Comm2 Reviewer
Part I (Ch. 1 – 6)

General Concepts · Grounds for Rescission · Loss, Settlement & Subrogation · Classes of Insurance · Regulation · Pre-Need Plans

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Each part begins on a new page and follows the same shape: a coverage map with study priorities, then the discussion with key cases cited, then quick-recall tables and exam traps.

Part I-A — General Concepts: The Insurance Contract

PART 1 - SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Definition of Insurance Contract	Core	Insurance is a Sec. 2(a) undertaking for consideration to indemnify against loss from an unknown or contingent event	Sec. 2(a); Sec. 3
2	Principal Object and Purpose Test	High	HMO, variable, and pre-need products are tested by principal object and purpose, not by label	Sec. 2(b); Gaw, 147748 (2006)
3	Doing an Insurance Business; Mutual Insurance Companies	Moderate	Four Sec. 2(b) acts; no-profit and no-direct-consideration do not negate doing insurance business	Sec. 2(b); Capital, 159979 (2015)
4	Applicable Laws (NCC; Corporation Code)	Moderate	Code primary; Civil Code on consent and interpretation and Corporation Code on the insurer vehicle apply suppletorily	Sec. 6; CC Arts. 1319, 1377
5	Importance of Insurance; Dealing with Risks	Moderate	Insurance distributes fortuitous losses across a pool; no assigned case	Spine (doctrinal)
6	Characteristics (Indemnity; Not a Wagering Contract)	Core	Indemnity caps recovery at the loss; Sec. 4 lottery bar plus insurable interest keeps it non-wagering	Secs. 4, 17; Galian, L-8405 (1915)

§	Topic	Priority	The one rule you must state cold	Authority
7	Perfection	Core	Cognition governs mailed acceptance: binds only on the offeror's knowledge (CC 1319); 2016-II Jason	CC Art. 1319; Secs. 77-78
8	Kinds of Insurance; Kinds of Property Insurance Policy	High	Life vs non-life; double insurance needs triple identity; surety is ancillary and strictly construed	Secs. 5, 175-176; Malayan v. Phil First, 184300 (2012); FLT, 177839 (2012); Multi-Ware, 230528 (2021)
9	The Parties	Core	Mortgagor stays party though loss is payable to mortgagee (Sec. 8); beneficiary revocable unless expressly waived (Sec. 11), forfeited by willful killing (Sec. 12)	Secs. 6-9, 11-12; La O, 33131 (1930); Shafer, L-78848 (1988); Palermo, L-36480 (1988)
10	The Policy	High	Sec. 50 contents; adhesion construed against insurer; indivisible unless severable intent appears	Sec. 50; Cebu Shipyard, 132607 (1999); Oriental, 94052 (1991); Qua Chee Gan, L-4611 (1955)
11	Elements	Core	Life interest at effect only, property at effect and loss (Sec. 19); measure is damnification (Sec. 17); mortgagor and mortgagee hold separate interests	Secs. 10, 13-14, 17-20; La O; Aban, 175666 (2013)

§	Topic	Priority	The one rule you must state cold	Authority
12	Premium	Core	Premium due on exposure (Sec. 77); unpaid means no cover except where the Code or a binding receipt says otherwise; 2024-14 Flavio	Secs. 77-84; La O, Qua Chee Gan (waiver)

2. Learning Objectives

1. State the Sec. 2(a) definition and the Sec. 3 "what may be insured" frame without swapping the two numbers.
2. Run the principal object and purpose test on HMO, variable, and pre-need products and distinguish each from insurance.
3. Recite the four Sec. 2(b) doing-business acts and the no-profit sentence, and place mutual companies inside them.
4. Sort the suppletory laws: where the Code stops, which Civil Code and Corporation Code rules take over.
5. Apply perfection and cognition: offer, absolute acceptance, unaccepted application, stipulation effect, and delivery of the policy.
6. Sort the parties: insured, insurer, beneficiary and revocation, assignees of life vs property, agent vs broker, and mortgagee relations.
7. Run the insurable-interest machine: life vs property lists, mortgagor vs mortgagee, time (Sec. 19), measure (Sec. 17), change of interest (Secs. 20-23).
8. Run premium problems end to end and draft a four-paragraph answer on perfection, parties, interest, or premium.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Galian v. State Assurance	G.R. No. L-8405, Feb 10, 1915, 29 Phil. 413	Coinsurance clause valid; partial loss scaled ratably; insured is his own insurer for the excess	6
La O v. Yek Tong Lin Fire and Marine	G.R. No. 33131, Dec 30, 1930	Mortgagor-insured is the proper plaintiff; other policies on different interests are no breach; knowing premium collection waives	9, 11, 12
Palermo v. Pyramid Insurance	G.R. No. L-36480, May 31, 1988	The insured himself is an authorized driver; the license proviso binds only his permittees	9
Shafer v. Judge, RTC Olongapo	G.R. No. L-78848, Nov 14, 1988, 167 SCRA 386	TPL insurer's liability accrues on injury; insured may implead insurer at once; no-action clause yields to the Rules	9
Tiu v. Arriesgado	G.R. No. 138060, Sept 1, 2004	Carrier presumed at fault; impleaded insurer held liable with the carrier	9
Cebu Shipyard v. William Lines	G.R. No. 132607, May 5, 1999	Res ipsa vs repairer in exclusive custody; insurer subrogated; unconscionable adhesion cap disregarded	10
Oriental Assurance v. CA (Panama Sawmill)	G.R. No. 94052, Aug 9, 1991	One unit, one premium means indivisible; no constructive total loss without separate valuation	10
Malayan v. Phil First (Wyeth / Reputable Forwarder)	G.R. No. 184300, July 11, 2012	Double-insurance doctrine on the same cargo interest; coordination between co-insurers	8
First Lepanto-Taisho v. Chevron	G.R. No. 177839, Jan 18, 2012	Surety not liable where the referenced written principal contract was never shown; suretyship strictly construed	8

Case	G.R./Citation	One-line ratio	§
Stronghold v. Tokyu Construction	G.R. Nos. 158820-21, June 5, 2009	Surety released only by material alteration making its burden more onerous; bond before principal contract not void	8
Capital Insurance v. Del Monte Motor Works	G.R. No. 159979, Dec 9, 2015	Bond issued binds despite internal limits invoked later; Sec. 203 deposit exempt from levy	3
Gaw v. CA (Pacific Plans)	G.R. No. 147748, April 19, 2006	Pre-need plan is law between the parties; immediate-notice term enforced literally	2
Manila Bankers Life v. Aban	G.R. No. 175666, July 29, 2013 (full card in Part I-B)	Own-life interest; anyone may be named beneficiary; 2-year bar	9, 11
Qua Chee Gan v. Law Union	G.R. No. L-4611, Dec 17, 1955 (full card in §10)	Ambiguities against insurer; knowing issuance plus premiums estops	10, 12
Multi-Ware v. Cibeles Insurance	G.R. No. 230528, Feb 1, 2021 (full card in §8)	Undisclosed same-interest co-insurance forfeits under the other-insurance clause	8, 11
Go Tiaoco v. Union Insurance Society of Canton	G.R. No. 13983, Sept 1, 1919 (full card in Part I-B)	Pre-existing defect is peril of the ship, not of the sea	11
United Merchants v. Country Bankers	G.R. No. 198588, July 11, 2012	Padded fire claim at 25 times proved loss voids the policy for fraud; arson unproved is separate	6
Asian Terminals v. Malayan Insurance	G.R. No. 171406, April 4, 2011	Subrogation receipt alone proves the insurer-insured relation and the amount paid	10
Fieldmen's v. Asian Surety	G.R. No. L-23447, July 31, 1970	Continuing-liability clauses survive treaty cancellation; reinsurance follows its stipulations	8

Case	G.R./Citation	One-line ratio	§
Biagtan v. Insular Life	G.R. No. L-25579, Mar 29, 1972	Close-range bladed-weapon wounds are intentionally inflicted; accidental-death rider does not pay	8
Sun Insurance v. CA	G.R. No. 92383, July 17, 1992	Believed-unloaded self-fired gunshot is an accident; needless peril needs near-suicidal recklessness	8
Finman v. CA (Surposa)	G.R. No. 100970, Sept 2, 1992	Third-party murder is accidental on the victim's part unless the policy excludes it	8
Villacorta v. Insurance Commission	G.R. No. L-54171, Oct 28, 1980	Repair-shop employee with key is an authorized driver; joy-ride taking may be theft	9
Perla v. CA	G.R. Nos. 96452 and 96493, May 7, 1992	Carnapping governed by theft clause; expired license no defense; sham denial is bad faith	9, 10
Delsan Transport v. CA	G.R. No. 127897, Nov 15, 2001	Subrogation receipt suffices; carrier presumed at fault; payment no admission of seaworthiness	8
Pan Malayan v. CA (FAO)	G.R. No. 95070, Sept 5, 1991	Rice seeds valueless for planting are an actual total loss without abandonment notice	8
Philippine Manufacturing v. Union Insurance of Canton	G.R. No. L-16473, Nov 22, 1921	Sunken lighter is an actual total loss where repairs are not reasonably practical	11

B. Laws and Rules

Law	What it does here	§
Insurance Code Secs. 2-5 (definitions; what may be insured; lottery bar)	Fixes the contract, the business, and the wagering boundary	1, 2, 3, 6
Insurance Code Secs. 6-9 (insurer; who may be insured; mortgagor/mortgagee)	Closes the parties list and the mortgagee relation	9, 11

Law	What it does here	§
Insurance Code Secs. 10-25 (insurable interest cluster)	Lists, times, measures, and transfers interest	11
Insurance Code Secs. 11-12 (beneficiary change; forfeiture)	Revocability default and killer forfeiture	9
Insurance Code Sec. 48(1) (rescind before action)	Timing bar carried from I-B for context	7
Insurance Code Sec. 50 (policy specifications)	Seven required contents of the policy	10
Insurance Code Secs. 63-66 (suit floor; cancellation; non-renewal)	Time and exit rules carried from I-B for context	10, 12
Insurance Code Secs. 77-84 (premium accrual, payment, return)	When premium is earned, excused, and returned	12
Insurance Code Secs. 175-176 (suretyship nature; strict construction)	Surety vs insurance boundary	8
Civil Code Art. 1319 (consent; cognition rule)	Perfection of mailed acceptances	7
Civil Code Arts. 1370-1378 (interpretation; contra proferentem)	Adhesion and obscurity against the drafter	10
Civil Code Art. 2207 (subrogation on payment)	Insurer's recovery standing behind §§9-10	9

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: recite Secs. 2(a), 2(b), 3, 8, 10-14, 17-20, 50, 77 cold with numbers	One-page provision map from memory
2	35 percent	Distinguish pairs: life vs property interest; revocable vs irrevocable; agent vs broker; double insurance vs reinsurance; assignment of life vs property	Distinction tables reproduced cold

Pass	Time	What you do	Output
3	25 percent	Apply problems: 2016-II, 2017-I.B, 2023-9, 2024-14, 2025-5, 2025-8 under time	Six marked answers under time

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Then confusion pairs win marks because Part I-A questions are built to punish merged concepts (mortgagor vs mortgagee, revocable vs irrevocable, life vs property timing).

5. Syllabus Self-Check

1. (§1) Recite Sec. 2(a) word for word. Then state what Sec. 3 adds. (§1)
2. (§2) An HMO sells a "health card" with no risk pooling. Insurance product? Run the test. (§2)
3. (§2) Variable contract vs pre-need plan: which feature decides each classification? (§2)
4. (§3) Name all four Sec. 2(b) acts. Does zero profit defeat the charge? (§3)
5. (§4) The Code is silent on when mailed acceptance binds. Which article answers, and how? (§4)
6. (§6) Indemnity vs valued policy: where does each cap recovery? Cite Galian. (§6)
7. (§6) Why is Sec. 4 (lottery bar) in the characteristics discussion? (§6)
8. (§7) Application mailed Monday, insurer mails approval Friday, fire Thursday. Cover? (2016-II drill.) (§7)
9. (§8) Owner policy plus mortgagee policy on one car: double insurance breach? (2025-5 drill.) (§8)
10. (§9) Mortgagor insures in his own name, loss payable to bank. Who sues, and whose acts avoid? (§9)
11. (§9) "Irrevocable" beneficiary designated without consideration. Changeable? Forfeited by killing? (§9)
12. (§10) Fire policy covers "Building A". The insurer invokes an unattached rider. What is the rule? (§10)
13. (§11) A life policy was taken when insurable interest existed. The interest was gone at death. Is the claim payable? (§11)
14. (§11) Property sold mid-term, policy not assigned, then fire. Who recovers? Cite the section. (§11)
15. (§12) Check delivered to agent before loss, credited after. Binding? (2024-14 drill.) (§12)

16. (§11) Emilio buys Gregorio's car on credit, balance P500,000 secured by a perfected PPSA security agreement. Who holds insurable interest - owner, creditor, or both - and within what measures? (2023-9 drill.) (§11)

17. (§8) Stabbed nine times by robbers, believed-unloaded gun pointed at own temple, stabbed by strangers after a festival: which deaths are accidental under Biagtan, Sun, and Finman, and what divides them? (§8)

18. (§9) A repair-shop employee joy-rides the entrusted car and wrecks it. A carnapped car is claimed despite an expired license. Which controls: the authorized-driver defense or theft-clause recovery? (Villacorta/Perla drill.) (§9)

PART 2 - BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Definition	Sec. 2(a): agreement + consideration + indemnity + unknown/contingent event; Sec. 3 tells what may be insured
2	Principal object and purpose	Sec. 2(b) substance test; HMO service vs risk assumption; variable with investment riders; pre-need (Gaw)
3	Doing business; mutuals	Sec. 2(b)(1)-(4) + no-profit sentence; mutuals are insurers owned by members
4	Applicable laws	Code first; CC 1319/1370-1378, Corporation Code vehicle rules suppletory
5	Importance; risks	Pooling, distribution, fortuity; no assigned case
6	Characteristics	Indemnity (Secs. 17, 20-23; Galian); aleatory; uberrimae fidei; not wagering (Secs. 4, 13, 18)
7	Perfection	CC 1319 cognition; requisites; unaccepted application; stipulation; tort delay; delivery

#	Topic	Must-know: provision + elements
8	Kinds; property policy kinds	Sec. 5; life vs non-life; marine/fire/casualty/suretyship; double insurance vs reinsurance
9	Parties	Secs. 6-9, 11-12; mortgagor/mortgagee; beneficiary; assignees; agent vs broker; TPL standing
10	Policy	Sec. 50 seven contents; adhesion; interpretation; indivisibility; riders; cover notes; renewal; reformation
11	Elements	Distribution; risk (Sec. 6? no - Sec. 3); interest Secs. 10-25: lists, time (19), measure (17), transfer (20-23)
12	Premium	Secs. 77-84: accrual on exposure; non-payment; check; binds; lapse guards; return; rebate ban

Framing questions for every problem: what juridical relation is pleaded (formation, enforcement, avoidance, recovery)? Which Code section supplies each element? What exception, waiver, or transfer defeats it? What remedy and what timing rule (cognition, Sec. 19, Sec. 20 suspension, premium exposure) controls?

Mnemonic for the twelve: Don't Play Dangerous And Idle Chess. Perfect Kings, Parties, Policies, Elements, Premiums (D-P-D-A-I-C-P-K-P-P-E-P). Numbers: 4-4-3-7 (four doing-business acts, four life interests, three property-interest forms, and seven policy specifications).

1. Definition of Insurance Contract

> "A contract of insurance is an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event."
> - Sec. 2(a), Insurance Code (RA 10607, verified against LawPhil full text)
>
> "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."
> - Sec. 3, par. 1, Insurance Code (RA 10607, verified)

Element	Content
Agreement	Meeting of minds on the thing and cause; Code presupposes a valid contract
Consideration	The premium; without it there is no undertaking
Indemnity undertaking	One party answers for the other's loss, damage, or liability
Unknown or contingent event	Fortuity; past events unknown to the parties qualify (Sec. 3 covers past or future)

Distinction: insurance vs wagering - insurance requires an insurable interest damnifiable by the event (Secs. 13 and 18). A wager manufactures risk for gain. Sec. 4 draws the line inside the Code:

> "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."
> - Sec. 4, Insurance Code (RA 10607, verified)

Complements: the working contrast is suretyship, deemed insurance only when the surety does an insurance business (Sec. 2(a), par. 2), developed in §8 with First Lepanto-Taisho.

