

ACT NO. 2427
AN ACT REVISING THE INSURANCE LAWS
AND REGULATING INSURANCE BUSINESS IN THE PHILIPPINE ISLANDS

PRELIMINARY CHAPTER

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

CHAPTER 1
Insurance in general
Definition of Insurance

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

What May Be Insured

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

SECTION 4. The preceding section does not authorize an insurance for or against the drawing of any lottery, or for or against any chance or ticket in a lottery drawing a prize. [robles virtual law library](#)

SECTION 5. All kinds of insurance are subject to the provisions of this chapter so far as the provisions can apply.

Parties to the Contract

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

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

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

SECTION 9. Unless the policy otherwise provides, where a mortgagor of property effects insurance in his own name providing that the loss shall be payable to the mortgagee, or assigns a policy of insurance to a mortgagee, the insurance is deemed to be upon the interest of the mortgagor, who does not cease to be a party to the original contract, and any act of his, prior to the loss, which would otherwise avoid the insurance, will have the same effect, although the property is in the hands of the mortgagee, but any act which, under the contract of insurance, is to be performed by the mortgagor, may be performed by the mortgagee therein named, with the same effect as if it had been performed by the mortgagor.

SECTION 10. If an insurer assents to the transfer of an insurance from a mortgagor to a mortgagee, and, at the time of his assent, imposes further obligations on the assignee, making a new contract with him, the acts of the mortgagor cannot affect the rights of said assignee.

Insurable Interest

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

(a) Of himself;

(b) Of any person on whom he depends wholly or in part for education or support;

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

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

SECTION 12. Every interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such a nature that a contemplated peril might directly damnify the insured, is an insurable interest.

SECTION 13. An insurable interest in property may consist in:

(a) An existing interest;

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

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

SECTION 14. A carrier or depository of any kind has an insurable interest in a thing held by him as such, to the extent of his liability but not to exceed the value thereof.

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

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

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

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

SECTION 19. Except in the cases specified in the next four sections, and in the cases of life, accident, and health insurance, a change of interest in any part of a thing insured unaccompanied by a corresponding change of interest in the insurance, suspends the insurance to an equivalent extent, until the interest in the thing and the interest in the insurance are vested in the same person. [robles virtual law library](#)

SECTION 20. A change of interest in a thing insured, after the occurrence of an injury which results in a loss, does not affect the right of the insured to indemnify for the loss.

SECTION 21. A change of interest in one or more of several distinct things, separately insured by one policy, does not avoid the insurance as to the others.

SECTION 22. A change of interest, by will or succession, on the death of the insured, does not avoid an insurance; and his interest in the insurance passes to the person taking his interest in the thing insured.

SECTION 23. A transfer of interest by one of several partners, joint owners, or owners in common, who are jointly insured, to the others, does not avoid an insurance, even though it has been agreed that the insurance shall cease upon an alienation of the thing insured.

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

Concealment and Representations

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

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

SECTION 27. Each party to a contract of insurance must communicate to the other, in good faith, all facts within his knowledge which are material to the contract, and which the other has not the means of ascertaining, and as to which he makes no warranty.

SECTION 28. An intentional and fraudulent omission, on the part of one insured, to communicate information of matters proving or tending to prove the falsity of a warranty, entitles the insurer to rescind.

SECTION 29. Neither party to a contract of insurance is bound to communicate information of the matters following, except in answer to the inquiries of the other:

- (a) Those which the other knows;
- (b) Those which, in the exercise of ordinary care, the other ought to know, and of which the former has no reason to suppose him ignorant;
- (c) Those of which the other waives communication;
- (d) Those which prove or tend to prove the existence of a risk excluded by a warranty, and which are not otherwise material; and
- (e) Those which relate to a risk excepted from the policy, and which are not otherwise material.

SECTION 30. Materiality is to be determined not by the event, but solely by the probable and reasonable influence of the facts upon the party to whom the communication is due, in forming his estimate of the disadvantages of the proposed contract, or in making his inquiries.

SECTION 31. Each party to a contract of insurance is bound to know all the general causes which are open to his inquiry, equally with that of the other, and which may affect either the political or material perils contemplated; and all general usages of trade.

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

SECTION 33. Information of the nature or amount of the interest of one insured need not be communicated unless in answer to an inquiry, except as prescribed by section forty-nine.

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

SECTION 35. A representation may be oral or written.

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

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

SECTION 38. A representation as to the future is to be deemed a promise, unless it appears that it was merely a statement of belief or expectation.

SECTION 39. A representation cannot be allowed to qualify an express provision in a contract of insurance; but it may qualify an implied warranty.

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

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

SECTION 42. When a person insured has no personal knowledge of a fact, he may nevertheless repeat information which he has upon the subject, and which he believes to be true, with the explanation that he does so on the information of others, or he may submit the information, in its whole extent, to the insurer; and in neither case is he responsible for its truth, unless it proceeds from an agent of the insured, whose duty it is to give the intelligence.

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

SECTION 44. If a representation is false in a material point, whether affirmative or promissory, the injured party is entitled to rescind the contract from the time when the representation becomes false.

SECTION 45. The materiality of a representation is determined by the same rules as the materiality of a concealment.

SECTION 46. The provisions of sections twenty-five to forty-seven, inclusive, of this chapter apply as well to a modification of a contract of insurance as to its original formation.[robles virtual law library](#)

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

The Policy

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

SECTION 49. A policy of insurance must specify:

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

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

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

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

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

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

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

SECTION 56. A policy is either open, valued, or running.

SECTION 57. An open policy is one in which the value of the thing insured is not agreed upon, but is left to be ascertained in case of loss.

SECTION 58. A valued policy is one which expresses on its face an agreement that the thing insured shall be valued at a specified sum.

SECTION 59. A running policy is one which contemplates successive insurances, and which provides that the object of the policy may be from time to time defined, especially as to the subjects of insurance, by additional statements or indorsements.

SECTION 60. An acknowledgment in a policy of the receipt of premium is conclusive evidence of its payment, so far as to make the policy binding, notwithstanding any stipulation therein that it shall not be binding until the premium is actually paid.

SECTION 61. An agreement made before a loss, not to transfer the claim of a person insured against the insurer, after the loss has happened is void.

Warranties

SECTION 62. A warranty is either expressed or implied.

SECTION 63. A warranty may relate to the past, the present, the future, or to any or all of these.

SECTION 64. No particular form of words is necessary to create a warranty.

SECTION 65. Every express warranty, made at or before the execution of a policy, must be contained in the policy itself, or in another instrument signed by the insured and referred to in the policy, as making a part of it.

SECTION 66. A statement in a policy, of a matter relating to the person or thing insured, or to the risk, as a fact, is an express warranty thereof.

SECTION 67. A statement in a policy, which imports that it is intended to do or not to do a thing which materially affects the risk, is a warranty that such act or omission shall take place.

SECTION 68. When, before the time arrives for the performance of a warranty relating to the future, a loss insured against happens, or performance becomes unlawful at the place of the contract, or impossible, the omission to fulfill the warranty does not avoid the policy.

