit association be organized and authorized to transact  
21 business as a charitable or benevolent organization, and whenever it has this feature as  
22 incident to its existence, the corresponding charter provision shall be revised to conform  
23 with the provision of this section. Mutual benefit association, already licensed to transact  
24 business as such on the date this Code becomes effective, having charitable or benevolent  
25 feature shall abandon such incidental purpose upon effectivity of this Code if they desire to

1 continue operating as such mutual benefit associations. [(As amended by Presidential  
2 Decree No. 1455).]

3 **Sec. [391] 404.** A mutual benefit association, before it may transact as such, must  
4 first secure a license from the Commissioner. The application for such license shall be filed  
5 with the Commissioner together with certified true copies of the articles of incorporation or  
6 the constitution and by-laws of the association, and all amendments thereto, and such other  
7 documents or testimonies as the Commissioner may require.

8 No license shall be granted to a mutual benefit association until the Commissioner  
9 shall have been satisfied by such examination as may make and such evidence as he may  
10 require that the association is qualified under existing laws to operate and transact business  
11 as such. The Commissioner may refuse to issue a license to any mutual benefit association if,  
12 in his judgment, such refusal will best promote the interest of the members of such  
13 association and of the people of this country. Any license issued shall expire on the last day  
14 of [June] **DECEMBER** of the **THIRD** year following its issuance and, upon proper application,  
15 may be renewed if the association is continuing to comply with existing laws, rules and  
16 regulations, orders, instructions, rulings and decisions of the Commissioner. Every  
17 association receiving any such license shall be subject to the supervision of the  
18 Commissioner: *Provided*, That no such license shall be granted to any such association if  
19 such association has no actuary.

20 All mutual benefit association existing and licensed as such under the provisions of  
21 Article Eight, Chapter Forty-One of the Revised Administrative Code, as amended by Act No.  
22 3612, shall, upon effectivity of this Code, surrender their respective licenses to the  
23 Commissioner and apply for new licenses under the provisions of this code if they still desire  
24 to continue operating as such mutual benefit associations.



1           **Sec. [392] 405.** No mutual benefit association shall be issued a license to operate as  
2 such unless it has constituted and established a Guaranty Fund by depositing with the  
3 Commissioner an initial minimum amount of [ten thousand] **FIVE MILLION** pesos in cash, or  
4 in government securities with a total value equal to such amount, to answer for any valid  
5 benefit claim of any of its members.

6           All moneys received by the Commissioner for this purpose must be deposited by him  
7 in interest-bearing deposits with any bank or banks authorized to transact business in the  
8 Philippines for the account of the particular association constituting the Guaranty Fund.

9           Any accrual to such fund, be it interest earned or dividend additions on moneys or  
10 securities so deposited, may, with the prior approval of the Commissioner, be withdrawn by  
11 the association if there is no pending benefit claim against it, including interest thereon or  
12 dividend additions thereto.

13           The Commissioner, prior to or after licensing a mutual benefit association, may  
14 require such association to increase its Guaranty Fund from the initial minimum amount  
15 required to an amount equal to [at least ten per centum of its assets, if such assets exceed  
16 one hundred thousand pesos, but in no case shall such increase exceed the maximum  
17 amount of] capital investment required of [a] **AN EXISTING** domestic insurance company  
18 under section two hundred and [three] **NINE** of this Code. [(As amended by Presidential  
19 Decree No. 1455).]

20           **Sec. [393] 406.** Every mutual benefit association licensed to do business as such shall  
21 issue membership certificates to its members specifying the benefits to which such  
22 members are entitled.

23           Such certificates, together with the articles of incorporation of the association or its  
24 constitution and by-laws, and all existing laws as may be pertinent shall constitute the

1 agreement, as of the date of its issuance, between the association and the member. The  
2 membership certificate shall be in a form previously approved by the Commissioner.

3 **Sec. [394] 407.** A mutual benefit association may, by reinsurance agreement, cede in  
4 whole or in part any individual risk or risks under certificates of insurance issued by it, only  
5 to a life insurance company authorized to transact business or to a professional reinsurer  
6 authorized to accept life risks in the Philippines: *Provided*, That copy of the draft of such  
7 reinsurance agreement shall be submitted to the Commissioner for his approval. The  
8 association may take credit for the reserves on such ceded risks to the extent reinsured.

9 **Sec. [395] 408.** The constitution or by-laws of a mutual benefit association must  
10 distinctly state the purpose for which dues and/or assessments are made and collected and  
11 the portion thereof which may be used for expenses.