Q: X pays Y P10,000 so that Y will pay X P1M if a named ship, already lost at sea but unknown to both, failed to arrive. Is this a valid subject of insurance?

A: Yes, the undertaking is a valid subject of insurance because both parties were ignorant of the loss when the contract was perfected. Section 3 covers past contingent events unknown to the parties. Both parties were ignorant of the loss at perfection, so fortuity subsists. The subject is therefore insurable, subject to insurable interest and the other requisites.

2. Principal Object and Purpose Test (HMO Product; Variable Contracts)

> "Doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of this Code."
> - Sec. 2(b)(4), Insurance Code (RA 10607, verified; anti-evasion anchor of the substance test)

Product	Test question	Result
HMO health card	Does the provider assume fortuitous risk for consideration, or merely sell access to services?	Risk assumption = insurance business; pure service delivery = not
Variable contract	Is the dominant object investment with insurance riders, or insurance with incidental investment?	Principal object decides; incidental features do not reclassify
Pre-need plan	Is the promise a fixed future service/benefit on a fixed schedule (Gaw)?	Pre-need: plan terms are law between the parties, not Sec. 2(a) indemnity

Case: Gaw v. CA (Pacific Plans, Inc.), G.R. No. 147748, April 19, 2006

Facts: The planholder's mother died. The family hired its own mortuary before notifying the pre-need provider. The provider refused memorial services.

Issue: Is the provider liable despite non-notification?

Held: No. The provider is not liable. The family breached the immediate-notice term, and the provider kept the exclusive right to arrange the services.

Doctrine: A pre-need plan is the law between the parties. Clear terms take their literal meaning, and courts cannot make new contracts for them. The provider's exclusive right to arrange services and the planholder's duty of immediate notice control the claim.

> Exam trap: Gaw is a contrast spine, not an insurance holding - never cite it for Sec. 2(a). Cite it to keep pre-need out of insurance.
> Correction to textbook: pre-need is now governed by the Pre-Need Code (RA 9829, 2009) under the Insurance Commission. Book language predating that regime must be read with RA 9829 in force.

Q: An HMO sells cards guaranteeing doctor visits for a fixed fee, and it absorbs all costs even during epidemics. Is it doing an insurance business?

A: Yes, the HMO is doing an insurance business in substance and is answerable to regulation. Under the Section 2(b) substance test, absorption of fortuitous cost for consideration is risk assumption. Here, epidemic overuse is the contingent event, and the fixed fee is the consideration. The HMO is therefore doing an insurance business in substance.

3. Doing an Insurance Business; Mutual Insurance Companies

> "The term doing an insurance business or transacting an insurance business, within the meaning of this Code, shall include: (1) Making or proposing to make, as insurer, any insurance contract; (2) Making or proposing to make, as surety, any contract of suretyship as a vocation and not as merely incidental to any other legitimate business or activity of the surety; (3) Doing any kind of business, including a reinsurance business, specifically recognized as constituting the doing of an insurance business within the meaning of this Code; (4) Doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of this Code."
> - Sec. 2(b), Insurance Code (RA 10607, verified)
>
> "In the application of the provisions of this Code, the fact that no profit is derived from the making of insurance contracts, agreements or transactions or that no separate or direct consideration is received therefor, shall not be deemed conclusive to show that the making thereof does not constitute the doing or transacting of an insurance business."
> - Sec. 2, no-profit sentence (RA 10607, verified)

Act	Content
(1) Insurer contracts	Making or proposing any insurance contract as insurer
(2) Vocational suretyship	Surety contracts as a vocation, not merely incidental to another business
(3) Recognized business	Any business, including reinsurance, specifically recognized as insurance business
(4) Substance equivalent	Evasion-designed equivalents; catches relabeled schemes

Mutual insurance companies are insurers owned by and for their member-policyholders rather than stockholders. They still transact Sec. 2(b) business and need the certificate of authority like any insurer - member ownership changes governance, not the license requirement.

Case: Capital Insurance and Surety Co. v. Del Monte Motor Works, Inc., G.R. No. 159979, December 9, 2015

Facts: Del Monte sued its bus-body debtors on unpaid billings and attached buses, land, and bank funds. Debtor Maura Villegas posted CISCO counterbond No. 00011-00005/JCL(3) and the attachment was discharged. After final judgment for P11,835,375.50 enforceable against the counterbond, Capital disowned the bond - unaccounted in its records, signers capped at P5,000,000, witness signature allegedly forged, no premium paid - and resisted execution against its Insurance Commission security deposit under Sec. 203.

Issue: Is the counterbond binding, and is the Sec. 203 deposit leviable?

Held: The bond binds. The deposit does not answer.

Doctrine: the insurer that issued the bond cannot shed it by invoking internal limits unknown to the obligee. The employer of the agent bears the loss. Bare unproved allegations do not discharge the burden of proving invalid issuance. The Sec. 203 security deposit is a contingency fund for all policyholders. It is free from liens and exempt from levy by any single claimant. Each claimant's interest in it is a mere expectancy. The Commissioner as custodian rightly refuses garnishment.

> Exam trap: bond validity and deposit immunity run opposite ways - the insurer pays on the bond from its own funds, never from the Sec. 203 deposit. Letting one claimant levy the deposit creates an illicit preference over all other policyholders.

Q: A civic club pools member contributions and pays fire losses of members, with no profit and no commission. Is it doing an insurance business?

A: Yes, the club is doing an insurance business. Section 2(b)(1) governs, together with the no-profit sentence: absence of profit does not negate the business. Here, pooling contributions and paying members' fire losses is indemnity on a contingency, regardless of profit motive. The club therefore needs a certificate of authority, and unlicensed operation is punishable.

4. Applicable Laws (New Civil Code; Corporation Code)

Source	Office
Insurance Code (PD 612 as amended by RA 10607)	Primary and special law on the contract, the business, and regulation
New Civil Code	Suppletory on perfection (Art. 1319), interpretation (Arts. 1370-1378), obligations, agency, subrogation (Art. 2207)
Corporation Code (now Revised Corporation Code, RA 11232, 2019)	Vehicle law: formation, governance, and capital structure of insurer and mutual companies
Rules of Court; special rules	Procedure for claims, TPL direct suits (Shafer), arbitration/CIAC where agreed (Stronghold)

> "Consent is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract."
> - Civil Code Art. 1319, par. 1 (standard text)

> "The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity."
> - Civil Code Art. 1377 (standard text; also carried in Part I-B)
>
> Correction to textbook: the book cites the old Corporation Code (BP 68); since February 2019 the governing vehicle law is the Revised Corporation Code (RA 11232) - perpetual existence as default, one-person corporations, and revised capital rules. Name BP 68 where the book uses it and apply RA 11232.

Cebu Shipyard (Art. 2207 subrogation and the equity-versus-adhesion-cap point) is carded in §10 and cross-read here.

Q: The policy is silent on when a mailed renewal binds. Which law answers?

A: The Civil Code answers, through the cognition rule in Article 1319. The Civil Code applies suppletorily where the Insurance Code is silent. A mailed acceptance therefore binds only upon the offeror's knowledge. The renewal is effective when the insurer knew of the acceptance.

5. Importance of Insurance; Dealing with Risks

Function	Content
Distribution of losses	Fortuitous losses of the few are spread across contributions of the many (element developed in §11)
Security for credit and commerce	Mortgagee clauses, TPL, bonds, and cargo cover let credit and carriage move
Dealing with risk	Avoidance, retention, transfer, control - insurance is transfer of fortuitous risk for a price

How insurance deals with risk (TOC 6.01): the insurer prices fortuity by the law of large numbers, pools homogeneous exposures, and pays the stricken few from the common fund. The insured converts an uncertain large loss into a certain small premium.
State it as framework, never as a holding.

Q: Why can the insurer pay P45M on one fire (cf. Cebu Shipyard) and stay solvent?

A: The insurer stays solvent through pooling. Insurance rests on the distribution of losses across the pool. Here, the single large loss is funded by the premiums of the many exposures. Solvency therefore rests on spread, pricing, and reserves.

6. Characteristics (Indemnity; Not a Wagering Contract)

> "The measure of an insurable interest in property is the extent to which the insured might be damnified by loss or injury thereof."
> - Sec. 17, Insurance Code (RA 10607, verified)

Characteristic	Content
Indemnity	Recovery capped at the actual loss; insured must not profit (property side; life is valued by agreement)
Aleatory	Performance depends on a contingent event; obligations are unequal until the event
Uberrimae fidei	Utmost good faith both ways (Qua Chee Gan binds the insurer more strictly)
Not wagering	Interest + Sec. 4 lottery bar; the contract answers a real exposure, not a manufactured chance
Personal in property	Tied to the insured's interest, so transfer rules (Secs. 20-23) suspend rather than assign freely

Case: Galian v. State Assurance Co., G.R. No. L-8405, February 10, 1915, 29 Phil. 413

Facts: Household effects insured for P3,000 but worth P4,512 suffered partial fire loss. The insurer cried fraud and objected to lay value testimony.

Issue: How is value proved, and what is the effect of the coinsurance clause?

Held: Lay testimony is admissible. There was no fraud. Liability was scaled to P2,919.92 under the coinsurance clause.

Doctrine: ordinary persons may testify on common household values. The ratable-proportion clause is valid. The insured is his own insurer for the excess. Partial loss equals actual loss times insured value over value at fire.

> Exam trap: coinsurance punishes underinsurance, not overinsurance - overinsurance triggers ratable return (Sec. 84) and void-for-fraud risk (United Merchants), a different machine.

Q: A P5M building is insured for P3M and suffers a P1.5M partial fire loss under a 60 percent coinsurance clause. What is the recovery?

A: Recovery is scaled down. The insured does not get the full P1.5M. Under Galian's ratable-proportion rule and the Section 17 measure, the insurer pays only the insured proportion

of the loss. Here, the insured carried part of the risk by underinsuring the P5M building for P3M. The insurer therefore pays only the coinsured proportion of the loss.

7. Perfection (Requisites, Cognition, Offer/Acceptance, Unaccepted Application, Stipulation, Tort Liability, Delivery)

> "An acceptance made by letter or telegram does not bind the offerer except from the time it came to his knowledge. The contract, in such a case, is presumed to have been entered into in the place where the offer was made."
> - Civil Code Art. 1319, par. 2 (standard text; cognition rule)

Item	Content
Requisites	Consent, object, cause - plus insurable interest and (for enforcement) premium exposure
Offer and acceptance	Application is the offer; company approval is the acceptance; acceptance must be absolute
Cognition theory	Mailed approval binds only when the applicant-offeror knows of it
Unaccepted application	No contract; premium paid is refundable; delay alone is not acceptance
Effect of stipulation	"Not binding until delivered/approved" clauses are honored as written
Tort liability	Inexcusable delay in acting on an application may sound in tort, not in contract
Delivery of policy	Policy is evidence, not the contract itself; perfection precedes the paper

2016 Bar Q: "Jason is the proud owner of a newly-built house worth PS million. As a protection against any possible loss or damage to his house, Jason applied for a fire insurance policy thereon with Shure Insurance Corporation (Shure) on October 11, 2016 and paid the premium in cash. It took the company a week to approve Jason's application. On October 18, 2016, Shure mailed the approved policy to Jason which the latter received five (5) days later. However, Jason's house had been razed by fire which transpired a day before his receipt of the approved policy. Jason filed a written claim with Shure under the insurance policy. Shure prays for the denial of the claim on the ground that the theory of cognition applies to contracts of insurance. Decide Jason's claim with reasons. (5%)"

A: Jason's claim must fail on these facts because no contract had yet been perfected when the fire occurred.
Perfection needs absolute acceptance known to the offeror: mailed acceptance binds only from knowledge under Civil Code Article 1319, paragraph 2, and the policy here was still in transit at loss.
Approval was mailed October 18 and was received five days later. The fire came the day before receipt, so at loss no acceptance had reached Jason and no contract yet existed despite premium payment.
Shure is correct to deny. The premium is returnable. Delay alone neither perfects the contract nor, without inexcusable neglect proved, makes a tort case on these facts.

> Exam trap: premium payment is not acceptance - it evidences the offer and earns cover only once the contract is perfected and exposure begins (Sec. 77). Keep 2016-II apart from 2024-14, where a perfected policy plus agent receipt saved the claim.

8. Kinds of Insurance; Kinds of Property Insurance Policy

> "All kinds of insurance are subject to the provisions of this chapter so far as the provisions can apply."
> - Sec. 5, Insurance Code (RA 10607, verified)

Kind	Content
Life	Valued; beneficiary designations; incontestability after 2 years (Sec. 48)
Non-life (property, marine, fire, casualty, motor)	Indemnity; cancellation only on Sec. 64 grounds with Sec. 65 notice
Variable	Insurance with investment features; classified by principal object (§2)
Microinsurance, crop, mortgage redemption	Statutory variants; same Code chapter applies
Double insurance	Same subject, interest, and risk with two insurers - contribution, not double recovery
Reinsurance	Insurer-to-insurer spreading (Fieldmen's treaties); distinct from double insurance and co-insurance

Kind	Content
Suretyship	Ancillary, strictly construed; deemed insurance only if the surety does insurance business

Case: Malayan Insurance v. Phil First Insurance (Wyeth / Reputable Forwarder), G.R. No. 184300, July 11, 2012

Facts: Two insurers covered cargo interests on the same shipment chain. Their cover overlapped on the same cargo interest.

Issue: How is liability coordinated between co-insurers over the same cargo interest?

Held: Liability was coordinated under double-insurance principles. Each insurer shares as the law provides for doubly covered interests.

Doctrine: where the same interest is doubly covered, insurers share as the law provides. Disclosure and the identity of subject, interest, and risk decide.

Case: Multi-Ware Manufacturing Corp. v. Cibeles Insurance Corp., G.R. No. 230528, February 1, 2021

Facts: Multi-Ware held Western Guaranty fire Policy No. 50-118320 (P10,000,000 on machinery in Buildings 1-2) and Cibeles fire Policy No. 80-43032 (P7,000,000 on machinery, stocks, and materials in Building 1), then quietly took two more Prudential Guarantee fire policies on the same Building 1 machinery. After the April 21, 2000 fire, both first insurers denied for breach of Policy Condition No. 3 (other-insurance clause).

Issue: Does the clause reach machinery and equipment, and did non-disclosure forfeit benefits?

Held: Yes on both points. The clause reaches machinery and equipment. The non-disclosure forfeited the benefits.

Doctrine: property in the other-insurance clause is generic and reaches machinery and equipment. Undisclosed co-insurance on the same subject, interest, and risk forfeits all benefits. The clause prevents profitable over-insurance. Read with La O. Different interests (owner versus mortgagee) mean there is no breach.

Accident-coverage pointers (Batch-1 Nos. 10 to 12, one-line ratios from the Batch-1 Summary Table): in Biagtan (G.R. No. L-25579, 1972), the Court treated close-range bladed-weapon wounds are intentionally inflicted, so the accidental-death rider did not pay. In Sun (G.R. No. 92383, 1992), a self-fired shot from a gun the insured believed unloaded was held an accident, with needless peril requiring recklessness bordering on suicide. In Finman (G.R. No. 100970, 1992), murder by third persons was held accidental on the victim's part where the policy does not

exclude it.

On the suretyship pair: in First Lepanto-Taisho (G.R. No. 177839, 2012), the surety bore no liability where the referenced written principal contract was never attached or shown. In Stronghold (G.R. No. 158820, 2009), the surety is released only by material alteration increasing its burden, and a bond predating the principal contract is not void.

> Exam trap: double insurance is lawful but never double recovery. "Prohibited by law" (2025-5 insurer's line) misstates it - the prohibition is on profit, enforced through triple identity plus the other-insurance clause.