SECTION 69. The violation of a material warranty, or other material provision of a policy, on the part of either party thereto, entitles the other to rescind.

SECTION 70. A policy may declare that a violation of specified provisions thereof shall avoid it, otherwise the breach of an immaterial provision does not avoid the policy.

SECTION 71. A breach of warranty, without fraud, merely exonerates an insurer from the time that it occurs, or where it is broken in its inception prevents the policy from attaching to the risk.

Premium

SECTION 72. An insurer is entitled to payment of the premium soon, as the thing insured is exposed to the peril insured against.

SECTION 73. A person insured is entitled to a return of premium,

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

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

SECTION 74. If a peril insured against has existed, and the insurer has been liable for any period, however short, the insured is not entitled to return of premiums, so far as that particular risk is concerned.

SECTION 75. A person insured is entitled to a return of the premium when the contract is voidable, on account of the fraud or misrepresentation of the insurer, or of his agent or on account of facts, the existence of which the insured was ignorant without his fault; or when, by any default of the insured other than actual fraud, the insurer never incurred any liability under the policy.

SECTION 76. In case of an over-insurance by several insurers, the insured is entitled to a ratable return of the premium, proportioned to the amount by which the aggregate sum insured in all the policies exceeds the insurable value of the thing at risk,

Loss

SECTION 77. 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 of which the peril insured against was only a remote cause.

SECTION 78. 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.[robles virtual law library](#)

SECTION 79. Where a peril is specially 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.

SECTION 80. 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 his agents or others.

Notice of Loss

SECTION 81. In case of loss upon an insurance against fire, an insurer is exonerated, if notice thereof be not given to him by some person insured, or entitled to the benefit of the insurance, without unnecessary delay.

SECTION 82. When preliminary proof of loss is required by a policy; the insured is not bound to give such proof as would be necessary in a court of justice; but it is sufficient for him to give the best evidence which he has in his power at the time.

SECTION 83. All defects in a notice of loss, or in preliminary proof thereof, which the insured might remedy, and which the insurer omits to specify to him, without unnecessary delay, as grounds of objection, are waived.

SECTION 84. Delay in the presentation to an insurer of notice or proof of loss is waived, if caused by any act of his, or if he omits to take objection promptly and specifically upon that ground.

SECTION 85. If a policy requires, by way of preliminary proof of loss, the certificate or testimony of a person other than the insured, it is sufficient for the insured to use a reasonable diligence to procure it, and in case of the refusal of such person to give it, then furnish reasonable evidence to the insurer that such refusal was not induced by any just grounds of disbelief in the facts necessary to be certified.

Double Insurance

SECTION 86. A double insurance exists where the same person is insured by several insurers separately in respect to the same subject and interest.

SECTION 87. Where the insured is overinsured by double insurance —

- (a) The insured, unless the policy otherwise provides, may claim payment from the insurers in such order as he may select, up to the amount for which the insurers are severally liable under their respective contracts;
- (b) Where the policy under which the insured claim is a valued policy, the insured must give credit as against the valuation for any sum received by him under any other policy without regard to the actual value of the subject matter insured;
- (c) Where the policy under which the insured claims is an unvalued policy he must give credit, as against the full insurable value, for any sum received by him under any other policy;
- (d) Where the insured receives any sum in excess of the valuation in the case of valued policies and the insurable value in the case of unvalued policies, he must hold such sum in trust for the insurers, according to their right of contribution among themselves;
- (e) Each insurer is bound, as between himself and the other insurers, to contribute ratably to the loss in proportion to the amount for which he is liable under his contract.

Reinsurance

SECTION 88. A contract of reinsurance is one by which an insurer procures a third person to insure him against loss or liability by reason of such original insurance.

SECTION 89. Where an insurer obtains reinsurance, he must communicate all the representations of the original insured, and also all the knowledge and information he possesses, whether previously or subsequently acquired, which are material to the risk.

SECTION 90. A reinsurance is presumed to be a contract of indemnity against liability, and not merely against damage.

SECTION 91. The original insured has no interest in a contract of reinsurance.

CHAPTER II Marine insurance

Definition of Marine Insurance

SECTION 92. Marine insurance is an insurance against risks connected with navigation, to which a ship, cargo, freightage, profits, or other insurable interest in movable property, may be exposed during a certain voyage or a fixed period of time.

Insurable Interest

SECTION 93. The owner of a ship has in all cases an insurable interest in it, even when it has been chartered by one who covenants to pay him its value in case of loss: Provided, That in this case the insurer shall be liable for only that part of the of the loss which the insured cannot recover from the charterer.

SECTION 94. The insurable interest of the owner of a ship hypothecated by bottomry is only the excess of its value over the amount secured by bottomry.

SECTION 95. Freightage, in the sense of a policy of marine insurances signifies all the benefit derived by the owner, either from the chartering of the ship or its employment for the carriage of his own goods or those of others.

SECTION 96. The owner of a ship has an insurable interest in expected freightage which according to the ordinary and probable course of things he would have earned but for the intervention of a peril insured against or other peril incident to the voyage.

SECTION 97. The interest mentioned in the last section exists, in the case of a charter party, when the ship has broken ground on the chartered voyage, and if a price is to be paid for the carriage of goods when they are actually on board, or there is some contract for putting them on board, and both ship and goods are ready for the specified voyage.

SECTION 98. One who has an interest in the thing from which profits are expected to proceed, has an insurable interest in the profits.

SECTION 99. The charterer of a ship has an insurable interest in it, to the extent that he is liable to be damnified by its loss.

Concealment

SECTION 100. In marine insurance each party is bound to communicate, in addition to what is required by section twenty-seven, all the information which he possesses, material to the risk, except such as is mentioned in section twenty-nine, and to state the exact and whole truth in relation to all matters that he represents, or upon inquiry discloses or assumes to disclose.

SECTION 101. In marine insurance, information of the belief or expectation of a third person, in reference to a material fact, is material.

SECTION 102. A person insured by a contract of marine insurance is presumed to have had knowledge, at the time of insuring, of a prior loss, of the information might possibly have reached him in the usual mode of transmission, and at the usual rate of communication.

SECTION 103. A concealment in a marine insurance, in respect to any of the following matters, does not vitiate the entire contract, but merely exonerates the insurer from a loss resulting from the risk concealed.

- (a) The national character of the insured;
- (b) The liability of the thing insured to capture and detention;
- (c) The liability to seizure from breach of foreign laws of trade;
- (d) The want of necessary documents; and
- (e) The use of false and simulated papers.

Representations

SECTION 104. If a representation, by a person insured by a contract of marine insurance, is intentionally false in any material respect, or in respect of any fact on which the character and nature of the risk depends the insurer may rescind the entire contract.

SECTION 105. The eventual falsity of a representation as to expectation does not, in the absence of fraud, avoid a contract of insurance.