12 Death benefit and other relief funds shall be created and used exclusively for paying  
13 benefits due the members under their respective membership certificates. A general fund  
14 shall likewise be created and used for expenses of administration of the association.

15 **A MUTUAL BENEFIT ASSOCIATION SHALL ONLY MAINTAIN FREE AND UNASSIGNED**  
16 **SURPLUS NOT MORE THAN 20% OF ITS TOTAL LIABILITIES AS VERIFIED BY THE**  
17 **COMMISSIONER. ANY AMOUNT IN EXCESS SHALL BE RETURNED TO THE MEMBERS BY**  
18 **WAY OF DIVIDENDS, ENHANCING THE EQUITY VALUE OR PROVIDING BENEFITS IN KIND**  
19 **AND OTHER RELEVANT SERVICES. IN ADDITION, SUBJECT TO THE APPROVAL OF THE**  
20 **COMMISSIONER, A MUTUAL BENEFIT ASSOCIATION MAY ALLOCATE A PORTION FOR**  
21 **CAPACITY BUILDING AND RESEARCH AND DEVELOPMENT SUCH AS DEVELOPING NEW**  
22 **PRODUCTS AND SERVICES, UPGRADING AND IMPROVING OPERATING SYSTEMS AND**  
23 **EQUIPMENT AND CONTINUING MEMBER EDUCATION.**

24 **Sec. [396] 409.** Every outstanding membership certificate must have[, after three full  
25 years of being continuously in force,] an equity value equivalent to at least fifty *per centum*

1 of the total [membership dues] **CONTRIBUTIONS** collected thereon. **THE EQUITY VALUE**  
2 **ONLY APPLIES TO BASIC LIFE INSURANCE PRODUCT AND EXCLUDES OPTIONAL PRODUCTS.**

3 **Sec. [397] 410.** Every mutual benefit association must accumulate and maintain, out  
4 of the periodic dues collected from its members, sufficient reserves for the payment of  
5 claims or obligations for which it shall hold funds in securities satisfactory to the  
6 Commissioner consisting of bonds of the Government of the Philippines, or any of its  
7 political subdivisions and instrumentalities, or in such other good securities as may be  
8 approved by the Commissioner.

9 The reserve liability shall be established in accordance with actuarial procedures and  
10 shall be approved by the Commissioner.

11 *The articles of incorporation or the constitution and by-laws of a mutual benefit*  
12 *association must provide that if its reserve as to all or any class of certificates becomes*  
13 *impaired, its board of directors or trustees may require that there shall be paid by the*  
14 *members to the association the amount of the members' equitable proportion of such*  
15 *deficiency as ascertained by said board and that if the payment be not made it shall stand as*  
16 *an indebtedness against the membership certificates of the defaulting members and draw*  
17 *interest not to exceed five per centum per annum compounded annually.*

18 **Sec. [398] 411.** A mutual benefit association may invest such portion of its funds as  
19 shall not be required to meet pending claims and other obligations in any of the classes of  
20 investments or types of securities in which life insurance companies doing business in the  
21 Philippines may invest.

22 It may also grant loans to members on the security of a pledge or chattel mortgage  
23 of personal properties of the borrowers, or in the absence thereof, on the security of the  
24 membership certificate of the borrowing members, in which event such loan shall become a  
25 first lien on the proceed thereof.

1           **Sec. [399] 412.** The Commissioner or any of his duly designated representatives,  
2 shall have the power of visitation, audit and examination into the affairs, financial condition,  
3 and methods of doing business of all mutual benefit associations, and he shall cause such  
4 examination to be made at least once every two years or whenever it may be deemed  
5 proper and necessary. Free access to the books, records and documents of the association  
6 shall be accorded to the Commissioner, to his representatives, in such manner that the  
7 Commissioner or his representatives may readily verify or determine the true affairs,  
8 financial condition, and method of doing business of such association. In the course of such  
9 examination, the Commissioner or his duly designated representatives shall have authority  
10 to administer oaths and take testimony or other evidence on any matter relating to the  
11 *affairs of the association.*

12           All minutes of the proceedings of the board of directors or trustees of the  
13 association, and those of the regular or special meetings of the members, shall be taken,  
14 and a copy thereof, in English or in Pilipino, shall be submitted to the Commissioner's  
15 representatives or examiners in the course of such examination.