Q: Two fire policies cover the same building, with the owner holding one and the lessee holding the other, and both are disclosed. Is there a forfeiture?

A: No, there is no forfeiture, and both policies stand. Forfeiture needs triple identity of subject, interest, and risk, and La O holds that different interests defeat the clause. Here, the owner's interest and the lessee's interest differ. Both policies therefore stand, and the loss is shared within each policy's measure.

9. The Parties (Insured, Policyholder Rights, Death of Owner, Insurer, Beneficiary, Trustee/Agent, Partner, Assignees, Agent/Broker, Jurisdiction)

> "Every corporation, partnership, or association, duly authorized to transact insurance business as elsewhere provided in this Code, may be an insurer."
> - Sec. 6, Insurance Code (RA 10607, verified)
>
> "Anyone except a public enemy may be insured."
> - Sec. 7, Insurance Code (RA 10607, verified)
>
> "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."
> - Sec. 8, Insurance Code (RA 10607, verified)

> "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."
> - Sec. 9, Insurance Code (RA 10607, verified)
>
> "The insured shall have the right to change the beneficiary he designated in the policy, unless he has expressly waived this right in said policy. Notwithstanding the foregoing, in the event the insured does not change the beneficiary during his lifetime, the designation shall be deemed irrevocable."
> - Sec. 11, Insurance Code (RA 10607, verified)
>
> "The interest of a beneficiary in a life insurance policy shall be forfeited when the beneficiary is the principal, accomplice, or accessory in willfully bringing about the death of the insured. In such a case, the share forfeited shall pass on to the other beneficiaries, unless otherwise disqualified. In the absence of other beneficiaries, the proceeds shall be paid in accordance with the policy contract. If the policy contract is silent, the proceeds shall be paid to the estate of the insured."
> - Sec. 12, Insurance Code (RA 10607, verified)

Party	Content
Insured	The one whose interest is covered; must have insurable interest (Secs. 10-18)
Policyholder rights	Premium notices, grace, reinstatement, loan/surrender values, beneficiary change (Sec. 11)
Death of owner	Rights, title, and interest in a life/health policy vest automatically in the insured on the owner's death unless the policy provides otherwise (Sec. 3, par. 3, verified)
Insurer	Authorized corporation, partnership, or association (Sec. 6); disapproval grounds and prohibited acts per TOC 10.04
Beneficiary	Generally revocable (Sec. 11); endowment-policy rights vest per terms; forfeiture on willful killing (Sec. 12); disqualifications (e.g. illicit-relations limits tested in 2025-8)
Trustee or agent; partner	May insure in a representative or partnership capacity; capacity determines whose interest answers
Assignee of life	Freely assignable; assignee needs no insurable interest where assignment is in good faith

Party	Content
Assignee of property	Assignment needs insurer assent; unassented transfer suspends (Sec. 20)
Agent vs broker	Agent represents the insurer; broker represents the insured; knowledge of the approving agent is knowledge of the insurer (2023 Q10)
Jurisdiction	Insurer-agent relations outside the Insurance Commissioner's quasi-judicial reach (TOC 10.11); TPL insurer directly suable (Shafer)

Case: La O v. Yek Tong Lin Fire and Marine, G.R. No. 33131, December 30, 1930

Facts: Stored tobacco burned. The policies were payable to a mortgagee bank. The insurer invoked undeclared other insurance and lessee-related warranties.

Issue: Who is the proper plaintiff, whether forfeiture attached, and how value is proved.

Held: the mortgagor-insured who contracted is the proper plaintiff. The other policies covered different interests, so there was no breach. The insurer knew the facts and still collected premiums, so it waived the defense.

Doctrine: the contracting insured sues. The other-insurance condition serves the insurer and needs the same subject matter and interest. Knowledge plus premium collection equals waiver. Cost price proves value.

> Exam trap: Sec. 8 keeps the mortgagor as party - loss "payable to the mortgagee" is a payment direction, not a substitution. The mortgagor's pre-loss avoiding acts still avoid. Sec. 9 is the escape: a new assented contract with fresh obligations cuts the mortgagor's acts off.

Case: Palermo v. Pyramid Insurance, G.R. No. L-36480, May 31, 1988

Facts: The insured himself was driving when the car was damaged. His license had expired at the time.

Issue: Does the expired license of the insured himself defeat cover under the authorized-driver clause?

Held: The claim is covered. The insurer must pay.

Doctrine: the insured is himself an authorized driver. The licensing proviso binds only persons driving on his order or with his permission. Breach of motor-vehicle law alone does not bar

recovery.

Case: Shafer v. Judge, RTC Olongapo, G.R. No. L-78848, November 14, 1988

Facts: The insured faced a reckless-imprudence prosecution. He moved to implead his TPL insurer as third-party defendant.

Issue: May the insured implead the TPL insurer at once without awaiting judgment?

Held: Yes. The third-party complaint is allowed.

Doctrine: TPL liability accrues on injury without awaiting judgment. The victim may sue the insurer directly. No-action clauses yield to the rule against multiplicity of suits. Companion: Tiu v. Arriesgado (G.R. No. 138060, 2004). The impleaded carrier's insurer was held liable with the carrier.

Batch-1 pointers (Nos. 13 and 15, one-line ratios from the Batch-1 Summary Table): in Villacorta (G.R. No. L-54171, 1980), a repair-shop employee entrusted with the car and key is an authorized driver for legitimate purposes, and the unlawful joy-ride taking is theft. In Perla (G.R. No. 96452, 1992), carnapping is governed by the theft clause, so an expired license is no defense to a theft claim. The chattel mortgage answers the note despite the loss, and sham denial of a valid claim is bad faith.

2025 Bar Q (Q8): "A was a rich businessperson with two wives. He married B, with whom he had three children namely, C, D, and E. While their marriage was subsisting, he met X with whom he madly fell in love. He also married her despite his first marriage. They had a child named Y. In his life insurance policy from XYZ Life Insurance Corp., A designated his second wife, X, and their son, Y, as beneficiaries. Five years later, A died. X filed a claim for the proceeds of the policy for herself and for Y as the designated beneficiaries. At the same time, B also filed a claim for death benefits for herself and her children, C, D, and E, as A's legal wife and legitimate children. Who is/are entitled to the life insurance proceeds? Reason(s)."

A: Y takes the proceeds while X does not, and B, C, D, and E take only outside the policy through the estate, not as beneficiaries.

Section 11 makes the designation revocable, and the disqualification of illicit-relation beneficiaries extends to the bigamous spouse, while the innocent child keeps an insurable interest in the parent's life.

X's designation is void as fruit of a bigamous union. Y, though illegitimate, holds a Sec. 10 interest and a valid designation. The legal family was never designated and claims only by succession.

The proceeds therefore go to Y (and any other valid co-beneficiaries), never to X.

10. The Policy (Form, Basic Provisions, Identification, Adhesion, Interpretation, Indivisibility, Proof, Riders, Cover Notes, Renewal, Reformation)

Section 50 requires seven specifications in substance (standard text). The policy must specify (a) the parties. It must state (b) the amount insured except in open or running policies. It must state (c) the premium. It must identify (d) the property or life insured. It must state (e) the interest of the insured. It must state (f) the risks insured against. Finally, it must state (g) the period of coverage.

Item	Content
Form; basic provisions	Printed form approved by the Commissioner; Sec. 50 contents mandatory
Identification of insured and property	Misidentification fatal only if material; error in name where identity is certain does not avoid
Adhesion	Take-it-or-leave-it; construed against the insurer, for the weaker party (Qua Chee Gan; Villacorta; Perla theft-clause limit)
Interpretation	Plain meaning first; obscurity against the drafter (CC 1377); riders and endorsements read with the policy
Indivisibility	One unit, one premium = indivisible (Oriental); severable only on contrary intent
Proof	Policy is the best evidence; loss may still be proved where the policy is lost, on secondary proof
Riders	Attached, referred-to, and premium-charged riders become part of the contract
Cover notes	Short-term binders pending policy issuance; bind within their stated period and terms
Renewal	A new contract on old terms unless varied; premium and acceptance rules rerun
Reformation	Instrument reformed to express true intent on clear proof of mistake, fraud, or inequitable conduct

Case: Cebu Shipyard v. William Lines, G.R. No. 132607, May 5, 1999

Facts: M/V Manila City burned while docked for repairs under the repairer's exclusive control. The vessel insurer paid P45M and sued the repairer, which invoked a P1M liability cap and co-assurance.

Held: Negligence was found under res ipsa. The insurer was subrogated under Art. 2207. The cap could not shield the repairer from the insurer.

Doctrine: exclusive custody triggers res ipsa. Co-assurance must appear in the policy itself. Unconscionable adhesion stipulations may be disregarded in equity.

Case: Oriental Assurance v. CA (Panama Sawmill), G.R. No. 94052, August 9, 1991

Facts: 2,000 cubic meters of logs on two barges under a total-loss-only policy. One barge sank (about 41 percent lost). Constructive total loss was claimed.

Held: There is no recovery. The claim for constructive total loss fails on a total-loss-only indivisible policy.

Doctrine: one valuation and one premium make the contract indivisible. Constructive total loss (Sec. 139) needs separate valuation or insurance of the abandoned portion. Under total-loss-only wording, partial loss does not pay.

Case: Qua Chee Gan v. Law Union and Rock Insurance Co., G.R. No. L-4611, December 17, 1955, 98 Phil. 85

Facts: copra-and-hemp merchant Qua Chee Gan held eight fire policies (P370,000) on Albay bodegas, a hemp press, and contents, loss payable to PNB as mortgagee. After the July 1940 fire gutted Bodegas 1, 2, and 4, the insurer refused payment - breach of the 1939 hydrant, hose, pressure, and brigade warranty riders, gasoline storage, refusal of records, fraudulent claims, and arson (the insured stood acquitted in 1941).

Issue: Did waiver and estoppel, the warranty dispute, and the fraud and arson defenses defeat the claim?

Held: The insurer pays. The defenses fail and the claim stands.

Doctrine: the insurer that issues policies knowing the shortfall against its own warranty, and collects premiums, it waives the condition and is estopped from asserting breach. Insurance is uberrimae fidei on both sides, and more strictly on the insurer. Adhesion ambiguities construe against the insurer to avoid forfeiture. Incidental trade storage is no breach, and only wilful false swearing avoids. (Caption note: the syllabus reads Que, while the official caption reads Qua.)

> Exam trap: adhesion protects the insured on ambiguity, never against clear terms - Gaw's literal-terms rule is the counterweight. Cebu Shipyard's equity disregard needs unconscionability, not mere one-sidedness.

Q: A policy insures "Building A", and the insurer denies a claim on Building B by invoking an unsigned, unattached, and unreferred-to endorsement. Does that endorsement form part of the contract?

A: The endorsement is no part of the contract. Riders must be attached to the policy, referred to in it, and supported by premium, and ambiguities are construed against the insurer. Here, the unsigned, unattached, and unmentioned endorsement binds no one. The Building A claim therefore stands on the policy as written.

11. Elements (Distribution of Losses; Risk; Insurable Interest)

> "Every person has an insurable interest in the life and health: (a) Of himself, of his spouse and of his children; (b) Of any person on whom he depends wholly or in part for education or support, or in whom he has a pecuniary interest; (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."
> - Sec. 10, Insurance Code (RA 10607, verified)
>
> "Every interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured, is an insurable interest."
> - Sec. 13, Insurance Code (RA 10607, verified)
>
> "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."
> - Sec. 14, Insurance Code (RA 10607, verified)
>
> "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."
> - Sec. 15, Insurance Code (RA 10607, verified)
>
> "A mere contingent or expectant interest in any thing, not founded on an actual right to the thing, nor upon any valid contract for it, is not insurable."

- Sec. 16, Insurance Code (RA 10607, verified)

"No contract or policy of insurance on property shall be enforceable except for the benefit of some person having an insurable interest in the property insured."
- Sec. 18, Insurance Code (RA 10607, verified)

"An interest in property insured must exist when the insurance takes effect, and when the loss occurs, but need not exist in the meantime; and interest in the life or health of a person insured must exist when the insurance takes effect, but need not exist thereafter or when the loss occurs."
- Sec. 19, Insurance Code (RA 10607, verified)

"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."
- Sec. 20, Insurance Code (RA 10607, verified)

Element	Content
Distribution of losses	Pooling across homogeneous exposures; the economic base of §§5-6
Risk	The contingent or unknown event (Sec. 3); must be fortuitous - inevitable loss and peril of the ship (Go Tiaoco) are not risks
Life interest	Sec. 10 four classes; exists at effect only (Sec. 19, second clause); anyone may be named beneficiary (Aban)
Property interest	Secs. 13-14; carrier/depository to liability extent (Sec. 15); bare expectancy excluded (Sec. 16)
Life vs property	Life: any Sec. 10 class, timed at effect, assignable freely. Property: damnifiable interest, timed at effect AND loss, transfer suspends
Mortgagor vs mortgagee	Separate interests, separate policies, no triple-identity breach (La O); Secs. 8-9 govern the relation
Beneficiary/assignee interest	Life beneficiary needs none (Aban); property assignee takes only with assent or suspension follows (Sec. 20)

2019 Bar Q: "(c) Insurable interest in property (2%)".

A: Insurable interest in property is any interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured.

The governing provisions are Section 13 for the definition, Section 18 requiring that the policy be enforceable only for one holding such interest, Section 19 fixing the time at both effect and loss, and Section 17 fixing the measure at damnification.

The question asks for the bare definition, which the Section 13 sentence supplies.

A complete answer therefore recites the Section 13 definition together with the Section 19 timing and the Section 17 measure.

2017 Bar Q (XI(e)): "(e) The law on life insurance prohibits double insurance. (2%)".

A: No, the statement is false: the law does not prohibit double insurance. Double insurance is lawful. Recovery is capped at the loss with contribution among insurers, and life policies, being valued, routinely stand in multiples. Applied to the proposition, multiple policies are valid and the only bar is on double recovery. The statement is therefore false.

2017 Bar Q (I.B): "The newly restored Ford Mustang muscle car was just released from the car restoration shop to its owner, Seth, an avid sportsman. Given his passion for sailing, he needed to go to a round-the-world voyage with his crew on his brand-new 180-meter yacht. Hearing about his coming voyage, Sean, his bosom friend, asked Seth if he could borrow the car for his next roadshow. Sean, who had been in the business of holding motor shows and promotions, proposed to display the restored car of Seth in major cities of the country. Seth agreed and lent the Ford Mustang to Sean. Seth further expressly allowed Sean to use the car even for his own purposes on special occasions during his absence from the country. Seth and Sean then went together to Bayad Agad Insurance Co. (BAIC) to get separate policies for the car in their respective names. SAIC consults you as its lawyer on whether separate policies could be issued to Seth and Sean in respect of the same car. (a) What is insurable interest? (2%) (b) Do Seth and Sean have separate insurable interests? Explain Briefly your answer(3%)"

A: (a) Insurable interest is the Section 13 interest. (b) Yes, both Seth and Sean hold separate insurable interests. Sections 13 and 14 extend property interest to any damnifiable relation to the thing, Section 19 fixes the timing, and La O recognizes the separate-interest rule. Seth owns (existing interest). Sean holds contractual custody plus use with liability exposure (inchoate/expectancy coupled with existing custody interest). Different interests, so there is no other-insurance breach. Separate policies may therefore issue to each, and each recovers within his own damnification.

2025 Bar Q (Q5): "X obtained an insurance policy for her Porsche Carrera GT from XYZ Insurance Company. The same car was insured by her creditor-mortgagee, Y, with ABC Insurance Company. When the car was damaged because of an accident, X filed a claim with XYZ Insurance Company. The latter denied the claim since it discovered that the car was also insured with ABC Insurance Company. According to XYZ Insurance Company, double insurance is prohibited by law. Decide with reason(s)."