Implied Warranties

SECTION 106. In every marine insurance upon a ship or freight, or freightage, or upon anything which is the subject of marine insurance, a warranty is implied that the ship is seaworthy.

SECTION 107. A ship is seaworthy, when reasonably fit to perform the services, and to encounter the ordinary perils of the voyage, contemplated by the parties to the policy.

SECTION 108. An implied warranty of seaworthiness is complied with if the ship be seaworthy at the time of the commencement of the risk except in the following cases:

(a) When the insurance is made for a specified length of time, the implied warranty is not complied with unless the ship be seaworthy at the commencement of every voyage she may undertake during that time; and

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

SECTION 109. A warranty of seaworthiness extends not only to the condition of the structure of the ship itself, but requires that it be properly laden, and provided with a competent master, a sufficient number of competent officers and seamen, and the requisite appurtenances and equipment, such as ballast, cables, and anchors, cordage and sails, food, water, fuel, and lights, and other necessary or proper stores and implements for the voyage.

SECTION 110. Where different portions of the voyage contemplated by a policy differ in respect to the things requisite to make the ship seaworthy therefor, a warranty of seaworthiness is complied with if, at the commencement of each portion, the ship is seaworthy with reference to that portion.

SECTION 111. When a ship becomes unseaworthy during the voyage to which an insurance relates, an unreasonable delay in repairing the defect exonerates the insurer from liability from any loss arising therefrom.

SECTION 112. A ship which is seaworthy for the purpose of an insurance upon the ship may, nevertheless, by reason of being unfitted to receive the cargo, be unseaworthy for the purpose of insurance upon the cargo.

SECTION 113. Where the nationality or neutrality of a ship or cargo is expressly warranted, it is implied that the ship will carry the requisite documents to show such nationality, or neutrality, and that it will not carry any documents which cast reasonable suspicion thereon.

The Voyage and Deviation

SECTION 114. When the voyage contemplated by a policy is described by the places of beginning and ending, the voyage insured is one which conforms to the course of sailing fixed by mercantile usage between those places.

SECTION 115. If the course of sailing is not fixed by mercantile usage, the voyage insured by a policy is the way between the places specified which, to a master of ordinary skill and discretion, would seem the most natural, direct, and advantageous.

SECTION 116. Deviation is a departure from the course of the voyage insured, mentioned in the last two sections, or an unreasonable delay in pursuing the voyage, or the commencement of an entirely different voyage.

SECTION 117. A deviation is proper:

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

SECTION 118. Every deviation not specified in the last section is improper.

SECTION 119. An insurer is not liable for any loss happening to a thing insured subsequently to an improper deviation.

Loss

SECTION 120. A loss may be either total or partial.

SECTION 121. Every loss which is not total is partial.

SECTION 122. A total loss may be either actual or constructive.

SECTION 123. An actual total loss is caused by:

- (a) A total destruction of the thing insured;
- (b) The loss of the thing by sinking, or by being broken up;
- (c) Any damage to the thing which renders it valueless to the owner for the purposes for which he held it; or
- (d) Any other event which entirely deprives the owner of the possession, at the port of destination, of the thing insured.

SECTION 124. A constructive total loss is one which gives to a person insured a right to abandon, under section one hundred and thirty-two.

SECTION 126. An actual loss may be presumed from the continued absence of a ship without being heard of; and the length of time which is sufficient to raise this presumption depends on the circumstances of the case.

SECTION 126. When a ship is prevented, at an intermediate port, from completing the voyage, by the perils insured against, the master must make every exertion to procure, in the same or a contiguous port, another ship, for the purpose of conveying the cargo to its destination; and the liability of a marine insurer thereon continues after they are thus reshipped.

SECTION 127. In addition to the liability mentioned in the last section a marine insurer is bound for damages, expenses of discharging, storage, reshipment, extra freightage, and all other expenses incurred in saving cargo reshipped pursuant to the last section, up to the amount insured.

SECTION 128. Upon an actual total loss, a person insured is entitled to payment without notice of abandonment.

SECTION 129. Where it has been agreed that an insurance upon a particular thing, or a class of things, shall be free from particular average, loss not depriving the insured of the possession, at the port destination, of the whole of such thing, or class of things, even though it becomes entirely worthless; but he is liable for his proportion of all general average loss assessed upon the thing insured.

SECTION 130. An insurance confined in terms to an actual total loss, does not cover a constructive total loss, but covers any loss which necessarily results in depriving the insured of the possession, at the port of destination, of the entire thing insured.

Abandonment

SECTION 131. Abandonment is the act by which, after a constructive total loss, a person insured by contract of marine insurance declares to the insurer that he relinquishes to him his interest in the thing insured.

SECTION 132. A person insured by a contract of marine insurance may abandon the thing insured, or any particular portion thereof separately valued by the policy, or otherwise separately insured and recover for a total loss thereof, when the cause of the loss is a peril insured against:

- (a) If more than three-fourths thereof in value is actually lost, or would have to be expended to recover it from the peril;
- (b) If it is injured to such an extent as to reduce its value more than three-fourths;
- (c) If the thing insured, being a ship, the contemplated voyage cannot be lawfully performed without incurring an expense to the insured of more than three-fourths the value of the thing abandoned, or without incurring a risk which a prudent man would not take under the circumstances; or
- (d) If the thing insured, being cargo or freightage, the voyage cannot be performed nor another ship procured by the master, within a reasonable time and with reasonable diligence, to forward the cargo, without incurring the like expense or risk. But freightage cannot in any case be abandoned, unless the ship is also abandoned.

SECTION 133. An abandonment must be neither partial nor conditional.

SECTION 134. And abandonment must be made within a reasonable time after receipt of reliable information of the loss, but where the information is of a doubtful character the insured is entitled to a reasonable time to make inquiry.

SECTION 135. Where the information upon which an abandonment has been made proves incorrect, or the thing insured was so far restored when the abandonment was made that there was then in fact no total loss, the abandonment becomes ineffectual.

SECTION 136. Abandonment is made by giving notice thereof to the insurer, which may be done orally, or in writing.

SECTION 137. A notice of abandonment must be explicit, and must specify the particular cause of the abandonment, but need state only enough to show that there is probable cause therefor, and need not be accompanied with proof of interest or of loss.

SECTION 138. An abandonment can be sustained only upon the cause specified in the notice thereof.

SECTION 139. An abandonment is equivalent to a transfer, by the insured of his interest, to the insurer, with all the chances of recovery and indemnity.

SECTION 140. If a marine insurer pays for a loss as if it were an actual total loss, he is entitled to whatever may remain of the thing insured, or its proceeds or salvage, as if there had been a formal abandonment.

SECTION 141. Upon an abandonment, acts done in good faith by those who were agents of the insured in respect to the thing insured, subsequent to the loss, are at the risk of the insurer, and for his benefit.

SECTION 142. Where notice of abandonment is properly given, the rights of the insured are not prejudiced by the fact that the insurer refuses to accept the abandonment.