16           A copy of the findings of such examination, together with the recommendations of  
17 the Commissioner, shall be furnished the association for its information and compliance,  
18 and the same shall be taken up immediately in the meetings of the board of directors or  
19 trustees and of the members of the association.

20           **Sec. [400] 413.** Every mutual benefit association shall, annually on or before the  
21 thirtieth day of April of each year, render to the Commissioner an annual statement in such  
22 form and details as may be prescribed by the Commissioner, signed and sworn to by the  
23 president, secretary, treasurer, and actuary of the association, showing the exact condition  
24 of its affairs on the preceding thirty-first day of December.

1           **Sec. [401] 414.** No money, aid or benefit to be paid, provided or tendered by any  
2 mutual benefit association, shall be liable to attachment, garnishment, or other process, or  
3 be seized, taken, appropriated, or applied by any legal or equitable process to pay any debt  
4 of liability of a member or beneficiary, or any other person who may have a right  
5 thereunder, either before or after payment.

6           **Sec. [402] 415.** Any member of a mutual benefit association shall have the right at all  
7 times to change the beneficiary or beneficiaries or add another beneficiary or other  
8 beneficiaries in accordance with the rules and regulations of the association unless he has  
9 expressly waived this right in the membership certificate. Every association may, under such  
10 rules as it may adopt, limit the scope of beneficiaries and provide that no beneficiary shall  
11 have or obtain any vested interest in the proceeds of any certificate until the certificate has  
12 become due and payable under the terms of the membership certificate.

13           **Sec. [403] 416.** Any chapter affiliate independently licensed as a mutual benefit  
14 association may consolidate or merge with any other similar chapter affiliate or with the  
15 *mother association*.

16           **Sec. [404] 417.** Any mutual benefit association may be converted into and licensed as  
17 a mutual life insurance company by complying with the requirements of the pertinent  
18 provisions of this Code and submitting the specific plan for such conversion to the  
19 Commissioner for his approval. Such plan, as approved, shall then be submitted to the  
20 members either in the regular meeting or in a special meeting called for the purpose for  
21 their adoption. The affirmative vote of at least two-thirds of all the members shall be  
22 necessary in order to consider such plan as adopted.

23           No such conversion shall take effect unless and until approved by the Commissioner.

24           **Sec. [405] 418.** No mutual benefit association shall be dissolved without first notifying  
25 the Commissioner and furnishing him with a certified copy of the resolution authorizing the

1 dissolution, duly adopted by the affirmative vote of two-thirds of the members at a meeting  
2 called for that purpose, the financial statements as of the date of the resolution, and such  
3 other papers or documents as may be required by the Commissioner.

4 No dissolution shall proceed until and unless approved by the Commissioner and all  
5 proceedings in connection therewith shall be witnessed and attested by his duly designated  
6 representative.

7 No mutual benefit association shall be officially declared as dissolved until after the  
8 Commissioner so certifies that all outstanding claims against the association have been duly  
9 settled and liquidated.

10 **Sec. [406] 419.** The Commissioner shall after notice and hearing, have the power  
11 either to suspend or revoke the license issued to a mutual benefit association if he finds  
12 that the association has:

- 13 (a) failed to comply with any provision of this Code;
- 14 (b) failed to comply with any other law or regulation obligatory upon it;
- 15 (c) failed to comply with any order, ruling, instruction, requirement, or  
16 recommendation of the Commissioner;
- 17 (d) exceeded its power to the prejudice of its members;
- 18 (e) conducted its business fraudulently or hazardously;
- 19 (f) rendered its affairs and condition to one of insolvency; or
- 20 (g) failed to carry out its aims and purposes for which it was organized due to any  
21 cause.

22 After receipt of the order from the Commissioner suspending or revoking the license,  
23 the association must immediately exert efforts to remove such cause or causes which  
24 brought about the order, and, upon proper showing, may apply with the Commissioner for  
25 the lifting of the order and restoration or revival of the license so revoked or suspended.