A: The denial is wrong, and X recovers on her policy. The owner and the creditor-mortgagee hold distinct insurable interests (Secs. 8 and 13-14 and La O). Double insurance is not prohibited - only double recovery is. X's policy answers her ownership interest, and Y's answers the credit interest. Different interests defeat triple identity and forfeiture. XYZ must therefore pay X within her loss, leaving contribution rules to sort the insurers.

2023 Bar Q: "Emilio owns a car which he purchased from Gregorio. Emilio agreed to pay Gregorio the balance of the purchase price in the amount of P500,000 within one year. To secure the payment of the balance, Emilio and Gregorio executed a security agreement that complies with the requirements of the Personal Property Security Act (PPSA). The security interest was also perfected in accordance with the PPSA. Who has insurable interest over the car? Explain your answer."

A: Both Emilio and Gregorio hold insurable interest over the car.
Section 13's property interest covers any damnifiable relation to the thing. Section 14 reaches existing interests and expectancies coupled with an existing interest. A perfected PPSA security interest is such a relation.
Emilio as buyer-owner holds the existing ownership interest. Gregorio as perfected secured creditor holds an interest to the extent of the P500,000 collectible from the car.
Either or both may therefore insure, each within its own measure (Sec. 17), and two policies on different interests are no double-insurance breach (La O and 2025-5).

> Exam trap: Sec. 19 asymmetry - life interest tested once (effect), and property twice (effect and loss). Sec. 20 suspension is not avoidance - reunite thing and policy in one person and cover revives.

12. Premium (Accrual, Provision, Forms, Non-Payment, Check, Binding Despite Unpaid, Lapse Prevention, Return, Rebate)

Section 77 provides in substance (standard text) that the insurer earns premium as soon as the thing insured is exposed to the peril. Actual payment follows the policy's time and manner. Secs.

78-81 fix due dates, earned portions, and over-insurance. Secs. 82-83 return premium on voidable annulment, insurer fraud, or no-liability-without-actual-fraud. Sec. 84 gives ratable return on over-insurance (also carried in Part I-B R1).

Item	Content
Accrual	Earned on exposure, not on paper issuance
Policy provision	Time, manner, grace, and default clauses bind as written
Forms	Cash, check (conditional until honored), offsets, agent receipt
Non-payment	General rule: no premium, no cover - the contract never attaches
Check	Conditional payment; dishonor retroactively erases payment unless the insurer waived
Binding despite unpaid	Statutory or stipulated binds: agent's binding receipt, credit agreement, estoppel by knowing collection (La O; Qua Chee Gan), TPL immediacy (Shafer)
Lapse prevention (life)	Grace period, automatic premium loans, reduced paid-up, reinstatement - keeps Sec. 48 clocks and values alive
Return	Secs. 82-84: voidable annulment, insurer fraud, no liability without actual fraud, ratable over-insurance return
Rebate	Prohibited discrimination: no premium rebates or special favors as inducement

2024 Bar Q: "Flavio obtained from Safe Assurance Corporation (SAC), through its agent Laureen, a fire insurance policy over his residential house for a period of one year from August 25, 2024 to August 24, 2025. Flavio delivered on August 26, 2024 a check representing premium payment to Laureen who then issued an acknowledgment receipt. On August 27, 2024, a fire completely razed Flavio's house. Oblivious of the incident, Laureen deposited the check on August 28, 2024 to SAC's bank account and was credited on the same day. Thereafter, Flavio filed against SAC an insurance claim. However, SAC denied the claim and argued that there was no payment of premium yet to make the insurance policy effective at the time of the loss. SAC explained that it received the premium payment only on August 28, 2024 or after the fire occurred on August 27, 2024. Is there a valid and binding insurance contract between SAC and Flavio? Explain."

A: Yes, a valid and binding insurance contract exists between SAC and Flavio, and SAC must pay the claim.

A premium delivered to the authorized agent with an acknowledgment receipt is payment to the insurer. Cover attaches upon perfection plus exposure within the policy period. Later bank crediting does not move the payment date back.
Flavio paid by check to Laureen on August 26, inside the August 25, 2024 to August 24, 2025 term, and the receipt placed payment before the August 27 fire, which fell within cover. The August 28 deposit is merely internal timing.
The denial therefore fails: the contract is valid and the loss is covered.

> Exam trap: 2024-14 (agent receipt before loss) vs 2016-II (no perfected contract at loss) - same "unpaid at fire" smell, opposite outcomes. Perfection plus payment-to-agent is the divider. And La O/Qua Chee Gan waiver needs knowledge before collection - post-loss knowledge waives nothing.

Quick-Recall Tables

R1. Core provisions and numbers

Section	Content in one line
2(a)	Insurance defined: agreement + consideration + indemnity + unknown/contingent event
2(b)	Four doing-business acts + no-profit sentence
3	What may be insured, past or future if unknown; spousal consent unnecessary; owner-death vesting
4	Lottery and chance-ticket insurance not authorized
5	All kinds subject to Chapter I so far as applicable
6 / 7	Authorized entities may insure; anyone but a public enemy may be insured
8 / 9	Mortgagor stays party, acts avoid pre-loss; assented new contract with assignee cuts mortgagor acts off
10	Four life interests: self/spouse/children; support/pecuniary; obligor; vested-estate life
11 / 12	Beneficiary changeable unless expressly waived; killer beneficiary forfeits, share passes over
13 / 14	Property interest = damnifiable relation; existing, inchoate, or expectancy-plus-interest

Section	Content in one line
15 / 16	Carrier/depository to liability extent; bare expectancy not insurable
17	Measure of property interest is damnification extent
18	Property policy enforceable only for one with insurable interest
19	Property interest at effect and loss; life interest at effect only
20-23	Change of interest suspends; post-loss change, multi-thing severance, and death transmission excepted
48(1)	Rescind before acting on the contract (carried from I-B)
50	Seven policy specifications: parties, amount, premium, subject, interest, risks, period
77-84	Premium on exposure; non-payment bars; check conditional; binds; lapse guards; return; no rebate
175-176	Suretyship ancillary and strictly construed

R2. Life vs property interest

Point	Life	Property
Lists	Sec. 10 four classes	Secs. 13-14 open class
Timing	Effect only (Sec. 19)	Effect and loss (Sec. 19)
Measure	Valued by agreement	Damnification (Sec. 17)
Transfer	Assignable freely	Assent needed or suspension (Sec. 20)
Beneficiary	Needs none (Aban)	Mortgagee direction is not substitution (Sec. 8)

R3. Revocable vs irrevocable beneficiary

Test	Result
Express waiver of change right in policy	Irrevocable; needs beneficiary consent to change
No change during insured's lifetime	Deemed irrevocable at death (Sec. 11, sent. 2)
Beneficiary willfully kills insured	Forfeited; passes to co-beneficiaries, policy, then estate (Sec. 12)

Test	Result
Bigamous-spouse designation	Void (2025-8); innocent child co-beneficiary keeps (Y)

R4. Agent vs broker; knowledge rule

Point	Agent	Broker
Represents	Insurer	Insured
Knowledge effect	Approving agent's knowledge is insurer's (2023 Q10)	Own knowledge does not bind insurer
Receipt effect	Agent receipt with authority is payment (2024-14)	Payment to broker needs transmission

R5. Premium binds and returns

Situation	Rule	Section
Exposure begins	Premium earned	77
No payment, no bind	No cover attaches	77-78
Check honored later	Payment dates to delivery, not crediting	2024-14
Knowing collection	Waiver/estoppel (La O; Qua Chee Gan, full card in §10)	Case law
Voidable annulment / insurer fraud / no liability without actual fraud	Return	82-83
Over-insurance	Ratable return	84

R6. Remedy ladder across the Part

Trigger	Remedy	Bar
No perfection at loss	Denial; premium refundable (2016-II)	Cognition date
Valid contract, covered loss	Payment within measure	Secs. 17-19, 50
Transfer without assent	Suspension to that extent (Sec. 20)	Reunite thing and policy
Unpaid premium, no bind	No cover	Secs. 77-78
Knowing premium collection	Waiver/estoppel bars denial	Knowledge must predate collection
Double cover, distinct interests	Both stand; contribution	Triple identity fails

Exam Traps

1. Sec. 2(a) defines the contract. Sec. 3 tells what may be insured - never swap the numbers.
2. Sec. 2(b) has four acts plus the no-profit sentence. Non-profit pooling is still the business.
3. The old Code's Sec. 2 became RA 10607's Sec. 2(a)-(c) with lettered subsections - cite 2(a)/2(b), not bare "Sec. 2" alone.
4. Sec. 6 is who may insure, Sec. 7 who may be insured, Secs. 8-9 the mortgagee relation - the mortgagor cluster moved down from the numbers memory assigns.
5. Sec. 18 (enforceable only for interest-holders) is not the time rule. Sec. 19 is the time rule.
6. Sec. 19 asymmetry: life once (effect), property twice (effect and loss).
7. Sec. 20 suspends, never avoids - reunited ownership revives without a new contract.
8. Loss "payable to the mortgagee" (Sec. 8) directs payment. It does not make the mortgagee the insured.
9. Sec. 9's new-contract assent is the only clean cut of the mortgagor's avoiding acts.
10. Revocable is the default (Sec. 11). "Irrevocable" needs express waiver or lifetime silence.
11. Sec. 12 forfeiture needs willful killing as principal, accomplice, or accessory - negligence is not forfeiture.
12. 2025-8: void as to the bigamous spouse, valid as to the innocent child - never void the whole designation.
13. Agent knowledge is insurer knowledge (2023 Q10). Broker knowledge is not.
14. Agent receipt before loss is payment (2024-14). Crediting date is internal timing.
15. 2016-II vs 2024-14: both smell "unpaid at fire" - perfection plus payment-to-agent divides them.
16. Double insurance is lawful. Double recovery is not - "prohibited by law" misstates the rule (2025-5).
17. Coinsurance (Galian) scales underinsurance. Overinsurance returns ratably (Sec. 84) - different machines.
18. Adhesion construes ambiguity against the insurer, never clear terms against the parties' intent (Gaw counterweight).
19. PPSA perfection does not merge interests: debtor-owner and secured creditor each insure within their own measure, and two policies on different interests are no breach (2023-9 and La O).
20. Accident trio: Biagtan (intentionally inflicted by another) is excluded, while Sun and Finman (unforeseen on the victim's part) are covered - victim-side fortuity plus express

exclusion is the divider.

Key Authorities Cited

Codes and statutes: Insurance Code Secs. 2-25 (definitions, business, parties, interest), Sec. 48(1) (rescission timing), Sec. 50 (policy contents), Secs. 63-66 (suit floor, cancellation), Secs. 77-84 (premium), Secs. 175-176 (suretyship), all as amended by RA 10607. Civil Code Arts. 1319, 1370-1378, and 2207. Revised Corporation Code (RA 11232) vice BP 68. Pre-Need Code (RA 9829) for the Gaw contrast.
Cases: Galian L-8405 (1915). La O 33131 (1930). Qua Chee Gan L-4611 (1955). Fieldmen's L-23447 (1970). Biagtan L-25579 (1972), Villacorta L-54171 (1980), Go Tiaoco 13983 (1919), Sun 92383 (1992), Finman 100970 (1992), Perla 96452/96493 (1992), Malayan v. CA (TKC) 119599 (1997), Cebu Shipyard 132607 (1999), Delsan 127897 (2001), Tiu 138060 (2004), Gaw 147748 (2006), Stronghold 158820-21 (2009), United Merchants 198588 (2012), Malayan v. Phil First 184300 (2012). FLT 177839 (2012). Manila Bankers v. Aban 175666 (2013). Capital 159979 (2015). Multi-Ware 230528 (2021). Full cards in this Part: La O, Palermo L-36480 (1988), Shafer L-78848 (1988), Cebu Shipyard, Oriental 94052 (1991), Malayan v. Phil First, FLT, Gaw, Galian.
Bar questions (verbatim from the vault quiz compilation, itself from Philippine Bar Exam - Commercial Law Questions (2016-2025).md): 2016-II (Jason/Shure, §7). 2017-I.B (Seth/Sean, §11). 2017-XI(e) (double insurance, §11). 2019-A.1(c) (property interest, §11). 2023-9 (Emilio/PPSA, §11). 2024-14 (Flavio/SAC, §12). 2025-5 (Porsche double insurance, §11). 2025-8 (bigamous beneficiaries, §9). companion-compressed 2018-VI (Yin/Yang, §9).

Source and Verification Note

Primary text checked: Secs. 2-23 blockquotes were copied from the RA 10607 full text (LawPhil, fetched at assembly) and re-read section by section. This run corrected the numbering throughout: the definition sits at Sec. 2(a) (not Sec. 3), doing-business at Sec. 2(b)(1)-(4) with the no-profit sentence, insurer/insured/mortgagor at Secs. 6-9, the interest cluster at Secs. 10-25 with the time rule at Sec. 19 and suspension at Sec. 20. In this range numbering is unchanged from PD 612. The known RA 10607 renumbering sits in later titles (e.g. reinsurance Secs. 95-98 becoming 97-100) and does not touch this Part. Sec. 50 seven-item substance, Secs. 77-84 premium substance, and Civil Code Arts. 1319/1377 follow the same amended texts. Art. 1377 is shared with the verified Part I-B.
Cases: dockets, dates, and ratios taken from the Batch 1 digests, Case List, and Case Summary Table in the vault, whose headers record verification against the official decisions. Full cards

prepared in this Part are La O, Palermo, Shafer, Cebu Shipyard, Oriental, Malayan v. Phil First, FLT, Gaw, Galian, plus (folded back in) Qua Chee Gan (§10), Multi-Ware (§8), and Capital (§3), with I-B cards (Aban, Go Tiaoco, Fieldmen's) cross-referenced, never re-prepared. No case was added from memory.

Textbook limit: the vault copy of Aquino 2024 is a 1,460-page scan with no text layer (pypdf extraction returns empty on every sampled page, confirmed in Part I-B), so no sentence here is presented as a textbook quotation. Chapter structure follows the TOC file (Ch. 1, sections 1-13, pp. 2-127) and the syllabus Part I-A slice.

Bar questions: eight items quoted verbatim from the vault Quiz-1 compilation (checked against its index). 2018-VI is used compressed and labeled, with a pointer to the compilation for verbatim text. All other drills are presented as drafted items labeled "Q:" so they are never mistaken for past questions. No G.R. number, statute number, article, or holding was invented.

Table check and md5 verification run at assembly. See completion report.

Deliberately not asserted: mutual-company capital and governance detail (belongs to Part I-E). Marine implied warranties and Sue-and-Labor (Secs. 110+, belongs to Part I-D §7). CMVLI and TPL limits beyond Shafer standing (belongs to Part I-D). Pre-need regulation beyond the Gaw contrast (belongs to Part I-F).

Revision note (Q/A pass): drills relabeled Q: with contiguous A: blocks (short answers collapsed to one paragraph). Scoring-note and effects-ladder lines were removed. Historic stems are year-labeled. Answer-format mentions were reworded. Headings, tables, and authorities are otherwise unchanged.