SECTION 143. The acceptance of an abandonment may be either express or implied from the conduct of the insurer. The mere silence of the insurer after notice is not to be construed as an acceptance.

SECTION 144. The acceptance of an abandonment, whether express or implied, is conclusive upon the parties, and admits the loss and the sufficiency of the abandonment.

SECTION 145. An abandonment once made and accepted is irrevocable, unless the ground upon which it was made proves to be unfounded.

SECTION 146. On an accepted abandonment of a ship, freightage earned previous to the loss belongs to the insurer of said freightage; but freightage subsequently earned belongs to the insurer of the ship.

SECTION 147. If an insurer refuses to accept a valid abandonment, he is liable as upon an actual total loss, deducting from the amount any proceeds of the thing insured which may have come to the hands of the insured.

SECTION 148. If a person insured omits to abandon, he may nevertheless recover his actual loss.

Measure of Indemnity

SECTION 149. A valuation in a policy of marine insurance is conclusive between the parties thereto in the adjustment of either a partial or total loss, if the insured has some interest at risk, and there is no fraud on his part; except that when a thing has been hypothecated by bottomry or respondentia, before its insurance, and without the knowledge of the person actually procuring the insurance, he may show the real value. But a valuation fraudulent in fact entitles the insurer to rescind the contract.

SECTION 150. A marine insurer is liable upon a partial loss, only for such proportion of the amount insured by him as the loss bears to the value of the whole interest of the insured in the property insured.

SECTION 151. Where profits are separately insured in a contract of marine insurance, the insured is entitled to recover, in case of loss, a proportion of such profits equivalent to the proportion which the value of the property lost bears to the value of the whole.

SECTION 152. In case of a valued policy of marine insurance on freightage or cargo, if a part only of the subject is exposed to risk the valuation applies only in proportion to such part.

SECTION 153. When profits are valued and insured by a contract of marine insurance, a loss of them is conclusively presumed from a loss of the property out of which they were expected to arise, and the valuation fixes their amount.

SECTION 164. In estimating a loss under an open policy of marine insurance the following rules are to be observed:

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

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

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

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

SECTION 155. If cargo insured against partial loss arrives at the port of destination in a damaged condition, the loss of the insured is deemed to be the same proportion of the value which the market price at that port, of the thing so damaged, bears to the market price it would have brought if sound. [robles virtual law library](#)

SECTION 156. A marine insurer is liable for all the expenses attendant upon a loss which forces the ship into port to be repaired; and where it is stipulated in the policy that the insured shall labor for the recovery of the property, the insurer is liable for the expense incurred thereby, such expense, in either case, being in addition to a total loss, if that afterwards occurs.

SECTION 157. A marine insurer is liable for a loss falling upon the insured, through a contribution in respect to the thing insured, required to be made by him towards a general average loss called for by a peril insured against.

SECTION 158. When a person insured by a contract of marine insurance has a demand against others for contribution, he may claim the whole loss from the insurer, subrogating him to his own right to contribution. But no such claim can be made upon the insurer after the separation of the interests liable to contribution, nor when the insured, having the right and opportunity to enforce contribution from others, has neglected or waived the exercise of that right.

SECTION 159. In the case of a partial loss of a ship or its equipment, the old materials are to be applied towards payment for the new, and unless other conditions are stipulated in the policy, a marine insurer is liable for the remaining cost of repairs, less deductions from such cost to be made in accordance with the following rules:

1. In the case of iron or steel ships, from date of original register to the date of accident:

(a) Up to one year old. — All repairs to be allowed in full, except painting or coating of bottom, from which one-third is to be deducted.

(b) Between one and three years. — One-third to be deducted off repairs to and renewal of woodwork of hull, masts, and spars, furniture, upholstery, crockery, metal and glassware, also sails, rigging, ropes, sheets, and hawsers (other than wire and chain), awnings, covers and painting. One-sixth to be deducted off wire rigging, wire ropes, and wire hawsers, chain cables and chains, donkey engines, steam winches and connections, steam cranes and connections; other repairs in full.

(c) Between three and six years. — Deductions as above under clause (b), except that one-sixth be deducted off ironwork of masts and spars and machinery (inclusive of boilers and their mountings).

(d) Between six and ten years. — Deductions as above under clause (c), except that one-third be deducted off ironwork of masts and spars, repairs to and renewal of all machinery (inclusive of boilers and their mountings), and all hawsers, ropes, sheets, and rigging.

(e) Between ten and fifteen years. — One-third to be deducted off all repairs and renewals, except ironwork of hull and cementing and chain cables, from which one-sixth to be deducted. Anchors to be allowed in full.

(f) Over fifteen years. — One-third to be deducted off all repairs and renewals. Anchors to be allowed in full. One-sixth to be deducted off chain cables.

(g) Generally. — The deductions (except as to provisions and stores, machinery, and boilers) to be regulated by the age of the ship, and not the age of the particular part of her to which they apply. No painting bottom to be allowed if the bottom has not been painted within six months previous to the date of accident. No deduction to be made in respect of old material which is repaired without being replaced by new, and provisions and stores which have not been in use.

2. In the case of wooden or composite ships:

When a ship is under one year old from date of original register at the time of accident no deduction new for old shall be made. After that period a deduction of one third shall be made, with the following exceptions: Anchors shall be allowed in full. Chain cables shall be subject to a deduction of one-sixth only. No deduction shall be made in respect of provisions and stores which had not been in use. Metal sheathing shall be dealt with by allowing in full the cost of a weight equal to the gross weight of metal sheathing stripped off, minus the proceeds of the old metal. Nails, felt, and labor metalling are subject to a deduction of one-third.

CHAPTER III **Fire Insurance**

SECTION 160. An alteration in the use or condition of a thing insured from that to which it is limited by the policy made without the consent of the insurer, by means within the control of the insured, and increasing the risk, entitles an insurer to rescind a contract of fire insurance.

SECTION 161. An alteration in the use or condition of a thing insured from that to which it is limited by the policy, which does not increase the risk, does not affect a contract of fire insurance.

SECTION 162. A contract of fire insurance is not affected by any act of the insured subsequent to the execution of the policy, which does not violate its provisions, even though it increases the risk and is the cause of a loss.

SECTION 163. If there is no valuation in the policy, the measure of indemnity in an insurance against fire is the expense it would be to the insured at the time of the commencement of the fire to replace the thing lost or injured in the condition in which it was at the time of the injury; but the effect of a valuation in a policy of fire insurance is the same as in a policy of marine insurance.

SECTION 164. Whenever the insured desires to have a valuation named in his policy, insuring any building or structure against fire, he may require such building or structure to be examined by the insurer and the value of the insured's interest therein shall be thereupon fixed by the parties. The cost of such examination shall be paid for by the insured. A clause shall be inserted in such policy stating substantially that the value of the insured's interest in such building or structure has been thus fixed. In the absence of any change increasing the risk without the consent of the insurer or of fraud on the part of the insured, then in case of a total loss under such policy, the whole amount so insured upon the insured's interest in such building or structure, as stated in the policy upon which the insurers have received a premium, shall be paid, and in case of a partial loss the full amount of the partial loss shall be so paid, and in case there are two or more policies covering the insured's interest therein, each policy shall contribute pro rata to the payment of such whole or partial loss. But in no case shall the insurer be required to pay more than the amount thus stated in such policy. This section shall not prevent the parties from stipulating in such policies concerning the repairing, rebuilding, or replacing buildings or structures wholly or partially damaged or destroyed.