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Chapter [VIII] IX

THE INSURANCE COMMISSIONER

Title 1

ADMINISTRATIVE AND ADJUDICATORY POWERS

**SEC. [414] 430. THE INSURANCE COMMISSIONER SHALL BE APPOINTED BY THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES FOR A TERM OF SIX (6) YEARS AND UNTIL THE SUCCESSOR SHALL HAVE BEEN APPOINTED AND QUALIFIED, UNLESS SOONER REMOVED ON GROUNDS PROVIDED BY LAW, AND ANY SUCH DECISION SHALL STATE THE REASONS FOR SUCH REMOVAL.**

The Insurance Commissioner shall have the duty to see that all laws relating to insurance, insurance companies and other insurance matters, mutual benefit associations, and trusts for charitable uses are faithfully executed and to perform the duties imposed upon him by this Code, and shall, notwithstanding any existing laws to the contrary, have sole and exclusive authority to regulate the issuance and sale of variable contracts as defined in section two hundred thirty-[two] EIGHT and to provide for the licensing of persons selling such contracts, and to issue such reasonable rules and regulations governing the same.

The Commissioner may issue such rulings, instructions, circulars, orders and decision as he may deem necessary to secure the enforcement of the provisions of this Code, **TO ENSURE THE EFFICIENT REGULATION OF THE INSURANCE INDUSTRY IN ACCORDANCE WITH GLOBAL BEST PRACTICES AND TO PROTECT THE INSURING PUBLIC** [subject to the approval of the Secretary of Finance]. Except as otherwise specified, decisions made by the Commissioner shall be appealable to the Secretary of Finance.

1           IN ADDITION TO THE FOREGOING, THE COMMISSIONER SHALL HAVE THE  
2 FOLLOWING POWERS AND FUNCTIONS:

3           A) FORMULATE POLICIES AND RECOMMENDATIONS ON ISSUES CONCERNING THE  
4 INSURANCE INDUSTRY, ADVISE CONGRESS AND OTHER GOVERNMENT AGENCIES ON ALL  
5 ASPECTS OF THE INSURANCE INDUSTRY AND PROPOSE LEGISLATION AND AMENDMENTS  
6 THERETO;

7           B) ISSUE, APPROVE, RENEW, SUSPEND, REINSTATE OR REVOKE LICENSES OR  
8 CERTIFICATES OF REGISTRATION PROVIDED FOR BY THIS CODE;

9           C) IMPOSE SANCTIONS FOR THE VIOLATION OF LAWS AND THE RULES, REGULATIONS  
10 AND ORDERS ISSUED PURSUANT THERETO;

11           D) PREPARE, APPROVE, AMEND OR REPEAL RULES, REGULATIONS AND ORDER, AND  
12 ISSUE OPINIONS AND PROVIDE GUIDANCE ON AND SUPERVISE COMPLIANCE WITH SUCH  
13 RULES, REGULATIONS AND ORDERS;

14           E) ENLIST THE AID AND SUPPORT OF AND/OR DEPUTIZE ANY AND ALL  
15 ENFORCEMENT AGENCIES OF THE GOVERNMENT, CIVIL OR MILITARY AS WELL AS ANY  
16 PRIVATE INSTITUTION, CORPORATION, FIRM, ASSOCIATION OR PERSON IN THE  
17 IMPLEMENTATION OF ITS POWERS AND FUNCTIONS UNDER THIS CODE;

18           F) ISSUE CEASE AND DESIST ORDERS TO PREVENT FRAUD OR INJURY TO THE  
19 INSURING PUBLIC;

20           G) PUNISH FOR CONTEMPT OF THE COMMISSIONER, BOTH DIRECT AND INDIRECT, IN  
21 ACCORDANCE WITH THE PERTINENT PROVISIONS OF AND PENALTIES PRESCRIBED BY THE  
22 RULES OF COURT;

23           H) COMPEL THE OFFICERS OF ANY REGISTERED INSURANCE CORPORATION OR  
24 ASSOCIATION TO CALL MEETINGS OF STOCKHOLDERS OR MEMBERS THEREOF UNDER ITS  
25 SUPERVISION;

1 I) ISSUE SUBPOENA DUCES TECUM AND SUMMON WITNESSES TO APPEAR IN ANY  
2 PROCEEDINGS OF THE COMMISSIONER AND IN APPROPRIATE CASES, ORDER THE  
3 PRODUCTION AND EXAMINATION, SEARCH AND SEIZURE OF ALL DOCUMENTS, PAPERS,  
4 FILES AND RECORDS, TAX RETURNS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR  
5 PERSON UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER DISPOSITION OF  
6 THE CASES BEFORE IT, SUBJECT TO THE PROVISION OF EXISTING LAWS;

7 J) SUSPEND OR REVOKE, AFTER PROPER NOTICE AND HEARING THE LICENSE OR  
8 CERTIFICATE OF AUTHORITY OF ANY ENTITY OR PERSON UNDER ITS REGULATION, UPON  
9 ANY OF THE GROUNDS PROVIDED BY LAW;