Part I-B — Grounds for Rescission

PART 1 - SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Cancellation; Rescission	High	Non-life cancellation only on the 7 exclusive Sec. 64 grounds with Sec. 65 written notice; rescission must precede action on the contract (Sec. 48)	Secs. 48, 64-66; Fieldmen's v. Asia Surety (G.R. No. L-23447, 1970)
2	Ascertaining and Controlling Risks	Moderate	Each party must in good faith communicate material facts the other has no means of ascertaining (Sec. 28); each is bound to know general causes and usages of trade (Sec. 32)	Secs. 28, 32-33
3	Concealment	Core	Intentional OR unintentional concealment of a Sec. 31-material fact entitles rescission (Sec. 27); fraud not required; Sec. 30 lists five no-duty matters	Secs. 26-35; 2023 Bar Q10 (Diego/GIC)
4	Representation	High	False in a material point, affirmative or promissory, the injured party may rescind from when it becomes false (Sec. 45); cannot qualify an express term (Sec. 40)	Secs. 36-46

§	Topic	Priority	The one rule you must state cold	Authority
5	Warranties	Core	Material breach entitles rescission (Sec. 74); breach without fraud merely exonerates from breach or prevents attachment (Sec. 76); knowing insurer that takes premiums is estopped	Secs. 67-76; Qua Chee Gan (G.R. No. L-4611, 1955)
6	Conditions; Other Insurance Clause	Core	Other-insurance forfeiture needs same subject matter + same interest + same risk with non-disclosure; suit-time cuts below 1 year are void (Sec. 63)	Secs. 63, 75; Multi-Ware (G.R. No. 230528, 2021); La O (G.R. No. 33131, 1930)
7	Exclusion/Exception; Burden of Proof	Core	Insurer proves the exception after insured's prima facie case; accident judged from victim's view; negligence no bar, willful act is (Sec. 89)	Secs. 86, 88-89; Sun Insurance (G.R. No. 92383, 1992); Finman (G.R. No. 100970, 1992); Biagtan (G.R. No. L-25579, 1972)
8	Incontestable Clause	Core	Life policy payable on death, in force 2 years in insured's lifetime from issue/last reinstatement: no more proof of void ab initio or fraud concealment/misrepresentation (Sec. 48)	Sec. 48; Manila Bankers v. Aban (G.R. No. 175666, 2013); 2019 Bar A.6
9	War Limitation Rider / War Clause	Moderate	Deleted F.C. and S. exclusion plus added Institute War Clauses = civil arrest covered; read policy as rewritten	Malayan v. CA (TKC) (G.R. No. 119599, 1997)

§	Topic	Priority	The one rule you must state cold	Authority
10	Defenses of Insured against Revocation	High	Waiver (knowing premium collection), estoppel (contradiction after reliance), timeliness (rescind before action), incontestability (2-year bar)	Secs. 33, 48; Qua Chee Gan; La O; Aban

2. Learning Objectives

1. State the Sec. 64 seven-ground, Sec. 65-notice cancellation frame and the Sec. 48 rescind-before-action rule without mixing the two.
2. Sort concealment, representation, warranty, condition, and exclusion by their Code tests (Secs. 27, 31, 45-46, 74-76, 88-89).
3. State the requisites of concealment (Sec. 26 definition, Sec. 28 duty, Sec. 31 materiality) and recite the five Sec. 30 no-duty matters.
4. Distinguish concealment vs representation vs warranty on form, fraud requirement, timing, and remedy.
5. Distinguish material vs immaterial warranty breach and breach with vs without fraud (Secs. 74-76).
6. Run the other-insurance triple-identity test (subject, interest, risk) and the Sec. 63 one-year suit floor.
7. Run the burden sequence (insured prima facie, insurer proves exception) and the Sec. 86/88/89 exclusion analysis.
8. Apply the six incontestability requisites and draft a four-paragraph answer on rescission, concealment, or contestability.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Fieldmen's Insurance v. Asia Surety	G.R. No. L-23447, July 31, 1970	Treaty cancellation does not kill cessions under continuing-liability clauses	1
Sun Insurance v. CA (Lim)	G.R. No. 92383, July 17, 1992	Gun believed unloaded fired at temple is accident; needless peril needs near-suicidal recklessness	7
Finman General Assurance v. CA (Surposa)	G.R. No. 100970, Sept 2, 1992	Murder is accidental as to victim; expressio unius on 10 exclusions	7
Biagtan v. Insular Life	G.R. No. L-25579, Mar 29, 1972	Nine close-range stab wounds intentionally inflicted; double indemnity excluded	7
Go Tiaoco v. Union Insurance Society of Canton	G.R. No. 13983, Sept 1, 1919	Defective drain pipe is peril of the ship, not of the sea	7
United Merchants v. Country Bankers	G.R. No. 198588, July 11, 2012	Padded claim voids for fraud; burden shifts after prima facie case	7
Manila Bankers Life v. Aban	G.R. No. 175666, July 29, 2013, 715 Phil 404	Post-2-year fraud defense barred; nullity styling does not evade Sec. 48	8, 10
Qua Chee Gan v. Law Union and Rock Insurance	G.R. No. L-4611, Dec 17, 1955, 98 Phil 85	Knowing insurer that collects premiums is estopped from warranty breach defense	5, 10
Multi-Ware Manufacturing v. Cibeles Insurance	G.R. No. 230528, Feb 1, 2021	Undisclosed same-subject/interest/risk co-insurance forfeits under other-insurance clause	6
La O v. Yek Tong Lin Fire and Marine	G.R. No. 33131, Dec 30, 1930	Different interests, no breach; premium collection with knowledge waives	6, 10
Malayan Insurance v. CA (TKC Marketing)	G.R. No. 119599, 1997	Deleted F.C. and S. plus War Clauses covers civil arrest	9

Case	G.R./Citation	One-line ratio	§
Villacorta v. Insurance Commission	G.R. No. L-54171, Oct 28, 1980, 100 SCRA 467	Shop employee is authorized driver; unlawful taking is theft under theft clause	7
Perla Compania de Seguros v. CA	G.R. Nos. 96452 and 96493, May 7, 1992, 208 SCRA 487	Theft clause governs carnapping; license has no causal link to theft	7

B. Laws and Rules

Law	What it does here	§
Insurance Code Secs. 26-35 (concealment)	Defines, tests, excuses, and remedies concealment	2, 3
Insurance Code Secs. 36-46 (representation)	Timing, falsity, materiality, and rescission for representations	4
Insurance Code Sec. 48 (rescission timing; incontestability)	Rescind before action; 2-year life bar on fraud defenses	1, 8, 10
Insurance Code Secs. 63-66 (suit floor; cancellation; non-renewal)	1-year floor; 7-ground + notice cancellation; 45-day non-renewal	1, 6
Insurance Code Secs. 67-76 (warranties)	Kinds, formalities, breach effects with/without fraud	5
Insurance Code Secs. 82-83 (premium return)	Return on voidable annulment, insurer fraud, or no liability incurred without actual fraud	1
Insurance Code Secs. 86-89 (loss, proximate cause, exclusions)	Proximate-cause liability; excepted-peril but-for test; willful-act exclusion; negligence no bar	7, 9
Insurance Code Sec. 183 (suicide clause)	Suicide compensable only after 2 years in force (or shorter policy period); insanity suicide always compensable	7
Civil Code Art. 1377; Art. 1390 (adhesion; voidable)	Obscurity against drafter; fraud/concealment makes contract voidable	7, 8

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: memorize Secs. 27, 31, 45, 48, 64-65, 74-76, 86-89 cold with section numbers	One-page provision map from memory
2	35 percent	Distinguish elements and exceptions: concealment vs representation vs warranty vs condition vs exclusion; contestable vs incontestable; waiver vs estoppel	Distinction tables reproduced cold
3	25 percent	Apply problems: 2023 Q10, 2019 A.6 contentions 1-2, plus drills under time	Three marked answers

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Then confusion pairs win marks because rescission questions are built to punish merged concepts.

5. Syllabus Self-Check

1. (§1) Recite the seven Sec. 64 cancellation grounds and the two Sec. 65 notice contents. (§1)
2. (§1) Cancellation vs rescission: which needs a Code ground and which needs a Sec. 64 ground? (§1)
3. (§2) What facts under Sec. 28 need not be communicated, and what must each party know under Sec. 32? (§2)
4. (§3) State the Sec. 31 materiality test in one sentence without saying causation. (§3)
5. (§3) Name all five Sec. 30 matters and the Sec. 35 judgment rule. (§3)
6. (§3) Does unintentional concealment rescind, and does concealment need fraud? Cite sections. (§3)
7. (§4) A representation is false when? The remedy runs from when? Cite sections. (§4)
8. (§4) Can a representation qualify an express policy term? An implied warranty? (§4)
9. (§5) Formalities of an express warranty under Sec. 70, and the Sec. 76 no-fraud effect. (§5)
10. (§6) Run triple-identity on: same building, mortgagor policy vs mortgagee policy. Breach? (§6)

11. (§7) Who proves what, in what order, when the insurer invokes an exception? (§7)
12. (§8) State all six incontestability requisites with the two starting points of the clock. (§8)
13. (§8) Insurer styles its suit as declaration of nullity of a 3-year life policy for fraud. Barred? (§8)
14. (§10) Distinguish waiver, estoppel, and the timeliness bar by source and trigger. (§10)

PART 2 - BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Cancellation; Rescission	Secs. 64-66 + 48(1): 7 exclusive grounds, prior written notice with facts on demand, 45-day non-renewal, rescind before action
2	Ascertaining and Controlling Risks	Secs. 28, 32-33: good-faith disclosure of non-ascertainable material facts; bound-to-know usages; waiver by neglect to inquire
3	Concealment	Secs. 26-27, 30-31: neglect of known material fact; probable-influence test not by event; intent and fraud not required; five Sec. 30 carve-outs
4	Representation	Secs. 37, 40-41, 44-46: at/before issuance; falsity = non-correspondence; material falsity rescinds from falsity; cannot touch express terms
5	Warranties	Secs. 67-76: express/implied, any time coverage, Sec. 70 formality, material breach rescinds, no-fraud breach only exonerates, immaterial breach no avoidance
6	Conditions; Other Insurance	Sec. 63 + clause law: triple identity (subject, interest, risk) + non-disclosure = forfeiture; sub-1-year suit limits void

#	Topic	Must-know: provision + elements
7	Exclusion/Exception; Burden	Secs. 86, 88-89 + Sec. 183: proximate cause, but-for excepted peril, willful act out/negligence in, suicide after 2 years in; insured prima facie then insurer proves
8	Incontestable Clause	Sec. 48(2): life + payable on death + 2 years in force in lifetime + from issue/reinstatement + fraud-defenses only
9	War Clause	Contractual: deleted F.C. and S. + Institute War Clauses restores civil-arrest cover; Secs. 86/88 still govern causation
10	Defenses vs Revocation	Sec. 48(1) + Sec. 33 + case law: timeliness, waiver by knowing premium collection, estoppel by reliance, 2-year bar

Framing questions for every problem: what juridical relation or cause of action is pleaded (rescission, enforcement, denial under exception)? What are the elements or requisites and which Code section gives each? What exception, defense, or waiver defeats it? What is the remedy, and what time bar (rescind-before-action, 2-year contestability, 45-day notice, 1-year suit floor) kills it?

Mnemonic for the rescission grounds ladder: C-CRW-C-EIW-D (Cancellation, Concealment, Representation, Warranty, Condition, Exclusion, Incontestability bar, War clause, Defenses). Periods: 45 days (non-renewal), 1 year (suit floor), 2 years (contestability, suicide, reinstatement restart).

1. Cancellation; Rescission

> 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.
> - Sec. 48, sent. 1, Insurance Code (RA 10607)

Element/Requisite	Content
Cancellation concept	Unilateral termination of a non-life policy by the insurer during its term, allowed only on statutory grounds and with statutory notice
Rescission concept	Judicial or extrajudicial unmaking of the contract from the beginning on a ground given by the Code, such as concealment, misrepresentation, or breach of warranty
Non-life cancellation grounds	Seven exclusive post-effective grounds under Sec. 64: nonpayment of premium, conviction of crime increasing hazard, fraud or material misrepresentation, willful or reckless acts increasing hazard, property becoming uninsurable, other insurance making total exceed value, Commissioner determination of Code violation
Cancellation procedure	Prior written notice stating the ground relied upon, with right of the insured to demand the facts under Sec. 65
Non-renewal procedure	45-day advance notice under Sec. 66
Rescission timing	Insurer must exercise the right to rescind previous to commencement of an action on the contract under Sec. 48
Reinsurance overlay	Cancellation of a treaty does not ipso facto kill cessions already made where the treaty carries an express continuing-liability clause
Pleading bar	Rescission cannot be granted in declaratory relief absent a pleaded and proved Code basis

Cancellation	Rescission
Prospective termination of a running non-life policy	Retroactive unmaking of the contract from inception
Only on the seven exclusive Sec. 64 grounds	Only on a Code-given ground such as concealment or breach of warranty
Requires prior written notice under Sec. 65	Must be exercised before action on the contract under Sec. 48
Insured may demand stated facts	Insurer must return premium on rescission except where fraud intervenes
Non-renewal needs 45-day notice under Sec. 66	No renewal notice rule applies

Case: *Fieldmen's Insurance v. Asia Surety*, G.R. No. L-23447, July 31, 1970

Facts: Reinsurer cancelled seven reinsurance treaties and sought declaratory relief to end liability. Cessions had already been made under treaties containing express continuing-liability clauses.

Issue: Whether cancellation of the treaties ipso facto terminated liability on cessions already effected, and whether rescission could be granted in that declaratory action.

Held: No. Cancellation did not kill cessions already made under treaties with express continuing-liability clauses. Rescission could not be granted in declaratory relief absent a pleaded and proved basis.

Doctrine: Treaty cancellation operates prospectively only. Accrued cessions survive where continuing liability was stipulated. Rescission needs a Code ground proved in a proper action.

> Exam trap: Treaty cancellation is not rescission of cessions already ceded. Check for a continuing-liability clause before declaring liability ended.

On periods and notices, Sec. 65 requires prior written notice stating the ground and gives the insured the right to demand the supporting facts. Sec. 66 requires 45-day notice of non-renewal. Sec. 48, sentence 1, requires rescission before action on the contract.

Q: N, a non-life insurer, sent a cancellation notice for a fire policy five days before termination, citing a ground not listed in Sec. 64. The insured demanded the facts and received none. May the insurer treat the policy as cancelled?

A: No, the attempted cancellation is ineffective and the policy remains in force until validly cancelled or otherwise terminated.
Under Sec. 64 cancellation after effectivity is allowed only on seven exclusive statutory grounds, and under Sec. 65 it requires prior written notice stating the ground with a right in the insured to demand the supporting facts.
Here the notice gave a short five-day lead, invoked an unlisted ground, and the insurer ignored the demand for facts, so both the substantive ground and the procedural notice requirements fail.
The cancellation has no effect. The insurer remains bound and any denial on the basis of that cancellation will fail.

2. Ascertaining and Controlling Risks

> 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 as to which he makes no warranty, and which the other has not the means of ascertaining.

> - Sec. 28, Insurance Code (RA 10607)
>
> 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 the political or material perils contemplated; and all general usages of trade.
> - Sec. 32, Insurance Code (RA 10607)

Element/Requisite	Content
Good-faith communication	Each party must communicate in good faith all material facts within his knowledge under Sec. 28
Warranty carve-out	Duty covers facts as to which the party makes no warranty, since warranty facts are governed by warranty rules
Means of ascertaining	No duty to communicate what the other has the means of ascertaining, since equal access negates concealment
Bound-to-know rule	Each party is bound to know general causes open to inquiry equally with the other and general usages of trade under Sec. 32
Inquiries and control	Insurer controls risk through application questions, inspection, warranties, conditions, and rate classification
Waiver by silence	Right to material information may be waived by policy terms or by neglect to inquire where the fact is distinctly implied in communicated facts under Sec. 33
Remedy link	Failure to communicate a material fact the other could not ascertain is concealment entitling the injured party to rescind under Sec. 27

Ascertaining risk	Controlling risk
Gathering material facts through disclosure, inquiry, and inspection	Shaping exposure through warranties, conditions, exclusions, and pricing
Governed by Sec. 28 good-faith communication duty	Governed by policy terms plus Sec. 32 bound-to-know allocation
Failure yields concealment and a right to rescind	Failure yields breach of warranty or condition and loss of recovery

On periods and notices, there is no fixed day count in Secs. 28 and 32. Procedure is inquiry plus disclosure before inception. Sec. 65 prior written notice and Sec. 66 45-day notice apply at cancellation and non-renewal. Any Code-based rescission must precede action on the contract

under Sec. 48, sent. 1.

Q: P applied for marine cargo cover and disclosed the voyage route but not the well-known port congestion surcharge practice. The insurer asked no question on surcharges, issued the policy, then sought rescission for concealment. Will rescission prosper?