CHAPTER IV Life and Health Insurance

SECTION 165. An insurance upon life may be made payable on the death of the person, or on his surviving a specified period, or otherwise contingently on the continuance or cessation of life.

Every contract or pledge for the payment of endowments or annuities shall be considered a life insurance contract for the purposes of this Act.

SECTION 166. A policy of insurance upon life or health may pass by transfer, will, or succession to any person, whether he has an insurable interest or not, and such person may recover upon it whatever the insured might have recovered.

SECTION 167. Notice to an insurer of a transfer or bequest thereof is not necessary to preserve the validity of a policy of insurance upon life or health, unless thereby expressly required,

SECTION 168. Unless the interest of a person insured is susceptible of exact pecuniary measurement, the measure of indemnity under a policy of insurance upon life or health is the sum fixed in the policy.

CHAPTER V Insurance Companies

SECTION 169. In addition to the duties now imposed upon him by law, the Insular Treasurer shall act as Insurance Commissioner and in addition to his present official title he shall hereafter be designated as Insurance Commissioner *ex officio*.

SECTION 170. For the purposes of this chapter unless the context otherwise requires the terms "*company*" or "*insurance company*" shall include all corporations, associations, partnerships, or individuals engaged as principals in the insurance business, excepting fraternal and benevolent orders and societies. "*Domestic companies*" shall include companies formed, organized or existing under the laws of the Philippine Islands. "*Foreign companies*" when used without limitation shall include companies formed, organized, or existing under any laws other than those of the Philippine Islands.

SECTION 171. It shall be the duty of the Insurance Commissioner to see that all laws relating to insurance and insurance companies are faithfully executed and perform the duties imposed upon him by this Act.

He may issue such rulings, instructions, and orders as he may deem necessary to secure the enforcement of the provisions of this Act, subject to the approval of the Secretary of Finance and Justice.

SECTION 172. After the becoming effective of this Act, no foreign or domestic insurance company shall transact any new business in the Philippine Islands until after it shall have obtained a certificate of authority for that purpose from the Insurance Commissioner. No such certificate of authority shall be granted to any such company until the Insurance Commissioner shall have satisfied himself by such examination as he may make and such evidence as he may require that such company is qualified by the laws of the Philippine Islands to transact business herein. Said certificate of authority shall expire on the last day of June of each year and shall be renewed annually if the company is continuing to comply with all of the provisions of this chapter. Before issuing such certificate of authority, the Insurance Commissioner must be satisfied that the name of the company is not that of any other known company transacting a similar business, or a name so similar as to be calculated to mislead the public. Every company receiving any such certificate of authority shall be subject to the insurance laws of the Philippine Islands and to the jurisdiction and supervision of the Insurance Commissioner. An appeal may be taken from any decision of the Insurance Commissioner, refusing to grant such certificate of authority to the Secretary of Finance and Justice whose decision shall be final.

SECTION 173. The Insurance Commissioner shall require each insurance company to keep its books, records, accounts, and vouchers in such manner that he or his authorized representatives may readily verify its annual statement and ascertain whether the company is solvent and has complied with the provisions of this chapter.

SECTION 174. The Insurance Commissioner shall at least once a year and whenever he considers the public interest so demands, cause an examination to be made into the financial condition of every domestic insurance company. Such company shall submit to the examiner all such books, papers, and securities as he may require and such examiner shall also have the power to examine the officers of such corporation under oath touching its business and financial condition, and the authority of any such company to transact business in the Philippine Islands that refuses to allow such examination, shall be revoked by the Insurance Commissioner, and such company shall not thereafter be allowed to transact further business in the Philippine Islands until it has fully complied with the provisions of this section.

SECTION 175. If the Insurance Commissioner is of the opinion upon examination or other evidence that any foreign or domestic insurance company is in an unsound condition, or that it has failed to comply with any provision of law obligatory upon it, or that its condition is such as to render its proceedings hazardous to the public or to its policy holders or that its actual assets exclusive of its capital are less than its liabilities, including unearned premiums and reinsurance reserve, the Insurance Commissioner is authorized, subject to appeal to the Secretary of Finance and Justice, to revoke or suspend all certificates of authority granted to such insurance company, its officers or agents, and no new business shall thereafter be done by such company or for such company by its agents in the Philippine Islands while such revocation, suspension or disability continues or until its authority to do business is restored by the Insurance Commissioner. The decision of the Secretary of Finance and Justice in all such cases shall be final.

SECTION 176. The Insurance Commissioner must cause every company, before engaging in the business of insurance, to file in his office as follows:

- (a) A certified copy of the last annual statement or a verified financial statement exhibiting the condition and affairs of such company.
- (b) If incorporated under the laws of the Philippine Islands, a copy of the articles of incorporation and by-laws and any amendments to either, certified by the chief of the division of archives, patents, copyrights, and trademarks to be a copy of that which is filed in his office.
- (c) If incorporated under any laws other than those of the Philippine Islands, a copy of the articles of incorporation and by-laws and any amendments to either if organized or formed under any law requiring such to be filed, duly certified by the officer having the custody of same, or if not so organized, a copy of the law, charter, or deed of settlement under which the deed of organization is made, duly certified by the proper

custodian thereof, or proved by affidavit to be a copy; also, a certificate under the hand and seal of the proper officer of such state or country having supervision of insurance business therein, if any there be, that such corporation or company is organized under the laws of such state or country, with the amount of capital stock or assets and legal reserve required by this Act.

(d) If not incorporated, a certificate setting forth the nature and character of the business, the location of the principal office, the names of the persons and of those composing the company, firm, or association, the amount of actual capital employed or to be employed therein, and the names of all officers and persons by whom the business is or may be managed. [robles virtual law library](#)

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

SECTION 177. The Insurance Commissioner must require as a condition precedent to the transaction of insurance business in the Philippine Islands by any foreign insurance company, that such company file in his office a written power of attorney designating some person who shall be a resident of the Philippine Islands, on whom any notice provided by law or by any insurance policy, proof of loss, summons, and other process may be served in all actions or other legal proceedings against such company, and consenting that service upon such agent shall be admitted and held as valid as if served upon the foreign company at its home office. Any such foreign company shall, as a further condition precedent to the transaction of insurance business in the Philippine Islands, make and file with the Insurance Commissioner an agreement or stipulation, executed by the proper authorities of said company in form and substance as follow:

"The (name of company) does hereby stipulate and agree in consideration of the permission granted by the Insurance Commissioner to it to transact business in the Philippine Islands, that if at any time said company shall leave the Philippine Islands, or cease to transact business therein, or shall be without an agent in the Philippine Islands on whom any notice, proof of loss, summons, or other legal process may be served, then in any action or proceeding arising out of any business or transactions which occurred in the Philippine Islands, service of any notice provided by law, or insurance policy, proof of loss, summons, or other legal process may be made upon the Insurance Commissioner, and that such service upon the Commissioner shall have the same force and effect as if made upon the company."