10 K) CONDUCT AN EXAMINATION TO DETERMINE COMPLIANCE WITH LAWS AND  
11 REGULATIONS IF THE CIRCUMSTANCES SO WARRANT AS DETERMINED BY APPROPRIATE  
12 RULES AND REGULATIONS;

13 L) CONDUCT A REGULAR INVESTIGATION WHICH SHALL NOT BE OFTENER THAN ONCE  
14 A YEAR FROM THE LAST DATE OF EXAMINATION TO DETERMINE WHETHER AN  
15 INSTITUTION IS CONDUCTING ITS BUSINESS ON A SAFE AND SOUND BASIS; PROVIDED,  
16 THAT, THE DEFICIENCIES/IRREGULARITIES FOUND BY OR DISCOVERED BY AN AUDIT SHALL  
17 BE IMMEDIATELY ADDRESSED;

18 M) RETAIN AND UTILIZE, IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE  
19 DEPARTMENT OF BUDGET AND MANAGEMENT AND OTHER RELEVANT REGULATORY  
20 AGENCIES, ALL FEES, CHARGES, AND OTHER INCOME DERIVED FROM ITS REGULATION OF  
21 INSURANCE COMPANIES AND OTHER SUPERVISED PERSONS AND ENTITIES;

22 N) INQUIRE INTO THE SOLVENCY AND LIQUIDITY OF THE INSTITUTIONS UNDER ITS  
23 SUPERVISION AND ENFORCE PROMPT CORRECTIVE ACTION;

24 O) FIX AND ASSESS FEES, CHARGES AND PENALTIES AS THE COMMISSIONER MAY FIND  
25 REASONABLE IN THE EXERCISE OF REGULATION; AND

1 P) EXERCISE SUCH OTHER POWERS AS MAY BE PROVIDED BY LAW AS WELL AS THOSE  
2 WHICH MAY BE IMPLIED FROM, OR WHICH ARE NECESSARY OR INCIDENTAL TO THE  
3 CARRYING OUT OF, THE EXPRESS POWERS GRANTED THE COMMISSIONER TO ACHIEVE  
4 THE OBJECTIVES AND PURPOSES OF THESE LAWS.

5 THE COMMISSION SHALL INDEMNIFY THE COMMISSIONER, DEPUTY  
6 COMMISSIONER, AND OTHER OFFICIAL OF THE COMMISSION, INCLUDING PERSONNEL  
7 PERFORMING SUPERVISION AND EXAMINATION FUNCTIONS, FOR ALL COSTS AND  
8 EXPENSES REASONABLY INCURRED BY SUCH PERSONS IN CONNECTION WITH ANY CIVIL  
9 OR CRIMINAL ACTIONS, SUITS OR PROCEEDINGS TO WHICH THEY MAY BE MADE A PARTY  
10 TO BY THE REASON OF THE PERFORMANCE OF THEIR DUTIES AND FUNCTIONS, UNLESS  
11 THEY ARE FINALLY ADJUDGED IN SUCH ACTIONS, SUITS OR PROCEEDINGS TO BE LIABLE  
12 FOR NEGLIGENCE OR MISCONDUCT.

13 IN THE EVENT OF SETTLEMENT OR COMPROMISE, INDEMNIFICATION SHALL BE  
14 PROVIDED ONLY IN CONNECTION WITH SUCH MATTERS COVERED BY THE SETTLEMENT AS  
15 TO WHICH THE COMMISSION IS ADVISED BY EXTERNAL COUNSEL THAT THE PERSONS TO  
16 BE INDEMNIFIED DID NOT COMMIT ANY NEGLIGENCE OR MISCONDUCT.

17 THE COSTS AND EXPENSES INCURRED IN DEFENDING THE AFOREMENTIONED  
18 ACTION, SUIT OR PROCEEDING MAY BE PAID BY THE COMMISSION IN ADVANCE OF THE  
19 FINAL DISPOSITION OF SUCH ACTION, SUIT OR PROCEEDING UPON RECEIPT OF AN  
20 UNDERTAKING BY OR ON BEHALF OF THE COMMISSIONER, DEPUTY COMMISSIONER,  
21 OFFICER OR EMPLOYEE TO REPAY THE AMOUNT ADVANCED SHOULD IT ULTIMATELY BE  
22 DETERMINED BY THE COMMISSION THAT THE PERSON IS NOT ENTITLED TO BE  
23 INDEMNIFIED.