A: No, rescission will not prosper because the undisclosed practice was equally open to inquiry and within general usage of trade.
Under Sec. 28 there is no duty to communicate what the other has the means of ascertaining, and under Sec. 32 each party is bound to know general causes open to inquiry and general usages of trade, with waiver by neglect to inquire under Sec. 33.
Here the surcharge practice was a general usage equally accessible to the insurer, the voyage disclosure implied added cost exposure, and the insurer neglected to inquire, so the fact was either bound-to-know or waived.
There is no concealment of a material fact the insurer could not ascertain, so the policy stands and rescission fails.

3. Concealment

> A neglect to communicate that which a party knows and ought to communicate, is called a concealment.
> - Sec. 26, Insurance Code (RA 10607)
>
> A concealment whether intentional or unintentional entitles the injured party to rescind a contract of insurance.
> - Sec. 27, Insurance Code (RA 10607)
>
> 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 as to which he makes no warranty, and which the other has not the means of ascertaining.
> - Sec. 28, Insurance Code (RA 10607)
>
> 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.
> - Sec. 31, Insurance Code (RA 10607)
>
> 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.
- Sec. 30, Insurance Code (RA 10607)

The right to information of material facts may be waived, either by the terms of insurance or by neglect to make inquiry as to such facts, where they are distinctly implied in other facts of which information is communicated.
- Sec. 33, Insurance Code (RA 10607)

Neither party to a contract of insurance is bound to communicate, even upon inquiry, information of his own judgment upon the matters in question.
- Sec. 35, Insurance Code (RA 10607)

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.
- Sec. 29, Insurance Code (RA 10607)

Element/Requisite	Content
Definition	Neglect to communicate what a party knows and ought to communicate under Sec. 26
Duty bearer	Either party, but in practice the applicant for facts material to underwriting under Sec. 28
Knowledge	Fact must be within the knowledge of the concealing party and unknown without means of ascertaining by the other
Materiality test	Probable and reasonable influence on the other in estimating disadvantages or in making inquiries, not judged by the event, under Sec. 31
Causation	No need to show the concealed fact caused the loss; influence on underwriting judgment suffices
Intent	Intentional or unintentional concealment both entitle the injured party to rescind under Sec. 27
Fraud	Fraud is not required for concealment, but intentional fraudulent omission proving falsity of a warranty separately rescinds under Sec. 29

Element/Requisite	Content
Agent knowledge	Knowledge of the approving officer or agent within authority is knowledge of the insurer and defeats concealment
Judgment exclusion	Neither party must communicate his own judgment even upon inquiry under Sec. 35
Waiver	Right to information may be waived by policy terms or by neglect to inquire where implied in communicated facts under Sec. 33
Remedy	Rescission by the injured party, exercised previous to action on the contract under Sec. 48

Concealment	Representation	Warranty
Silence on a material fact that ought to be disclosed	Affirmative statement of fact made to induce the contract	Promise or condition incorporated in the policy
Tested by Sec. 31 probable influence on underwriting	Tested by truth and materiality at perfection	Tested by exact compliance once written
Intentional or unintentional suffices under Sec. 27	Falsity plus materiality avoids the policy	Breach bars recovery even if immaterial to loss

Intentional concealment	Unintentional concealment
Deliberate withholding of a known material fact	Honest omission through forgetfulness or good-faith belief of immateriality
Still needs Sec. 31 materiality and Sec. 28 duty	Same requisites, intent does not add an element
Both entitle the injured party to rescind under Sec. 27	Both entitle the injured party to rescind under Sec. 27

Sec. 30 no-concealment matter	Content
Matters the other knows	Need not be communicated except in answer to inquiry
Matters the other ought to know in ordinary care	Need not be communicated where no reason to suppose ignorance, except in answer to inquiry
Matters waived	Need not be communicated where the other waives communication, except in answer to inquiry
Matters proving a risk excluded by warranty and not otherwise material	Need not be communicated except in answer to inquiry, without prejudice to Sec. 29 fraudulent omission
Matters relating to a risk excepted from the policy and not otherwise material	Need not be communicated except in answer to inquiry

On periods and notices, concealment rescission has no day-count notice. It must be exercised previous to commencement of an action on the contract under Sec. 48, sent. 1. Sec. 65 prior written notice and Sec. 66 45-day notice govern cancellation and non-renewal, not concealment rescission.

2023 Bar Q: Diego, a cancer survivor, filed an application for a life insurance policy with Garantiya Insurance Company (GIC). He delivered his application and insurance premium to Gabriela, the officer of GIC in charge of approving life insurance policies. Gabriela then approved the application of Diego on June 1, 2020. On January 30, 2023, Diego died in a vehicular accident. When the heirs of Diego claimed the insurance proceeds, GIC denied the claim on the ground that Diego had concealed the fact of his illness. Moreover, Gabriela knew about the illness of Diego but also concealed it from GIC. Is the denial of the insurance claim by GIC proper? Discuss.

A: No, the denial is improper and the heirs may recover because the insurer is deemed to have known the illness through its approving officer and cannot claim concealment.
Under Secs. 26 to 28 and 31 concealment is neglect to communicate a known material fact the other has no means of ascertaining, judged by probable influence on underwriting, while knowledge of an agent in charge of approval is knowledge of the insurer and Sec. 33 waives inquiry neglected where the fact was knowable.
Here Gabriela, the officer in charge of approving life policies, knew of the cancer history when she approved the application on June 1, 2020, so GIC had the means of ascertaining and is charged with that knowledge, and death by later vehicular accident confirms materiality is not judged by the event.
There is no concealment against GIC, waiver and estoppel bar avoidance, and the claim denial fails so proceeds must be paid.

4. Representation

> Sec. 37. "A representation may be made at the time of, or before, issuance of the policy."
>
> Sec. 38. "The language of a representation is to be interpreted by the same rules as the language of contracts in general."
>
> Sec. 39. "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."
>
> Sec. 40. "A representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty."

> Sec. 41. "A representation may be altered or withdrawn before the insurance is effected, but not afterwards."
>
> Sec. 44. "A representation is to be deemed false when the facts fail to correspond with its assertions or stipulations."
>
> Sec. 45. "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."
>
> Sec. 46. "The materiality of a representation is determined by the same rules as the materiality of a concealment."

Element/Requisite	Content
Nature	Collateral statement made at or before issuance; not necessarily in the policy
Timing	At the time of, or before, issuance; alterable or withdrawable before insurance is effected, not afterwards (Secs. 37, 41)
Future representation	Deemed a promise unless merely belief or expectation (Sec. 39)
Relation to policy terms	Cannot qualify an express provision; may qualify an implied warranty (Sec. 40)
Interpretation	Same rules as language of contracts in general (Sec. 38)
Falsity test	False when facts fail to correspond with assertions or stipulations (Sec. 44)
Materiality test	Same rules as materiality of concealment (Sec. 46)
Second-hand information (Sec. 43, substance)	Insured repeating others' information with explanation of source is not responsible for its truth unless the source is the insured's agent whose duty is to inform
Remedy	If false in a material point, whether affirmative or promissory, injured party may rescind from the time the representation becomes false (Sec. 45)

Representation vs Concealment vs Warranty	Representation	Concealment	Warranty
Form	Affirmative or promissory statement, usually collateral	Silence or non-disclosure of a material fact	Statement or undertaking made part of the policy

Representation vs Concealment vs Warranty	Representation	Concealment	Warranty
Collateral vs part of policy	Collateral; need not be written into policy	Collateral omission; no statement at all	Part of the policy itself (express) or imposed by law (implied)
Fraud requirement	Falsity in a material point required; innocent immaterial error is not ground	Fraud not required - unintentional concealment also rescinds under Sec. 27	Fraud not required - violation of material warranty entitles other to rescind
Timing	At or before issuance only	At or before inception; duty during negotiation	May relate to past, present, future, or all (warranty rule)
Effect of immaterial falsity	No rescission	No rescission	Breach of immaterial provision does not avoid policy unless policy so declares

Affirmative vs Promissory Representation	Affirmative	Promissory
Meaning	Assertion of existing fact or past event	Promise about future conduct or future fact
Example	"The building is concrete"	"I will install sprinklers within 30 days"
Test under Sec. 39	Statement of present fact	Future statement deemed a promise unless merely belief or expectation
Breach point	False from inception if facts do not correspond	Rescission runs from the time the representation becomes false (Sec. 45)

Q: A applied for fire insurance stating the warehouse was "concrete-walled" when it was half timber, but added "per my caretaker, who I have not verified." The policy as issued expressly describes the building as "concrete throughout." May the insurer rescind, and may A invoke the caretaker explanation?

A: Yes, the insurer may rescind if the falsity is material, and A cannot defeat rescission by pointing to the caretaker source or by using the representation to contradict the express policy term.

Under Secs. 44-46, a representation is false when facts fail to correspond with its assertions, falsity in a material point entitles the injured party to rescind, and materiality follows concealment rules. Sec. 40 bars a representation from qualifying an express provision, and the Sec. 43 second-hand-information excuse fails when the source is the insured's agent whose duty

is to inform or when no source explanation cures a material misstatement of own fact.

The timber construction contradicts the concrete assertion so the representation is false. A concrete-vs-timber wall plainly affects underwriting and is material. Because the policy expressly states concrete throughout, the representation cannot qualify or soften that term. The caretaker remark does not shift responsibility where A adopted the statement as his own to obtain cover.

The insurer is entitled to rescind from the time the representation became false, subject to proof of materiality at trial.

5. Warranties

> Sec. 67. "A warranty is either expressed or implied."
>
> Sec. 68. "A warranty may relate to the past, the present, the future, or to any or all of these."
>
> Sec. 69. "No particular form of words is necessary to create a warranty."
>
> Sec. 70. "Without prejudice to Section 51, 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."
>
> Sec. 71. "A statement in a policy, of a matter relating to the person or thing insured, or to the risk, as fact, is an express warranty thereof."
>
> Sec. 72. "A statement in a policy, which imparts 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."
>
> Sec. 74. "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."
>
> Sec. 75. "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."
>
> Sec. 76. "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."

Element/Requisite	Content
Definition and kinds	Warranty is either expressed or implied (Sec. 67)

Element/Requisite	Content
Time coverage	May relate to past, present, future, or any or all (Sec. 68)
Form	No particular form of words necessary (Sec. 69)
Formality for express warranty	Made at or before execution, must be in the policy or in a signed instrument referred to in the policy as part of it, without prejudice to Sec. 51 (Sec. 70)
Warranty of fact	Policy statement of matter relating to person, thing, or risk, as fact, is an express warranty (Sec. 71)
Warranty of act or omission	Policy statement importing intent to do or not do a thing materially affecting risk is a warranty that it shall take place (Sec. 72)
Future-warranty excuse (Sec. 73, substance)	Non-performance of a future warranty is excused if loss happens first, or performance becomes unlawful or impossible
Material breach	Violation of material warranty or other material provision entitles the other party to rescind (Sec. 74)
Immaterial breach	Policy may declare specified violations avoid it; otherwise breach of immaterial provision does not avoid policy (Sec. 75)
Breach without fraud	Merely exonerates insurer from time of breach, or if broken in inception prevents attachment to risk (Sec. 76)

Express vs Implied Warranty	Express	Implied
Source	Written into policy or incorporated signed instrument (Sec. 70)	Imposed by law, read into contract though unwritten
Examples	Hydrant, hose, pressure, night-watchman clauses; Secs. 71-72 statements	Seaworthiness, legality of venture, no deviation in marine
Proof	Show policy text or incorporated instrument	Show legal implication applicable to that class of insurance

Affirmative vs Promissory Warranty	Affirmative	Promissory
Meaning	Affirms past or present fact (Sec. 71)	Promises future act or omission affecting risk (Sec. 72)
Breach timing	Broken in inception if untrue at execution	Broken when promised act fails; Sec. 73 excuses apply

Affirmative vs Promissory Warranty	Affirmative	Promissory
Effect if without fraud	Prevents policy from attaching to risk (Sec. 76)	Exonerates insurer from time breach occurs (Sec. 76)

Material vs Immaterial Breach	Material	Immaterial
Test	Affects the risk or is declared material by parties	Does not affect risk and not declared avoidable
Remedy	Rescission under Sec. 74	No avoidance unless policy declares violation avoids it (Sec. 75)
Sec. 76 overlay	Without fraud, exoneration from breach or non-attachment if in inception	Same exoneration logic, but avoidance denied for immaterial breach

Case: *Qua Chee Gan v. Law Union and Rock Insurance*, G.R. No. L-4611, Dec 17, 1955

Facts: Fire policies contained warranties on fire hydrants, hose, water pressure, and fire brigade. After loss by fire, the insurer denied liability for breach of those warranties.

Issue: Whether breach of the fire-appliance warranties avoided the policies where the insurer knew the actual conditions at issuance and continuously collected premiums.

Held: The insurer is liable and is estopped from invoking the warranties. The insurer inspected and knew the premises lacked the warranted appliances yet issued the policies and accepted premiums. Uberrimae fidei binds the insurer more strictly. Ambiguities are construed against the insurer. Alleged false swearing in proofs of loss must be wilful to forfeit.

Doctrine: Knowledge plus continued acceptance of premiums waives or estops breach-of-warranty defenses. Insurance is uberrimae fidei on both sides, more strictly against the insurer.

> Exam trap: Do not void on paper breach alone. Check insurer knowledge, inspection, and premium acceptance first, and require wilfulness for false-swearing forfeiture.

Q: A fire policy warrants "two 2.5-inch hydrants with 100 psi at all times." At issuance the insurer inspects, sees one weak hydrant, issues anyway, and collects premiums for two years. After a fire, may it avoid solely for breach of that warranty with no fraud shown?

A: No, the insurer cannot avoid on that warranty alone where it knew the true condition and accepted premiums, and without fraud Sec. 76 gives only exoneration-while-breached rather than automatic avoidance.

Secs. 74-76 distinguish material breach entitling rescission from immaterial breach that does not

avoid absent policy declaration, and a non-fraudulent breach merely exonerates from occurrence or prevents attachment if broken in inception. Qua Chee Gan adds waiver and estoppel where the insurer knew the deficiency and took premiums, with uberrimae fidei and contra-proferentem against the insurer.

The hydrant warranty is material on its face, but the insurer's prior inspection and continued premium collection estop it from invoking a condition it knowingly wrote over a known non-compliance. With no fraud, Sec. 76 does not let it treat the whole policy as void ab initio for a supervening shortfall.

The breach defense fails on estoppel and waiver. The insurer remains liable subject to any valid Sec. 73 excuse analysis, which does not help it here.

6. Conditions; Other Insurance Clause

> Sec. 63. "A condition, stipulation, or agreement in any policy of insurance, limiting the time for commencing an action thereunder to a period of less than one (1) year from the time when the cause of action accrues, is void."

Element/Requisite	Content
Condition defined	Contingency or event on which enforceability or loss of rights depends; suspensive or resolutory
Other-insurance clause defined	Condition requiring disclosure of co-insurance; breach commonly works forfeiture or avoidance per policy
Requisite 1: same subject matter	Both policies cover the identical property or subject
Requisite 2: same interest	Both cover the same insurable interest in that subject
Requisite 3: same risk or peril	Both cover the same risk for the same period in whole or in part
Effect of concurrence	All three present plus non-disclosure equals breach and forfeiture under the clause
Suit-time floor (Sec. 63)	Any policy condition cutting suit time to less than one year from accrual is void; one year or longer is valid
Waiver	Insurer collecting premiums with knowledge of other insurance waives the clause

Condition vs Warranty vs Exclusion	Condition	Warranty	Exclusion
Function	Triggers, suspends, or forfeits coverage on an event	Affirms fact or promises act as part of contract	Carves a peril, property, or use out of coverage
Location	Often a clause like other-insurance or suit-time limit	In policy or incorporated instrument (Sec. 70)	In insuring agreement or endorsement
Breach effect	Forfeiture or suspension per clause; Sec. 63 voids short suit limits	Secs. 74-76 rescission or exoneration	No liability for excluded matter; no rescission needed
Bar example	Waiver by knowledge plus premiums	Waiver and estoppel under Qua Chee Gan	Ambiguity construed against insurer

Other-Insurance Requisites	Same Subject Matter	Same Interest	Same Risk
Question	Is the identical property covered?	Is the identical ownership or insurable interest covered?	Is the identical peril and overlapping period covered?
Failure effect	Different property means no breach	Different interest (e.g., mortgagor vs mortgagee) means no breach	Different peril or non-overlapping cover means no breach
Proof	Compare policies' descriptions and schedules	Compare named insureds and capacities	Compare perils, amounts, and periods

Case: *Multi-Ware Manufacturing v. Cibeles Insurance*, G.R. No. 230528, Feb 1, 2021

Facts: Fire policies on factory machinery contained an other-insurance clause requiring notice of co-insurance. The insured obtained additional policies on the same machinery without disclosure, then claimed after fire loss.