Whenever such service of notice, proof of loss, summons, or other legal process shall be made upon the Insurance Commissioner, he must, within ten days thereafter, transmit by mail, postage paid, a copy of such notice, proofs of loss, summons, or either legal process to the company at its home or principal office. The sending of such copy by the commissioner shall be a necessary part of the service of the notice, proof of loss, or other legal process.

SECTION 178. No foreign insurance company shall engage in business in the Philippine Islands unless possessed of paid up unimpaired capital (or assets) and reserve not less than that herein required of domestic insurance companies; and no insurance company organized or existing under the government or laws other than those of the Philippine Islands or any state of the United States shall engage in business in the Philippine Islands until it shall have deposited with the Insurance Commissioner for the benefit and security of its policy holders and creditors in the Philippine Islands securities, satisfactory to the Insurance Commissioner consisting of bonds of the United States or of the Philippine Islands or of the city of Manila or of municipalities in the Philippine Islands authorized by law to issue bonds, or of the government in which such company is organized, or other good securities to the actual market value of one hundred thousand pesos: *Provided*, That if a company organized or existing under the laws of any government outside of the United States and the Philippine Islands shall have made a deposit with the insurance department of some one of the States of the United States of securities of the character above described to the actual market value of at least four hundred thousand pesos, in exclusive trust for the benefit and security of all the company's policy holders and creditors in the United States and its possessions, each deposit shall be held to be in lieu of the deposit required by this, And: *Provided, Further*, That it shall be a sufficient compliance with the provisions of this section if the deposit herein required be made with the Chief of the Bureau of Insular Affairs of the War

Department at Washington or with a safe deposit company designated by that officer, which company shall agree to hold the securities so deposited subject to the control of the Chief of the Bureau of Insular Affairs as the representative of the insurance commissioner of the Philippine Islands.

SECTION 179. The Insurance Commissioner shall hold the securities deposited as aforesaid, for the benefit and security of all the policy holders of the company depositing the same, but shall, so long as the company shall continue solvent, permit the company to collect the interest or dividends on the securities so deposited, and, from time to time, with his assent, to withdraw any of such securities, upon depositing with said commissioner other like securities, the market value of which shall be equal to the market value of such as may be withdrawn. In the event of any company ceasing to do business in the Philippine Islands the securities deposited as aforesaid shall be returned upon the company's making application therefor and proving to the satisfaction of the Insurance Commissioner that it has no further liability under any of its policies in the Philippine Islands.

SECTION 180. Every insurance company, doing business in the Philippine Islands, shall annually on or before the thirtieth day of April, of each year, render to the Insurance Commissioner a statement signed and sworn to by the chief officer of such company showing, in such form and detail as may be prescribed by the Insurance Commissioner, the exact condition of its affairs on the preceding thirty-first day of December: *Provided*, That in case the fiscal year of an insurance company does not terminate with the thirty-first day of December, it shall be deemed a sufficient compliance with this section if the report is made to coincide with the regular fiscal year of the company. In such case the report of the company shall be filed with the Insurance Commissioner within four months after the close of its fiscal year: *And, Provided, Further*, That the Insurance Commissioner may in his discretion, and upon approval of the Secretary of Finance and Justice, grant an extension of not exceeding three months, to any company, upon his being satisfied that the period of four months granted by this section is inadequate with regard to said company.

SECTION 181. Immediately upon approval of the annual statements by the Insurance Commissioner, every insurance company doing business in the Philippine Islands shall publish in two papers of general circulation in the city of Manila, one published in English and one in the Spanish language, a full synopsis of its annual financial statement showing fully the condition of its business, and setting forth its resources and liabilities.

SECTION 182. Every life insurance company, doing business in the Philippine Islands, shall annually make a valuation of all policies, additions thereto, unpaid dividends, and all other obligations outstanding on the thirty-first day of December of the preceding year. All such valuations shall be made upon the net premium basis, according to the standard adopted by the company, which standard shall be stated in its annual report.

Such standard of valuation, whether on the net level premium, preliminary term, any modified preliminary term, or select and ultimate reserve basis, shall be according to a standard table of mortality, with interest at not less than three nor more than six per cent compound interest. When the preliminary term basis is used the term insurance shall be limited to the first policy year.

The results of such valuation shall be reported to the Insurance Commissioner on or before the thirtieth day of April of each year accompanied by a sworn statement of the company's actuary certifying to the figures and stating upon what mortality table it is based, upon what rate of interest the valuation is made, and the methods used in arriving at the results obtained: *Provided*, That in case the fiscal year of a life insurance company does not terminate with the thirty-first day of December, it shall be deemed a sufficient compliance with this section if the valuation herein required is made to coincide with the regular fiscal year of the company. In such case the result of such valuation shall be reported to the Insurance Commissioner within four months after the close of its fiscal year: *And Provided, Further*, That the Insurance Commissioner may in his discretion, and upon approval of the Secretary of Finance and Justice, grant an extension of not exceeding three months, to any company, upon his being satisfied that the period of four months granted by this section is inadequate with regard to said company.

SECTION 183. The aggregate net value of the policies of such company so ascertained shall be deemed its reserve liability, to provide for which it shall hold funds in secure investments equal to such net value, above all its other liabilities; and it shall be the duty of the Insurance Commissioner, after having verified, to such an extent as he may deem necessary, the valuation of all policies in force, to satisfy himself that the company has such amount in safe legal securities after all other debts and claims against it have been provided for.

SECTION 184. Hereafter no policy of life or endowment insurance shall be issued or delivered within the Philippine Islands unless it shall contain in substance the following provisions:

(a) A provision that the insured is entitled to a grace either of thirty days or of one month within which the payment of any premium after the first year may be made, subject at the option of the company to any interest charge not in excess of six per centum per annum for the number of days of grace elapsing before the payment 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 overdue premium or the deferred premiums of the current policy year if any are paid, the amount of such premiums, with interest on any overdue premium, may be deducted from any amount payable under the policy in settlement.

(b) A provision that the policy shall, in the absence of fraud, be incontestable after five years from its date of issue except for nonpayment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.

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

(d) A provision that if the age of the insured has been misstated the amount payable under the policy shall be such as the premium would have purchased at the correct age.

(e) A provision that the policy shall participate in the surplus of the company.

(f) A provision specifying the options to which the policy-holder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid.