24 Sec. [415] 431. In addition to the administrative sanctions provided elsewhere in this  
25 Code, the Insurance Commissioner is hereby authorized, at his discretion, to impose upon

1 the insurance companies, their directors and/or officers and/or agents, for any willful failure  
2 or refusal to comply with, or violation of any provision of this Code, or any order,  
3 instruction, regulation, or ruling of the Insurance Commissioner, or any commission or  
4 irregularities, and/or conducting business in an unsafe or unsound manner as may be  
5 determined by the Insurance Commissioner, the following:

6 (a) fines not **LESS THAN FIVE THOUSAND PESOS AND NOT MORE THAN TWO**  
7 **HUNDRED THOUSAND PESOS** [in excess of five hundred pesos a day]; and

8 (b) suspension, or after due hearing, removal of directors and/or officers and/or  
9 agents.

10 **Sec. [416] 432.** The Commissioner shall have the power to adjudicate claims and  
11 complaints involving any loss, damage or liability for which [in] AN insurer may be  
12 answerable under any kind of policy or contract of insurance, or for which such insurer may  
13 be liable under a contract of suretyship, or for which a reinsurer may be sued under any  
14 contract of reinsurance it may have entered into; or for which a mutual benefit association  
15 may be held liable under the membership certificates it has issued to its members, where  
16 the amount of any such loss, damage or liability, excluding interest, cost and attorney's fees,  
17 being claimed or sued upon any kind of insurance, bond, reinsurance contract, or  
18 membership certificate does not exceed in any single claim **FIVE MILLION** [one hundred  
19 thousand] pesos.

20 **THE POWER OF THE COMMISSIONER DOES NOT COVER THE RELATIONSHIP**  
21 **BETWEEN THE INSURANCE COMPANY AND ITS AGENTS/BROKERS BUT IS LIMITED TO**  
22 **ADJUDICATING CLAIMS AND COMPLAINTS FILED BY THE INSURED AGAINST THE**  
23 **INSURANCE COMPANY.**

24 **THE COMMISSIONER MAY AUTHORIZE ANY OFFICER OR GROUP OF OFFICERS UNDER**  
25 **HIM TO CONDUCT INVESTIGATION, INQUIRY AND/OR HEARING AND DECIDE CLAIMS AND**

1 HE MAY ISSUE RULES GOVERNING THE CONDUCT OF ADJUDICATION AND RESOLUTION OF  
2 CASES. THE RULES OF COURT SHALL HAVE SUPPLETORY APPLICATION.

3 [The insurer or surety may, in the same action file a counterclaim against the insured  
4 or the obligee. The insurer or surety may also file a cross-claim against a party for any claim  
5 arising out of the transaction or occurrence that is the subject matter of the original action  
6 or of a counterclaim therein.]

7 [With leave of the Commissioner, an insurer or surety may file a third-party  
8 complaint against its reinsurers for indemnification, contribution, subrogation or any other  
9 relief, in respect of the transaction that is the subject matter of the original action filed with  
10 the Commissioner.]

11 The party filing an action pursuant to the provisions of this section thereby submits  
12 his person to the jurisdiction of the Commissioner. The Commissioner shall acquire  
13 jurisdiction over the person of the impleaded party or parties in accordance with and  
14 pursuant to the provisions of the Rules of Court.

15 The authority to adjudicate granted to the Commissioner under this section shall be  
16 concurrent with that of the civil courts, but the filing of a complaint with the Commissioner  
17 shall preclude the civil courts from taking cognizance of a suit involving the same subject  
18 matter.

19 Any decision, order or ruling rendered by the Commissioner after a hearing shall  
20 have the force and effect of a judgment. Any party may appeal from a final order, ruling or  
21 decision of the Commissioner by filing with the Commissioner within thirty days from  
22 receipt of copy of such order, ruling or decision a notice of appeal to the [Intermediate  
23 Appellate] Court **OF APPEALS** in the manner provided for in the Rules of Court for appeals  
24 from the Regional Trial Court to the [Intermediate Appellate] Court **OF APPEALS**. [(As  
25 amended by Batas Pambansa Blg. 874).]

1           [As soon as a decision, order or ruling has become final and executory, the  
2 Commissioner shall *motu proprio* or on motion of the interested party, issue a writ of  
3 execution requiring the sheriff or the proper officer to whom it is directed to execute said  
4 decision, order or award, pursuant to Rule thirty-nine of the Rules of Court.]