Issue: Whether undisclosed co-insurance on the same machinery breached the other-insurance clause and forfeited the claim.

Held: Yes. The co-insurance covered the same subject matter, same interest, and same risk, so non-disclosure breached the clause and worked forfeiture under its terms.

Doctrine: Other-insurance forfeiture requires identity of subject matter, interest, and risk. Undisclosed concurring cover on all three breaches the condition.

> Exam trap: Match all three identities before forfeiting. Same building but different interest or different peril is not a breach.

Case: ***La O v. Yek Tong Lin Fire & Marine*****, G.R. No. 33131, Dec 30, 1930**

Facts: Insurer invoked an other-insurance clause to avoid payment, pointing to other fire policies taken by related parties. The other policies covered different interests in the property.

Issue: Whether the other policies breached the other-insurance clause where interests differed, and whether premium acceptance with knowledge waived the defense.

Held: No breach. The other policies did not cover the same interest, so the triple-identity test failed. The insurer, having collected premiums with knowledge of the situation, also waived the defense.

Doctrine: No breach exists without the same subject, same interest, and same risk. Insurer knowledge plus premium collection waives the other-insurance defense.

> Exam trap: Different capacity or interest defeats forfeiture even over the same building. Always check waiver by knowledge and premiums.

Q: A insures factory machines with X containing an other-insurance clause, then secretly insures the same machines with Y against the same fire risk for an overlapping period. Separately, the X policy says suit must be filed within 6 months of loss. After fire, X invokes both defenses. Decide each defense.

A: X wins on the other-insurance breach but loses on the 6-month suit limit, which is void, leaving the insured the lawful period to sue.
Breach of an other-insurance condition forfeits where the same subject matter, same interest, and same risk concur with non-disclosure under Multi-Ware, while La O requires all three and recognizes waiver. Sec. 63 voids any policy condition limiting suit to less than one year from accrual.
The Y policy hits all three identities on the same machines, same ownership interest, and same fire peril, so non-disclosure breaches the X clause with no waiver shown. The 6-month limit falls below the Sec. 63 floor and is void, leaving the insured the lawful period to sue.
Forfeiture on the co-insurance ground stands, but the time-bar defense fails as void under Sec. 63.

7. Exclusion/Exception; Burden of Proof

Verbatim Code

> Unless otherwise provided by the policy, an insurer is liable for a loss of which a peril insured against was the proximate cause, although a peril not contemplated by the contract may have been a remote cause of the loss; but he is not liable for a loss of which the peril insured against was only a remote cause.
>
> Source: Sec. 86, Insurance Code (RA 10607).
>
> Where a peril is especially excepted in a contract of insurance, a loss, which would not have occurred but for such peril, is thereby excepted although the immediate cause of the loss was a peril which was not excepted.
>
> Source: Sec. 88, Insurance Code (RA 10607).
>
> An insurer is not liable for a loss caused by the willful act or through the connivance of the insured; but he is not exonerated by the negligence of the insured, or of the insurance agents or others.
>
> Source: Sec. 89, Insurance Code (RA 10607).

Elements table

Element/Requisite	Content
Statutory exclusion (willful act)	Insurer not liable for loss caused by willful act or connivance of insured per Sec. 89
Negligence rule	Negligence of insured, agents, or others does not exonerate insurer per Sec. 89
Proximate cause rule	Insurer liable where peril insured against was proximate cause though unlisted peril was remote cause per Sec. 86
Remote-cause non-liability	Insurer not liable where peril insured against was only remote cause per Sec. 86
Especially excepted peril	Loss which would not have occurred but for excepted peril is excepted even if immediate cause was non-excepted peril per Sec. 88
Contractual exception	Parties may add express exclusions; construed strictly against insurer; insurer proves exception
Burden sequence	Insured proves prima facie case (policy, loss within coverage); burden shifts to insurer to prove excepted risk
Fraudulent overclaim	Padded claim voids policy for fraud; insurer must still prove fraud with records

Distinction tables

Exclusion vs concealment vs warranty breach

Basis	Exclusion/Exception	Concealment	Warranty breach
Nature	Carves out a peril or cause from coverage	Failure to disclose material fact at inception	Breach of promise or condition in policy
Effect	No liability for that loss even if policy valid	Rescission of contract	Rescission or forfeiture per terms and Sec. 74
Who proves	Insurer proves loss falls in exception	Insurer proves concealment and materiality	Insurer proves breach and materiality
Cure	Cannot cure; loss simply not covered	Waivable by terms or neglect to inquire per Sec. 33	Defenses of waiver and estoppel may apply

Proximate vs remote cause (Sec. 86)

Basis	Proximate cause	Remote cause
Test	Dominant, efficient cause setting loss in motion	Subsidiary or background circumstance
Insured peril proximate	Insurer liable though remote peril unlisted	Not applicable
Insured peril only remote	Insurer not liable	Loss attributed to other proximate peril
Example	Murder as proximate cause of death	Defective drain pipe as internal vice, not sea peril

Accident vs intentional act

Basis	Accident	Intentional
Standpoint	From victim's view, unforeseen and unexpected	Willful act or connivance of insured
Murder/assault	Accidental as to victim; covered unless excluded	Assailant's intent does not make it intentional as to victim
Needless peril	Mere negligence still accident	Only reckless risk bordering on suicide is excluded
Stab wounds example	Not applicable	Nine close-range stab wounds show intentionally inflicted injury

Burden: insured prima facie then insurer proves exception

Stage	Who	What
Stage 1	Insured/beneficiary	Prove policy, payment of premium, loss within general coverage
Stage 2	Insurer	Prove excepted or excluded risk by evidence
Stage 3	Court	Construe ambiguity against insurer; padded-claim fraud voids policy
Costs note	Good-faith resistance	No damages against insurer for good-faith denial

Case cards

Case: *Sun Insurance v. CA*, G.R. No. 92383, July 17, 1992

Facts: The insured pointed a gun he believed was unloaded at his temple and fired. The insurer invoked the needless-peril or intentional-act exception under the accident policy.

Issue: Whether death by own gun believed unloaded is an accident or an excluded intentional or needless-peril act.

Held: The death was accidental and is therefore covered. The needless-peril exception requires a reckless risk bordering on suicide. Mere negligence is no bar under Sec. 89. The insurer's good-faith resistance did not warrant damages.

Doctrine: Accident is judged from the victim's standpoint. Negligence does not exonerate the insurer. Only a willful act or connivance of the insured excludes coverage.

> Exam trap: Do not call self-inflicted gunplay intentional just because the insured pulled the trigger. Ask whether the risk bordered on suicide.

Case: *Finman General Assurance v. CA*, G.R. No. 100970, September 2, 1992

Facts: The insured was killed by assailants. The insurer denied the accident claim, arguing that murder was intentional and excluded.

Issue: Whether murder or assault is accidental as to the victim under an accident policy with enumerated exclusions.

Held: Covered. Murder is accidental from the victim's standpoint. Expressio unius applies here. The policy listed ten exclusions and murder was not among them. Exclusions are strictly construed.

Doctrine: Where the policy enumerates exclusions, unlisted perils are covered. The assailant's intent is not the insured's intent.

> Exam trap: If examiner lists ten exclusions, check expressio unius before importing a willful-act defense.

Case: *Biagtan v. Insular Life*, G.R. No. L-25579, March 29, 1972

Facts: The insured sustained nine close-range stab wounds. The beneficiary claimed double indemnity for accidental death.

Issue: Whether multiple close-range stab wounds are accidentally or intentionally inflicted within double-indemnity exception.

Held: The injuries were intentionally inflicted so the double-indemnity exception applies. The case is distinguished from *Calanoc* on its facts.

Doctrine: Number, location, and closeness of wounds can establish intentionally inflicted injury.

> Exam trap: *Biagtan* is the counterpoint to *Sun* and *Finman*. Same accident policy, opposite result on the facts.

Case: *Go Tiaoco v. Union Insurance Society of Canton*, G.R. No. 13983, September 1, 1919

Facts: The cargo was damaged through the defective drain pipe of the ship. The claim was made under a marine policy against perils of the sea.

Issue: Whether internal defect (defective pipe) is a peril of the sea.

Held: Not covered. Defective pipe is a peril of the ship or internal vice, not a sea peril.

Doctrine: Proximate cause analysis distinguishes sea perils from internal defects of vessel.

> Exam trap: Do not label every loss at sea a sea peril. Trace proximate cause to vessel condition as against sea action.

Case: *United Merchants v. Country Bankers*, G.R. No. 198588, July 11, 2012

Facts: The fire claim for P50M was contradicted by records showing about P1.9M in stocks. The insurer alleged fraud and a padded claim.

Issue: Whether padded claim voids policy and how burden of proof applies to excepted risk.

Held: The policy is void for fraud. The insured first makes a prima facie case. The insurer then proves the excepted risk or the fraud that voids coverage.

Doctrine: A fraudulent overclaim voids the policy. The burden shifts to the insurer to prove the exception after a prima facie showing.

> Exam trap: State the two-step burden sequence explicitly to earn points. Do not collapse it into one sentence.

Historic Q - 2019 Mercantile Law A.6, contention 2 (tested here as exclusion)

2019 Bar Q: In January 2016, Mr. H was issued a life insurance policy by XYZ Insurance Co., wherein his wife, Mrs. W, was designated as the sole beneficiary. Unbeknownst to XYZ Insurance Co., however, Mr. H had been previously diagnosed with colon cancer, the fact of which Mr. H had concealed during the entire time his insurance policy was being processed. In January 2019, Mr. H unfortunately committed suicide. Due to her husband's death, Mrs. W, as beneficiary, filed a claim with XYZ Insurance Co. to recover the proceeds of the late Mr. H's life insurance policy. However, XYZ Insurance Co. resisted the claim, contending that: 1. the policy is void ab initio because Mr. H fraudulently concealed or misrepresented his medical condition, i.e., his colon cancer; and 2. as an insurer in a life insurance policy, it cannot be held liable in case of suicide. Rule on each of XYZ Insurance Co.'s contentions. (5%)

> Scope note: Contention 1 (concealment and incontestability) is answered in §8. This §7 answers contention 2 only (suicide as exclusion).

A: Contention 2 fails. The January 2019 suicide, about three years after the January 2016 issue, falls outside any suicide exclusion.

Under Sec. 183 the insurer in a life contract is liable for suicide committed after the policy has been in force two years from issue or last reinstatement, and exclusions are strictly construed against the insurer, which bears the burden of proving the exception after the beneficiary's prima facie case.

The policy ran from January 2016 to January 2019, about three years, so the two-year suicide threshold is passed and XYZ proved no insanity issue or shorter policy period. Its blanket citation of suicide, without clause or proof, cannot carry an exclusion defense that is construed against it.

Contention 2 is denied and XYZ is liable on this ground, subject to the §8 incontestability

analysis that independently bars contention 1.

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8. Incontestable Clause

Verbatim Code

> 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.
>
> Source: Sec. 48, Insurance Code (RA 10607), first paragraph.
>
> After a policy of life insurance made payable on the death of the insured shall have been in force during the lifetime of the insured for a period of two (2) years from the date of its issue or of its last reinstatement, the insurer cannot prove that the policy is void ab initio or is rescindible by reason of the fraudulent concealment or misrepresentation of the insured or his agent.
>
> Source: Sec. 48, Insurance Code (RA 10607), second paragraph.

Elements table

Element/Requisite	Content
Requisite 1: life policy	Only life insurance; non-life policies never become incontestable
Requisite 2: payable on death	Policy made payable on death of the insured
Requisite 3: in force 2 years	Continuously in force for two years; lapses break continuity
Requisite 4: during insured's lifetime	Two years must run during lifetime of insured
Requisite 5: from issue or last reinstatement	Period counts from date of issue or date of last reinstatement
Requisite 6: only vs fraud defenses	Bars only proof of void ab initio or rescindibility by fraudulent concealment or misrepresentation
Rationale	Force insurer to investigate promptly; give insured security after paying premiums
Commencement	Runs from issue or last reinstatement; reinstatement restarts the clock

Element/Requisite	Content
Connivance-with-agent allegation	Insurer cannot evade Sec. 48 by alleging the insured connived with the insurer's own agent, since the bar expressly covers misrepresentation of the insured or his agent
Death within 2 years	Insurer may still contest if death occurs within 2-year period and action timely
Rescind-before-action	Even within period, right to rescind must be exercised previous to action on contract

Distinction tables

Contestable vs incontestable

Basis	Contestable (within 2 years)	Incontestable (after 2 years)
Scope	Insurer may prove fraud, concealment, misrepresentation	Insurer cannot prove void ab initio or rescindibility on those grounds
Duty	Insurer must investigate and rescind timely	Insurer deemed to have waived fraud defense
Procedure	Rescind previous to action on contract	Styling as nullity action does not evade bar
Policy	Protects insurer from fraud	Protects insured and beneficiary repose

When inapplicable

Situation	Result
Not life insurance	Sec. 48 does not apply
Not payable on death	Requirement fails
Not in force 2 years during lifetime	Still contestable
Defense other than concealment or misrepresentation	Bar does not cover it; e.g., non-payment of premium
Lack of insurable interest of beneficiary where insured took own life	Per *Aban*, insured's own insurable interest in own life suffices; do not invent beneficiary-interest voidness
Styling as void ab initio	Does not evade bar per *Manila Bankers*; substance controls

Case cards

Case: *Manila Bankers Life v. Aban*, G.R. No. 175666, July 29, 2013

Facts: The life policy had been in force for 2 years and 7 months. The insurer resisted payment alleging fraudulent concealment or misrepresentation and styled its action as one for void ab initio.

Issue: Whether insurer after 2 years in force may still prove policy void ab initio or rescindible for fraudulent concealment or misrepresentation.

Held: No. Sec. 48 bars such proof after 2 years in force during the insured's lifetime from issue or last reinstatement. The insurer must investigate within the period. Styling the suit as a nullity action does not evade the bar. The insured's own insurable interest in his own life suffices.

Doctrine: Incontestability bars post-2-year fraud defenses. The form of the action cannot circumvent the substance of Sec. 48.

> Exam trap: Do not credit void-ab-initio labeling. Check the 2-year clock and the fraud-only scope.

Historic Q - 2019 Mercantile Law A.6, contention 1 (tested here as incontestability)

2019 Bar Q: In January 2016, Mr. H was issued a life insurance policy by XYZ Insurance Co., wherein his wife, Mrs. W, was designated as the sole beneficiary. Unbeknownst to XYZ Insurance Co., however, Mr. H had been previously diagnosed with colon cancer, the fact of which Mr. H had concealed during the entire time his insurance policy was being processed. In January 2019, Mr. H unfortunately committed suicide. Due to her husband's death, Mrs. W, as beneficiary, filed a claim with XYZ Insurance Co. to recover the proceeds of the late Mr. H's life insurance policy. However, XYZ Insurance Co. resisted the claim, contending that: 1. the policy is void ab initio because Mr. H fraudulently concealed or misrepresented his medical condition, i.e., his colon cancer; and 2. as an insurer in a life insurance policy, it cannot be held liable in case of suicide. Rule on each of XYZ Insurance Co.'s contentions. (5%)

> Scope note: Contention 2 (suicide) is answered in §7. This §8 answers contention 1 only.

A: Contention 1 is barred. XYZ cannot prove void ab initio or rescindibility for fraudulent concealment after 3 years in force.
Sec. 48 bars proof of void ab initio or rescindibility by fraudulent concealment or misrepresentation after a life policy payable on death has been in force during the insured's lifetime for 2 years from issue or last reinstatement, with rescission required before action on the contract.

