

AMENDING CERTAIN SECTIONS OF PRESIDENTIAL DECREE NO. 1460, OTHERWISE KNOWN AS THE INSURANCE CODE

PRESIDENTIAL DECREE NO. 1814, January 16, 1981

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WHEREAS, Presidential Decree No. 1460, otherwise known as the Insurance Code, was promulgated primarily to promote and develop a strong national insurance industry and to provide the necessary operating conditions for its integration in the economic and social development of the Philippines;

WHEREAS, the prevailing economic conditions necessitate the amendment of said Decree to ensure the due execution and performance of insurance contracts in the interests of the sound development of the national economy;

WHEREAS, there is a need to amend the said Decree to further assure reasonable insurance services for the protection of the interests of the policyholders and the public;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the amendment of Presidential Decree No. 1460 otherwise known as the Insurance Code, as follows:

SECTION 1. Section 305, Title I, Chapter IV, of Presidential Decree No. 1460 otherwise known as the Insurance Code is hereby amended to read as follows:

"SEC. 305. An application for the issuance or renewal of a license to act as an insurance agent or insurance broker may be refused, or such license, if already issued or renewed, shall be suspended or revoked if the Commissioner finds that the applicant for, or holder of, such license:

- has willfully violated any provision of this Code; or
- has intentionally made a material misstatement in the application to qualify for such license; or
- has obtained or attempted to obtain a license by fraud or misrepresentation; or
- has been guilty of fraudulent or dishonest practices; or
- has misappropriated or converted to his own use or illegally withheld moneys required to be held in a fiduciary capacity;
- has not demonstrated trustworthiness and competence to transact business as an insurance agent or insurance broker in such manner as to safeguard the public; or
- has materially misrepresented the terms and conditions of policies or contracts of insurance which he seeks to sell or has sold; or
- has failed to pass the written examination prescribed, if not otherwise exempt from taking the same.

In addition to the foregoing causes, no license to act as insurance agent or insurance broker shall be renewed if the holder thereof has not been actively engaged as such agent or broker in accordance with such rules as the

commissioner may prescribe.

SEC. 2. Paragraph (c) of Section 373, Chapter VI, of Presidential Decree No. 1460, otherwise known as the Insurance Code is hereby amended to read as follows:

"(c) 'Third Party' is any person other than a passenger as defined in this section and shall also exclude a member of the household, or a member of the family within the second degree of consanguinity or affinity, of a motor vehicle owner or land transportation operator, as likewise defined herein, or his employee in respect of death or bodily injury, arising out of and in the course of employment;

SEC. 3. Paragraph (f) of Section 373 of the same Decree is hereby amended to read as follows:

"(f) 'Insurance Policy' or 'Policy' refers to a contract of insurance against passenger and third-party liability for death of bodily injuries arising from motorvehicle accidents."

SEC. 4. Section 374 of the same Decree is hereby amended to read as follows:

"SEC. 374. It shall be unlawful for any land transportation operator or owner of a motor vehicle to operate the same in the public highways unless there is in force in relation thereto a policy of insurance or guaranty in cash or surety bond issued in accordance with the provisions of this chapter to indemnify the death or bodily injury of a third party or passenger, as the case may be, arising from the use thereof."

SEC. 5. Section 377 of the same Decree is hereby amended to read as follows:

"SEC. 377. Every land transportation operator and every owner of a motor vehicle shall, before applying for the registration or renewal of registration of any motor vehicle, at his option, either secure an insurance policy or surety bond issued by an insurance company authorized by the Commissioner or make a cash deposit in such amount as herein required as limit of liability for purposes specified in section three hundred seventy-four.

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

- (a) Motor vehicles with an authorized capacity of twenty-six or more passengers: fifty thousand pesos;
- (b) Motor vehicles with an authorized capacity of from twelve to twenty-five passengers: forty thousand pesos;
- (c) Motor vehicles with an authorized capacity of from six to eleven passengers: thirty thousand pesos;
- (d) Motor vehicles with an authorized capacity of five or less passengers: five thousand pesos multiplied by the authorized capacity.

"Provided, however, That such cash deposit made to, or surety bond posted with, the Commissioner shall be resorted to by him in cases of accidents the indemnities for which to third-parties and/or passengers are not settled accordingly by the land transportation operator and, in that event, the said cash deposit shall be replenished or such surety bond shall be restored within sixty days after impairment or expiry as the case may be, by such land transportation operator, otherwise, he shall secure the insurance policy required by this chapter. The aforesaid cash deposit may be invested by the Commissioner in readily marketable government bonds and/or securities.

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

I. Private Cars

- (a) Bantam: Twenty Thousand Pesos;
- (b) Light: Twenty Thousand Pesos;
- (c) Heavy: Thirty Thousand Pesos;

II. Other Private Vehicles

- (a) Tricycles, motorcycles, and scooters: twelve thousand pesos;
- (b) Vehicles with an unladen weight of 2,600 kilos or less: twenty thousand pesos;
- (c) Vehicles with an unladen weight of between 2,601 kilos and 3,930 kilos: thirty thousand pesos;
- (d) Vehicles with an unladen weight over 3,930 kilos: fifty thousand pesos.

"The Commissioner may, if warranted, set forth schedule of indemnities for the payment of claims for death or bodily injuries with the coverages set forth herein."

SEC. 6. Section 379 of the same Decree is hereby amended to read as follows:

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

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

"The authority to engage in the casualty and/or surety lines of business of an insurance company that refuses to issue or renew, without just cause, the insurance policy or surety bond therein required shall be withdrawn immediately."

SEC. 7. Section 384 of the same Decree is hereby amended to read as follows:

"SEC. 384. Any person having any claim upon the policy issued pursuant to this chapter shall, without any unnecessary delay, present to the insurance company concerned a written notice of claim setting forth the nature, extent and duration of the injuries sustained as certified by a duly licensed physician. Notice of claim must be filed within six months from date of the accident, otherwise, the claim shall be deemed waived. Action or suit for recovery of damage due to injury must be brought with the Commissioner or the Courts within one year from date of accident, otherwise, the claimant's right of action shall prescribe.

SEC. 8. All laws, decrees, rules and regulations which are inconsistent herewith are hereby repealed or modified accordingly.

SEC. 9. This Decree shall take effect immediately.

Done in the City of Manila, this 16th day of January, in the year of Our Lord, nineteen hundred and eighty-one.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JUAN C. TUVERA

Presidential Executive Assistant

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