5           For the purpose of any proceeding under this section, the Commissioner, or any  
6 officer thereof designated by him[,] IS empowered to administer oaths and affirmation,  
7 subpoena witnesses, compel their attendance, take evidence, and require the production of  
8 any books, papers, documents, or contracts or other records which are relevant or material  
9 to the inquiry. [In case of contumacy by, or refusal to obey a subpoena issued to any person,  
10 the Commissioner may invoke the aid of any court of first instance within the jurisdiction of  
11 which such proceeding is carried on, where such person resides or carries on his own  
12 business, in requiring the attendance and testimony of witnesses and the production of  
13 books, papers, documents, contracts or other records. And such court may issue an order  
14 requiring such person to appear before the Commissioner, or officer designated by the  
15 Commissioner, there to produce records, if so ordered or to give testimony touching the  
16 matter in Question. Any failure to obey such order of the court may be punished by such  
17 court as a contempt thereof.]

18           A full and complete record shall be kept of all proceedings had before the  
19 [c]Commissioner, or the officers thereof designated by him, and all testimony shall be taken  
20 down and transcribed by a stenographer appointed by the Commissioner.

21           [A transcribed copy of the evidence and proceeding, or any specific part thereof, of  
22 any hearing taken by a stenographer appointed by the Commissioner, being certified by  
23 such stenographer to be a true and correct transcript of the testimony on this hearing of a  
24 particular witness, or of a specific proof thereof, carefully compared by him from his original  
25 notes, and to be a correct statement of evidence and proceeding had in such hearing so

1 purporting to be taken and subscribed, may be received as evidence by the Commissioner  
2 and by any court with the same effect as if such stenographer were present and testified to  
3 the facts so certified.] [(As amended by Presidential Decree No. 1455).]

4 **IN ORDER TO PROMOTE PARTY AUTONOMY IN THE RESOLUTION OF CASES, THE**  
5 **COMMISSIONER SHALL ESTABLISH A SYSTEM FOR RESOLVING CASES THROUGH THE USE**  
6 **OF ALTERNATIVE DISPUTE RESOLUTION.**

7 Title 2

8 FEES AND OTHER SOURCES OF FUNDS

9 **Sec. [417] 433.** (1) For the issuance or renewal of certificates of authority, licenses  
10 and certificates of registration, pursuant to pertinent provisions of this Code, the  
11 Commissioner shall collect and receive fees which shall be not less than the following:

12 For each certificate of authority issued to an insurance company doing business in  
13 the Philippines, two hundred pesos.

14 For each special certificate of authority issued to a servicing insurance company, one  
15 hundred pesos.

16 For each license issued to a general agent of an insurance company, fifty pesos.

17 For each license issued to an insurance agent, twenty-five pesos.

18 For each license issued to an agent of variable contract policy, twenty-five pesos.

19 For each license issued to an insurance broker, one hundred pesos.

20 For each license issued to [an] A reinsurance broker, one hundred pesos.

21 For each license issued to an insurance adjuster, one hundred pesos.

22 For each certificate of registration issued to an actuary, fifty pesos.

23 For each certificate of registration issued to a resident agent, fifty pesos.

24 For each license issued to a rating organization, one hundred pesos.



1 For each certificate of registration issued to a non-life company underwriter, fifty  
2 pesos.

3 For each license issued to a mutual benefit association, ten pesos.

4 For each certificate of registration issued to a trust for charitable uses, ten pesos.

5 All certificates of authority and all other licenses, as well as all certificates of  
6 registration, issued to any person, partnership, association or corporation under the  
7 pertinent provisions of this Code for which no expiration date has been prescribed, shall  
8 expire on the last day of [June] **DECEMBER** of **THE THIRD** [each] year **FROM ITS ISSUANCE**  
9 and shall be renewed [annually] upon application therefor and payment of the  
10 corresponding fee, if the licensee or holder of such license or certificate is continuing to  
11 comply with all the applicable provisions of existing laws, and of rules, instructions, orders  
12 and decisions of the Commissioner.

13 (2) For the filing of the annual statement referred to in section two hundred twenty-[three]  
14 **NINE**, the Commissioner shall collect and receive from the insurance company so filing a fee  
15 of **NOT LESS THAN** five hundred pesos: *Provided*, That a fine of **NOT LESS THAN** one  
16 hundred pesos shall be imposed and collected by the Commissioner for each week of delay,  
17 or any fraction thereof, in the filing of the annual statement.

