

AN ACT TO AMEND FURTHER ACT NUMBERED TWO THOUSAND FOUR HUNDRED AND TWENTY-SEVEN, AS AMENDED, OTHERWISE KNOWN AS THE INSURANCE LAW.

REPUBLIC ACT NO. 3124, June 17, 1961

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

SECTION 1. The last paragraph of Section one hundred eighty-four of Act Numbered Two thousand four hundred twenty-seven, as amended, is hereby further amended to read as follows:

"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 Philippines which in the opinion of the Insurance Commissioner contains provisions on any one or more of the several foregoing requirements more favorable to the policyholder than hereinbefore required. The provisions of this section shall not apply to policies of reinsurance nor to policies of industrial life insurance."

SEC. 2. The same Act, as amended, is further amended by inserting between Sections one hundred eighty-four and one hundred eighty-five thereof the following new sections which shall read as follows:

"SEC. 184-A. The term "industrial life insurance" as used in this Act shall mean that form of life insurance either (a) under which the premiums are payable weekly, or (b) under which the premiums are payable monthly as oftener, but less often than weekly, if the face amount of insurance provided in any policy is two thousand pesos or less and if the words "industrial policy" are printed upon the policy as part of the descriptive matter.

"SEC. 184-B. No policy of industrial life insurance shall be issued or delivered in the Philippines, unless the same shall contain in substance the following provisions:

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

"Second, a provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a specified period, not more than two years from its date of issue, except for non-payment of premiums and except for violation of the conditions of the policy relating to naval or military service, or services auxiliary thereto, and except as to provisions relating to benefits in the event of disability as defined in the policy, and those granting additional insurance specifically against death by accident or by accidental means, or to additional insurance against loss of or loss of use of, specific members of the body;

"Third, a provision that the policy shall constitute the entire contract between the parties, or if a copy of the application is endorsed upon and attached to the policy when issued, a provision that the policy and the application therefor shall constitute the entire contract between the parties, and in the latter case, a provision that all statements made by the insured shall, in the absence of fraud, be deemed representations and not warranties;

"Fourth, a provision that if the age of the person insured (or the age of any other person considered in determining the premium) has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium paid would have purchased at the correct age or ages;

"Fifth, a provision that if the policy is a participating policy, the company shall periodically ascertain and apportion any divisible surplus accruing on the policy under the condition specified therein;

"Sixth, a provision that in the event of default in premium payments after three full years premiums have been paid, the policy shall be converted into a stipulated form of insurance at the option of the policyholder, and that in the event of default in premium payments after five full years premiums have been paid, a specified cash surrender value shall be available in lieu of the stipulated form of insurance. The net value of such stipulated form of insurance and the amount of such cash value shall be not less than the reserve on the policy and dividend additions thereto, if any, at the end of the last completed policy year for which premiums shall have been paid (the policy to specify the mortality table, rate of interest and method of valuation adopted to compute such reserve), exclusive of any reserve on disability benefits and accidental-death benefits, less an amount not to exceed two and one-half per centum of the maximum amount insured by the policy and dividend additions thereto, if any, when the issue age is under ten years and less an amount not to exceed two and one-half per centum of the current amount insured by the policy and dividend additions thereto, if any, if the issue age is ten years or older, and less any existing indebtedness to the company on or secured by the policy.

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

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

"Ninth, a provision that specifies which one of the stipulated form of insurance provided for under the sixth provision of this section shall take effect in the event of the insured's failure within sixty days from the due date of the premium in default to notify the insurer in writing as to which one of such forms he has selected;

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

"Eleventh, a provision that when a policy shall become a claim by death of the insured, settlement be made upon receipt of due proof of death, or not later than two months after receipt of such proof;

"Twelfth, a title on the face and on the back of the policy correctly describing its form;

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

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

"Fourteenth, a provision that when an industrial life insurance policy is issued providing for accidental or health benefits, or both, in addition to life insurance, the foregoing provisions shall apply only to the life insurance portion of the policy. Any of the foregoing provisions or portions thereof not applicable to non-participating or term policies shall to that extent not be incorporated therein. The foregoing provisions shall not apply to policies issued or granted pursuant to the non-forfeiture provisions prescribed in provisions sixth and ninth of this section nor shall provisions sixth, seventh, eighth and ninth hereof be required in term insurance of twenty years or less but such term policies shall specify the mortality table, rate of interest, and method of computing reserves.

"SEC. 184.-C. No policy of industrial life insurance shall be issued or delivered in the Philippines if it contains any of the following provisions:

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

"Second, a provision that gives the insurer the right to declare the policy void because the insured had been rejected for insurance, unless such right be conditioned upon a showing by the insurer that knowledge of such rejection would have led to a refusal by the insurer to make such contract;

"Third, a provision that allows the company to pay the proceeds of the policy at the death of the insured to any person other than the named beneficiary, except in accordance with a standard provision as specified in the thirteenth provision of Section one hundred eighty-four—B of this Act;

"Fourth, a provision that limits the time within which any action at law or in equity may be commenced to less than six years after the cause of action shall accrue; and

"Fifth, a provision that specifies any mode of settlement at maturity of less value than the amount insured by the policy plus dividend additions, if any, less any indebtedness to the company on the policy and less any premium that may by the terms of the policy be deducted, payments to be made in accordance with the terms of the policy. Nothing contained in this provision nor in the second provision of Section one hundred eighty-four—B of this Act relating to incontestability shall be construed as prohibiting the life insurance company from placing in its industrial life policies provisions limiting its liability with respect to: (a) death resulting from aviation other than as a fare-paying passenger on a regularly scheduled route between definitely established airports; and (b) military or naval service: Provided, That if the liability of the company is limited as herein provided, such liability shall in no event be fixed at an amount less than the reserve on the policy (excluding the reserve for any additional benefits in the event of death by accident or accidental means or for benefits in the event of any type of disability), less any indebtedness on or secured by such policy.

"Nothing contained in this section shall apply to any provision in an industrial life insurance policy for additional benefits in the event of death by accident or accidental means."

SEC. 3. This Act shall take effect upon its approval.

Approved, June 17, 1961.

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