(g) A provision that after three full years' premiums have been paid, the company at any time, while the policy is in force, will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest, a sum equal to, or at the option of the owner of the policy less than, the reserve at the end of the current policy year on the policy and on any dividend additions thereto, less a sum not more than two and one-half per centum of the amount insured by the policy and of any dividend additions thereto; and that the company will deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year; which provision may further provide that such loan may be deferred for not exceeding six months after the application therefor is made. A company may, in lieu of the provision hereinabove permitted for the deduction from a loan on the policy of a sum not more than two and one-half per centum of the amount insured by the policy and of any dividend additions thereto, insert in the policy a provision that one-fifth of the entire reserve may be deducted in case of a loan under the policy, or may provide therein that the deduction may be the said two and one-half per centum or the one-fifth of the said entire reserve at the option of the company.

(h) A table showing in figures the loan values, if any, and the options available under the policy each year upon default in premium payments, during at least the first twenty years of the policy.

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

(j) A provision that the holder of a policy shall be entitled to have the policy reinstated at any time within three years from the date of default unless the cash value has been duly paid, or the extension period expired, upon the production of evidence of insurability satisfactory to the company and the payment of all overdue premiums and any other indebtedness to the company upon said policy with interest at a rate which shall be stipulated in the policy and not exceeding ten per centum per annum, payable annually.

Any of the foregoing provisions or portions thereof not applicable to single premium or non participating or term policies shall to that extent not be incorporated therein; and any such policy may be issued or delivered in the Philippine Islands which in the opinion of the insurance commissioner contains provisions on any one or more of the several foregoing requirements more favorable to the policy holder than hereinbefore required. The provisions of this section shall not apply to policies of reinsurance. [robles virtual law library](#)

SECTION 185. Every domestic life insurance company, conducted on the mutual plan or a plan in which policy holders are by the terms of their policies entitled to share in the profits or surplus shall, on all policies of life insurance heretofore or hereafter issued, under the conditions of which the distribution of surplus is deferred to a fixed or specified time and contingent upon the policy being in force and the insured living at that time, annually ascertain the amount of the surplus to which all such policies as a separate class are entitled, and shall annually apportion to such policies as a class the amount of the surplus so ascertained and carry the amount of such apportioned surplus, plus the actual interest earnings and accretions of such fund, as a distinct and separate liabilities of such class of policies on and for which the same was accumulated, and no company or any of its officers shall be permitted to use any part of such apportioned surplus fund for any purpose whatsoever other than for the express purpose for which the same was accumulated.

SECTION 186. To determine the liability upon the contracts of insurance of any foreign or domestic insurance company, other than life, the Insurance Commissioner shall require such companies to charge as the liabilities for reinsurance of its outstanding policies, in addition to the capital stock and all outstanding claims, a sum equal to fifty per cent of the gross premiums received on policies or risks having not more than a year to run, and pro rata on all gross premiums received having more than a year to run: Provided, That for marine risks the insuring company shall be required to charge as the liability for reinsurance fifty per centum of the premiums written in the policies upon yearly risks, and the full amount of the premiums written in the policies upon all other marine risks not terminated.

SECTION 187. No fire or marine insurance corporation whether foreign or domestic shall insure on any one risk or hazard to an amount exceeding ten per cent of its net assets unless it has provided for reinsurance of the excess over said limit to take effect simultaneously with the original contract.

SECTION 188. No policy of fire insurance shall be pledged, hypothecated, or transferred to any person, firm or company who acts as agent for or otherwise represents the issuing company, and any such pledge, hypothecation, or transfer hereafter made shall be void and of no effect in so far as it may affect other creditors of the insured.

Agents

SECTION 189. No insurance company doing business within the Philippine Islands, nor any agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance unless such person shall have first procured from the Insurance Commissioner a certificate of authority to act as an agent of such company hereinafter provided. No person shall act as agent, subagent, or broker, in the solicitation or procurement of applications for insurance, or receive for services in obtaining new insurance any commission or other compensation from any insurance company doing business in the Philippine Islands, or agent thereof, without first procuring a certificate of authority so to act from the Insurance Commissioner, which must be

renewed annually on the first day of January, or within six months thereafter. Such certificate shall be issued by the Insurance Commissioner only upon the written application of persons desiring such authority such application being approved and countersigned by the company such person desires to represent, and shall be upon a form approved by the Insurance Commissioner, giving such information as he may require. The Insurance Commissioner shall have the right to refuse to issue or renew and to revoke any such certificate in his discretion. No such certificate shall be valid, however, in any event after the first day of July of the year following the issuing of such certificate. Renewal certificates may be issued upon the application of the company.

Any person or company violating the provisions of this section shall be fined in the sum of five hundred pesos. On the conviction of any person acting as agent, subagent, or broker, of the commission of any offense connected with the business of insurance, the Insurance Commissioner shall immediately revoke the certificate of authority issued to him and no such certificate shall thereafter be issued to such convicted person.

SECTION 190. No insurance company, engaged in business in the Philippine Islands, or any agent thereof, shall make any contract of insurance, or agreement as to policy contract, other than is plainly expressed in the policy issued thereon; nor shall any such company or agent, pay or allow, or offer to pay or allow, as inducement to insurance, any rebate of premiums payable on the policy, nor shall any particular policy holder of the same class be allowed any advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever not specified in the policy contract of insurance.

SECTION 191. No agent, subagent, broker, or other person, representing any insurance company doing business in the Philippine Islands shall in any way, directly or indirect-divide or offer to divide his commission or other remuneration, or give or offer to give any part of his commission or other remuneration, or any other consideration as an inducement to insurance; nor shall any such company or any agent thereof, as to any new policies of insurance hereafter issued, make any discrimination against any citizen of the Philippine Islands whereby such citizen of the Philippine Islands is given less advantageous rates, dividends or other policy conditions or privileges than are accorded to Caucasians because of his race. Whoever violates this or the preceding section shall be fined in the sum of two hundred pesos for each such offense and upon conviction the certificate of authority of the company, agent, subagent, or broker as the case may be shall be revoked by the Insurance Commissioner.

SECTION 192. It shall be unlawful for any person, company or corporation in the Philippine Islands either to procure, receive, or forward applications for insurance in or to issue or to deliver or accept policies of or for any company or companies not having been legally authorized to transact business in the Philippine Islands, as provided in this chapter; and any such person, company or corporation violating the provisions of this section shall be deemed guilty of a penal offense, and, upon conviction thereof, shall for each such offense, be punished by a fine of two hundred pesos, or imprisonment for two months, or both in the discretion of the court: *Provided*, That insurance companies not authorized to transact business in the Philippine Islands may be placed upon terms and conditions as follows:

The Insurance Commissioner may issue a certificate of authority to any regularly authorized fire or marine insurance agent of the Philippine Islands, subject to revocation at any time, permitting the person named therein to procure policies of insurance on risks located in the Philippine Islands for companies not authorized to transact business in the Philippine Islands.

Before the agent named in such certificate of authority shall procure any insurance in such company there shall be executed and filed in each case with the Insurance Commissioner by the agent and by the party desiring the insurance affidavits setting forth that the party desiring insurance is after diligent effort unable to procure, in any of the companies authorized to do business in the Philippine Islands, the amount of insurance necessary.