18 For the filing of annual statement referred to in section four hundred **THIRTEEN**, the  
19 Commissioner shall collect and receive from the mutual benefit association so filing a fee of  
20 **NOT LESS THAN** ten pesos: *Provided*, That a fine of **NOT LESS THAN** ten pesos shall be  
21 imposed and collected by the Commissioner for each week of delay, or any fraction thereof,  
22 in the filing of the annual statement.

23 (3) For the examination prescribed in section two hundred [forty-six] **FIFTY TWO**, the  
24 Commissioner shall collect and receive fees according to the amount of its total assets, in

1 the case of a domestic company, or of its assets in the Philippines, in the case of a foreign  
2 company, **NOT LESS THAN THE AMOUNT** as follows:

3 (a) Two million pesos or more but less than four million pesos, Four hundred pesos;

4 (b) Four million pesos or more but less than six million pesos, Eight hundred pesos;

5 (c) Six million pesos or more but less than eight million pesos, One thousand two  
6 hundred pesos;

7 (d) Eight million pesos or more but less than ten million pesos, One thousand six  
8 hundred pesos;

9 (e) Ten million pesos or more, Two thousand pesos;

10 *Provided*, That if the said examination is made in places outside the Metropolitan Manila  
11 area, besides these fees, the Commissioner shall require of the company examined the  
12 payment of the actual and necessary travelling and subsistence expenses of the examiner or  
13 examiners concerned.

14 For the examination prescribed in section [three] **FOUR** hundred [ninety-nine]  
15 **TWELVE**, the Commissioner shall collect and receive a minimum fee of **NOT LESS THAN** one  
16 hundred pesos from the mutual benefit association examined: *Provided*, That if such  
17 association has total assets of more than one hundred thousand pesos, an additional fee of  
18 **NOT LESS THAN** ten pesos for every fifty thousand pesos in excess thereof shall be imposed:  
19 [*Provided, further*, That such fee shall not exceed two thousand pesos.]

20 (4) For the filing of an application to withdraw from the Philippines under title eighteen, the  
21 Commissioner shall collect and receive from the foreign company so withdrawing a fee of  
22 **NOT LESS THAN** one thousand pesos.

23 (5) The Commissioner may fix and collect fees or charges for documents, transcripts, or  
24 other materials which may be furnished by him not in excess of reasonable cost. [(As  
25 amended by Presidential Decree No. 1455).]



1           **Sec. [420] 436.** All criminal actions for the violation of any of the provisions of this  
2 Code shall prescribe[d] after three years from the discovery of such violation: *Provided*, That  
3 such actions shall in any event prescribe after ten years from the commission of such  
4 violation.

5           **Sec. [421] 437.** Any person, partnership, association or corporation heretofore  
6 authorized, licensed or registered by the [Insurance] Commissioner shall be deemed to have  
7 been authorized, licensed or registered under the provisions of this Code and shall be  
8 governed by the provisions thereof: *Provided, however*, That where any such person,  
9 partnership, association or corporation is affected by the new requirements of this Code,  
10 said person, partnership association or corporation shall, unless otherwise herein provided,  
11 be given a period of one year from the effectivity of this Code within which to comply with  
12 the same.

13           **Sec. [422] 438. REPEALING CLAUSE.** Except as expressly provided by this Code, all  
14 laws, **DECREES, ORDERS, RULES AND REGULATIONS** or parts thereof, inconsistent with any  
15 provision of this Code shall be deemed repealed, **AMENDED OR MODIFIED ACCORDINGLY.**

16           **Sec. [423] 439. SEPARABILITY CLAUSE.** [Should] IF any provision[s] of this Code or  
17 any part [thereof] **HEREOF** be declared invalid **OR UNCONSTITUTIONAL**, the **REMAINDER OF**  
18 **THE LAW** OR other provisions, **NOT OTHERWISE AFFECTED** [so far as they are separable  
19 from the invalid ones], shall remain [in force] **VALID AND SUBSISTING.**

20           **Sec. [424] 440.** [This Code shall take effect immediately.] **THIS CODE SHALL TAKE**  
21 **EFFECT FIFTEEN (15) DAYS FOLLOWING ITS PUBLICATION IN A NEWSPAPER OF GENERAL**  
22 **CIRCULATION, PROVIDED THAT THE TAX INCENTIVES GRANTED HEREUNDER SHALL TAKE**  
23 **EFFECT ON \_\_\_\_\_**

24 Approved,