Every such agent shall keep a separate account of the business done under the authority of this section, open at all times to the inspection of any authorized Government officer; showing the exact amount and character of such insurance placed for any person, firm or corporation, the gross premium charged thereon, the companies with which the same is placed, the dates of the policies, the terms thereof, and the location of the insured property.

Such agent shall likewise make a yearly report to the Collector of Internal Revenue at the time and in the manner prescribed in section eighty-one of Act Numbered Twenty-three hundred and thirty-nine, showing the entire amount of all premiums received by the company he represents under the authority of this section. And such agent shall pay to the Collector of Internal Revenue a tax equal to twice the tax imposed by section seventy-nine of Act Numbered Twenty-three hundred and thirty-nine, which tax shall be paid at the same time and be subject to the same penalty for delinquency as the tax imposed by said Act Numbered Twenty-three hundred and thirty-nine: Provided, However, That the provisions of this section shall not apply to reinsurance.

Insurance Corporations

SECTION 193. The provisions of Act Numbered Fourteen hundred and fifty-nine, known as "[The Corporation Law](#)" and its amendments, shall apply to all incorporated insurance companies now or hereafter engaged in business in the Philippine Islands in so far as they do not conflict with the provisions of this chapter.

SECTION 194. Corporations formed or organized to save any person or persons or other corporation harmless from loss, damage, or liability arising from any unknown or future or contingent event, or to indemnify or to compensate any person or persons or other corporation for any such loss, damage, or liability, or to guarantee the contractual obligations or debts of others, shall be known as insurance corporations for the purposes of this chapter.

Domestic Insurance Corporations

SECTION 196. Every insurance corporation hereafter formed or organized under the laws of the Philippine Islands shall, if a stock corporation, have a subscribed capital stock equal to at least two hundred and fifty thousand pesos, fifty per centum of which must be paid up in cash previous to the issuance of any policy, and the residue within twelve months from the date of filing its articles of incorporation. For failure to have its capital stock paid up within the time prescribed the corporation shall not be permitted to take any new risks of any kind or character. If organized as a mutual company, in lieu of such capital stock, it must have available cash assets of at least two hundred and fifty thousand pesos above all liabilities for losses reported, expenses, taxes, legal reserve, and reinsurance of all outstanding risks.

Any officer, official, or director of the corporation taking or authorizing the taking of any risk for the corporation in violation of the terms of this section shall be punished by imprisonment for not less than one year nor more than five years and by a fine of not less than one thousand nor more than five thousand pesos.

SECTION 196. No domestic insurance corporation shall adopt the name of any existing company transacting a similar business or any name so similar as to be calculated to mislead the public.

SECTION 197. No insurance corporation shall loan any of its money or deposits except upon first mortgages or deeds of trust of unencumbered improved real estate, in cities and centers of population of municipalities in the Philippine Islands when the amount of such loan is not in excess of sixty per centum of the value of such real estate, or upon the security of first mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural lands in the Philippine Islands when the amount of such loans is not in excess of forty per centum of the value of such land, or upon bonds or other evidence of debt of the Government of the United States, or of the Philippine Islands, or of the City of Manila, or of municipalities in the Philippine Islands authorized by law to issue bonds, or such other securities, deposited as collateral, as may be approved

by the Insurance Commissioner: *Provided, However,* That a life insurance corporation may loan its money upon the security of a policy to an amount not exceeding the net reserve value of the policy at the time said loan is made.

SECTION 198. No loan by any insurance corporation on the security of real estate shall be made unless the title to such real estate shall have first been registered in accordance with the Land Registration Act, or shall be a titulo real duly registered, or have been previously registered under the provisions of the Mortgage Law; that is, under the system of registration established by the laws in force on the date of the passage of Act Numbered Four hundred and ninety-six, entitled "*The Land Registration Act.*"[robles virtual law library](#)

SECTION 199. It shall be the duty of the officers of the corporation to report quarterly on the first days of January, April, July and October of each year to the Insurance Commissioner a list of such investments as may be made by them, and the Insurance Commissioner may, if such investments, or any of them, seem injudicious to him, require the sale of the same.

SECTION 200. Insurance corporations may purchase, hold, own and convey real and personal property as follows.

(a) The lot with the building thereon in which the corporation conducts and carries on its business.

(b) Such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the corporation, and such real or personal property as may have been purchased by it at sales under pledges, mortgages, or deeds of trust for its benefit on account of money loaned by it, and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the corporation to them: *Provided, However,* That any real estate purchased by said corporation in payment or by reason of any loan made by said corporation shall be sold by the corporation within five years after the title thereto has been vested in it.

(c) Bonds and other evidences of debt of the Government of the United States or of the Philippine Islands or of the city of Manila or of any municipality in the Philippine Islands authorized by law to issue bonds at the reasonable market value thereof, and such other securities as may be approved by the Insurance Commissioner.

SECTION 201. No insurance corporation shall declare any dividend except from profits remaining on hand after retaining unimpaired:

(a) The entire paid up capital stock.

(b) In the case of life insurance corporations the legal reserve fund required by section one hundred and eighty-three of this Act.

(c) In the case of corporations other than life the legal reserve fund required by section one hundred and eighty-six of this Act.

(d) A sum sufficient to pay all losses reported, or in the course of settlement, and all liabilities for expenses and taxes.

Conduct of Insurance Business by Persons Not Incorporated

SECTION 202. No person, partnership, or association of persons shall engage in the business of insurance in the Philippine Islands except as agent of a person or corporation authorized to do the business of insurance in the Philippine Islands, unless possessed of the capital and assets required of an insurance corporation doing the same kind of business in the Philippine Islands and invested in the same manner; nor unless the Insurance

Commissioner shall have granted to him or them a certificate to the effect that he or they have complied with all the provisions of law which an insurance corporation doing business in the Philippine Islands is required to observe.

Every person, partnership, or association receiving any such certificate of authority shall be subject to the insurance laws of the Philippine Islands and to the jurisdiction and supervision of the Insurance Commissioner in the same manner as if an insurance corporation authorized by the laws of the Philippine Islands to engage in the business of insurance specified in the certificate.

General Penalty

SECTION 203. Any person who knowingly violates any provision of this chapter for which no penalty is provided, shall upon conviction punished by a fine not exceeding five hundred pesos or by imprisonment not exceeding five months or by both such fine and imprisonment in the discretion of the court.

CHAPTER VI Final Provision

SECTION 204. The provisions of sections one hundred and forty-seven to one hundred and fifty-three, inclusive, of Act Numbered Fourteen hundred and fifty-nine; Title Eight of Book Two; Section Third of Title Three, Book Three of the Code of Commerce; and all laws or parts of laws in conflict or inconsistent with this Act, are hereby repealed.

SECTION 205. This Act shall be in effect on and after the first day of July, nineteen hundred and fifteen.

ENACTED, December 11, 1914.