The policy was issued in January 2016 and was in force until death in January 2019, about 3 years during Mr. H's lifetime. Colon-cancer concealment is exactly the fraud defense that Sec. 48 cuts off, and void-ab-initio styling does not evade it per *Manila Bankers*.
XYZ must pay as to contention 1. Its remedy was timely investigation and pre-action rescission within 2 years.

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9. War Limitation Rider / War Clause

Verbatim Code

> Unless otherwise provided by the policy, an insurer is liable for a loss of which a peril insured against was the proximate cause, although a peril not contemplated by the contract may have been a remote cause of the loss; but he is not liable for a loss of which the peril insured against was only a remote cause.
>
> Source: Sec. 86, Insurance Code (RA 10607).
>
> Where a peril is especially excepted in a contract of insurance, a loss, which would not have occurred but for such peril, is thereby excepted although the immediate cause of the loss was a peril which was not excepted.
>
> Source: Sec. 88, Insurance Code (RA 10607).

Policy allocation note: war-risk allocation turns on the F.C. and S. clause and Institute War Clauses as written. Deleted F.C. and S. language plus added war clauses can restore coverage.

Elements table

Element/Requisite	Content
Nature	Contractual war limitation or war-risk rider allocating war and related perils
Default exclusion	War, civil war, capture, seizure, arrest, restraint often excepted unless rewritten
F.C. and S. clause	Free of Capture and Seizure clause defines excluded war acts; deletion removes exclusion
Institute War Clauses	Added clauses can affirmatively cover war risks including civil arrest

Element/Requisite	Content
Construction	Strict against insurer; deleted exclusion plus added coverage favors insured
Proximate cause link	Sec. 86 and Sec. 88 still govern whether war peril caused loss
Burden	Insurer proves war exclusion; insured proves added war coverage

Distinction tables

War exclusion vs war coverage by rider

Basis	Excluded war risk	Covered war risk by rider
Source	Printed F.C. and S. exclusion retained	F.C. and S. deleted and Institute War Clauses added
Effect	No liability for war-caused loss	Civil arrest and related war perils covered
Proof	Insurer shows loss within exclusion	Insured shows rider language restoring coverage

Case cards

Case: *Malayan Insurance v. CA (TKC Marketing)*, G.R. No. 119599, 1997

Facts: The cargo policy carried a deleted F.C. and S. clause with added Institute War Clauses. The goods were lost through civil arrest or authority restraint. The insurer invoked the war exclusion.

Issue: Whether civil arrest was excluded or covered given deleted F.C. and S. clause and added war clauses.

Held: The loss is covered. Deletion removed the war exclusion and the Institute War Clauses made civil arrest a covered war risk. War-risk allocation follows the policy as rewritten.

Doctrine: Deleted exclusions cannot be revived. Added war clauses define coverage.

> Exam trap: Read the policy as rewritten, not the printed form. Deletion plus rider controls.

Drill - §9

Q: Cargo insured under marine policy with F.C. and S. clause deleted and Institute War Clauses attached is seized by civil authority. Insurer denies, citing the war exclusion in the printed form. Rule on the denial.

A: The insurer is liable because civil arrest is covered under the policy as rewritten. Sec. 88 excepts only perils especially excepted as written, and the deleted F.C. and S. language plus the added Institute War Clauses restore war-risk coverage strictly construed in the insured's favor. Deletion erased the printed war exclusion and the rider affirmatively covered civil arrest, so the insurer cannot revive deleted text and has not proved a surviving exception. The insurer must therefore pay the claim because the war defense fails on the policy as rewritten.

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10. Defenses of Insured against Revocation

Verbatim Code

> 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.
>
> Source: Sec. 48, Insurance Code (RA 10607), first paragraph.

Paraphrase note: Sec. 33 recognizes waiver by policy terms or neglect to inquire, and Sec. 74 governs rescission for material breach of warranty. Their verbatim texts appear under §§3 and 5 above. Here only the substance is applied as a defense.

Elements table

Element/Requisite	Content
Timeliness bar	Insurer must rescind previous to action on contract; late rescission barred
Incontestability bar	After 2 years life in force, fraud defenses barred per Sec. 48 second paragraph
Waiver	Intentional relinquishment of known right, e.g., collecting premiums with knowledge
Estoppel	Insurer by conduct induces reliance; cannot contradict prior position
Guaranteed insurability	Optional benefit allowing added coverage without new evidence of insurability

Element/Requisite	Content
Knowledge requirement	Waiver and estoppel need insurer knowledge of facts at time of conduct
Premium-collection signal	Continued collection after knowledge signals waiver

Distinction tables

Waiver vs estoppel vs timeliness bar

Basis	Waiver	Estoppel	Timeliness bar
Source	Intentional relinquishment by insurer	Conduct inducing reliance by insured	Sec. 48 time limit
Focus	Insurer's intent and knowledge	Insured's reliance and prejudice	Procedural timing
Example	Collecting premiums knowing concealment	Assuring coverage then denying after loss	Suing first then rescinding
Effect	Right relinquished	Insurer barred from contradiction	Rescission ineffective

Case cards

Case: *Qua Chee Gan*, G.R. No. L-4611, 1955

Facts: Insurer with knowledge of facts continued to treat policy as subsisting and accepted benefits, then sought to deny liability.

Issue: Whether insurer that by conduct recognized policy is estopped or deemed to have waived forfeiture.

Held: Barred. Insurer's conduct with knowledge estops denial and evidences waiver.

Doctrine: Insurer that affirms policy with knowledge cannot later contradict that position.

> Exam trap: Name the defense precisely. Waiver is intent while estoppel is reliance.

Case: *La O v. Yek Tong Lin*, G.R. No. 33131, 1930

Facts: Insurer collected premiums despite knowledge of ground for forfeiture, then invoked forfeiture after loss.

Issue: Whether premium collection with knowledge waives forfeiture.

Held: Waived. Collection with knowledge is intentional relinquishment of forfeiture right.

Doctrine: Knowing premium collection waives known forfeiture.

> Exam trap: Knowledge at collection time is the trigger. Later discovery does not retroactively waive.

Case: *Manila Bankers Life v. Aban*, G.R. No. 175666, July 29, 2013

Facts: Insurer delayed fraud challenge until after 2 years 7 months in force and after action commenced.

Issue: Whether late rescission survives timeliness and incontestability bars.

Held: No. Both bars apply. The insurer must rescind previous to action, and no post-2-year fraud proof is allowed.

Doctrine: Timeliness and incontestability are independent defenses of insured.

> Exam trap: Plead both bars separately. Passing one does not excuse failing the other.

Drill - §10

Q: Insurer learns of concealment in Year 1, keeps collecting premiums for a year, then after loss and after beneficiary sues, declares rescission. The insured pleads waiver, estoppel, and timeliness. Rule on the defenses.

A: All three defenses succeed, so rescission is barred and the insurer must pay. Knowing premium collection waives forfeiture, conduct inducing reliance estops contradiction, and Sec. 48 requires rescission previous to action on the contract. One year of post-knowledge collection shows intentional relinquishment and induced reliance, and the post-suit rescission violates the previous-to-action rule, with incontestability as an added bar if the life-policy and 2-year requisites are met. Rescission is therefore ineffective because the insurer is barred by waiver, estoppel, and timeliness.

Quick-Recall Tables

R1. Core provisions and numbers

Section	Content in one line
26	Concealment defined: neglect to communicate what party knows and ought to communicate
27	Intentional or unintentional concealment entitles rescission; fraud not required
28	Good-faith duty to communicate material non-warranted facts other cannot ascertain
30	Five no-duty matters except in answer to inquiry
31	Materiality = probable reasonable influence, not by the event
33	Waiver by terms or by neglect to inquire where implied in communicated facts
35	No duty to communicate own judgment even upon inquiry
37 / 41	Representation at or before issuance; alterable before effected, never after
40	Representation cannot qualify express term; may qualify implied warranty
44 / 45 / 46	Falsity = non-correspondence; material falsity rescinds from falsity; materiality as in concealment
48(1)	Rescind previous to commencement of action on the contract
48(2)	Life + death-payable + 2 years in force in lifetime from issue/reinstatement = fraud defenses barred
63	Sub-one-year suit limits void
64 / 65 / 66	7 exclusive non-life cancellation grounds; written notice stating ground + facts on demand; 45-day non-renewal notice
70 / 74 / 75 / 76	Express-warranty formality; material breach rescinds; immaterial breach no avoidance; no-fraud breach only exonerates
86 / 88 / 89	Proximate-cause liability; but-for excepted peril excluded; willful act out, negligence in
183	Suicide compensable after 2 years in force (or shorter policy period); insanity suicide always compensable

R2. Periods, notices, and floors

Count	Rule	Section
Before action	Rescission must precede any action on the contract	48(1)
45 days	Advance notice of non-renewal or conditioned renewal (non-life)	66
1 year	Minimum suit-time stipulation; anything less void	63
2 years	Contestability runs out for life fraud defenses	48(2)
2 years	Suicide becomes compensable	183
Issue or last reinstatement	Both 2-year clocks restart on reinstatement	48(2), 183
2 yrs 7 mos	Aban: bar already triggered	Case

R3. Triple-identity (other insurance) and no-breach exits

Identity	Question	Exit if different
Same subject matter	Identical property covered?	Different property = no breach (La O)
Same interest	Identical ownership or capacity covered?	Mortgagor vs mortgagee = no breach (La O)
Same risk	Identical peril, overlapping period?	Different peril = no breach

R4. Incontestability requisites

#	Requisite	Fail means
1	Life insurance only	Non-life never incontestable
2	Payable on death of insured	Requirement fails
3	In force 2 years continuously	Still contestable
4	During lifetime of insured	Death within 2 years keeps contestability
5	From issue or last reinstatement	Reinstatement restarts clock
6	Only vs void-ab-initio / fraud concealment-misrepresentation proof	Non-fraud defenses survive

R5. Burden sequence on exceptions

Stage	Who	What to prove
1	Insured or beneficiary	Policy, premium, loss within general coverage (prima facie)
2	Insurer	Loss falls in excepted risk, with evidence (United Merchants)
3	Court	Ambiguity vs insurer; fraud must be proved, not presumed

R6. Remedy ladder across the Part

Trigger	Remedy	Bar
Material concealment / representation / warranty breach	Rescission (Secs. 27, 45, 74)	Must precede action (48(1)); 2-year life bar (48(2))
Warranty breach without fraud	Exoneration from breach / non-attachment (Sec. 76)	Cannot upgrade to void ab initio
Immaterial breach	No avoidance unless policy so declares (Sec. 75)	Waiver/estoppel by knowledge + premiums
Excepted peril proved	Denial of that loss; policy otherwise stands (Secs. 86-89)	Ambiguity vs insurer; expressio unius
Fraudulent overclaim	Policy void for fraud (United Merchants)	Insurer must prove fraud
Defective cancellation	Policy stays in force (Secs. 64-65)	Exclusive grounds + notice

Exam Traps

1. Concealment needs no fraud and no intent. Representation needs material falsity, so do not import fraud into Sec. 27.
2. Materiality is judged by probable influence on underwriting, never by whether the concealed fact caused the loss (Sec. 31).
3. Causation between the concealed fact and the loss is not an element. Sec. 88 but-for causation belongs to exclusions, not concealment.
4. Agent knowledge is insurer knowledge: an approving officer who knew the illness destroys concealment (2023 Q10).
5. Sec. 30 matters still compel answers to direct inquiries. Silence is excused only absent inquiry.
6. Judgment and opinion need never be disclosed even upon inquiry (Sec. 35). Facts must be.

7. A representation cannot qualify an express policy term but may qualify an implied warranty (Sec. 40).

8. A representation withdrawn or altered before insurance is effected is gone. After effectivity it sticks (Sec. 41).

9. Promissory representation breached later rescinds from when it becomes false, not from inception (Sec. 45).

10. Sec. 70 formality: an express warranty outside the policy and outside an incorporated signed instrument is not an express warranty.

11. Breach without fraud is exoneration or non-attachment, not voidness ab initio (Sec. 76). Do not upgrade it.

12. Triple-identity all-or-nothing: same building with different interest is La O, no breach, not Multi-Ware.

13. Knowing premium collection waives forfeiture. Pre-knowledge collection waives nothing, so date the knowledge.

14. Six-month suit limits are void under Sec. 63. The suit proceeds under the lawful period.

15. Accident is judged from the victim's view (Finman). The assailant's intent does not make it intentional as to the victim, except where the clause asks about infliction, and nine close-range wounds satisfy it (Biagtan).

16. Negligence never exonerates under Sec. 89. Only willful act or connivance does, so Sun Insurance's gunplay stayed an accident.

17. Void-ab-initio styling never evades Sec. 48. Count the 2-year clock from issue or last reinstatement (Aban and 2019 A.6).

18. Death inside 2 years keeps contestability. Suicide inside 2 years is excluded but insanity suicide always pays (Secs. 48, 183).

19. Deleted exclusions stay deleted: read war cover from the rider, not the printed form (Malayan/TKC).

20. Rescind before suing or being sued on the contract. Post-action rescission is dead even within 2 years (Sec. 48(1)).

Key Authorities Cited

Codes and statutes: Insurance Code Secs. 26-48 (concealment, representation, rescission timing, incontestability), Secs. 63-66 (suit floor, cancellation, non-renewal), Secs. 67-76 (warranties), Secs. 82-83 (premium return), Secs. 86-89 (loss and exclusions), Sec. 183 (suicide), all as amended by RA 10607. Also cited: Civil Code Arts. 1377, 1390.

Cases: Fieldmen's (G.R. No. L-23447, 1970). Biagtan (G.R. No. L-25579, 1972). Villacorta (G.R. No. L-54171, 1980). Go Tiaoco (G.R. No. 13983, 1919). La O (G.R. No. 33131, 1930). Qua Chee Gan (G.R. No. L-4611, 1955). Sun Insurance (G.R. No. 92383, 1992). Finman (G.R. No. 100970, 1992). Perla Compania (G.R. No. 96452, 1992). Malayan v. CA (TKC) (G.R. No. 119599, 1997). United Merchants (G.R. No. 198588, 2012). Manila Bankers v. Aban (G.R. No. 175666, 2013). Multi-Ware (G.R. No. 230528, 2021).

The bar questions used are 2019 Mercantile Law A.6 (Mr. H, concealment + suicide) and 2023 Commercial and Taxation Laws Q10 (Diego/GIC, concealment + agent knowledge).

Source and Verification Note

Primary text checked: every Code blockquote above was copied from the full amended Code text (RA 10607, LawPhil, decoded windows-1252, sections re-read at assembly) and spot-checked section by section. In this range (Secs. 26-89, 183) numbering is unchanged from PD 612, while the known RA 10607 renumbering sits in later titles (e.g. reinsurance Secs. 95-98 becoming 97-100) and does not touch this Part.

Case dockets, dates, and ratios are taken from the Batch 1 digests and Case List in the vault, whose headers record verification against the official decisions, and no case was added from memory.

On the textbook limit, the vault copy of Aquino 2024 is a 1,460-page scan with no text layer (pypdf extraction returns empty on every sampled page), so no sentence here is presented as a textbook quotation. Chapter structure follows the TOC file (Ch. 2, sections 1-10, pp. 134-201) and the syllabus Part I-B slice.

Bar questions: 2019 A.6 quoted from the vault compilation (checked against its year header) and 2023 Q10 completed from the official SC release PDF (sc.judiciary.gov.ph, 2023-Commercial-and-Taxation-Laws.pdf, 7 pages) because the compilation truncates that question's opening. Sections 1, 2, 4, 5, 6, 9, 10 drills are labeled simply as Q: precisely so they are never mistaken for past questions. No G.R. number, statute number, article, or holding was invented.

Table check and md5 verification run at assembly. See completion report.

The reviewer deliberately does not assert the following. War-rider market forms beyond the Malayan holding are excluded. Pre-need overlap is excluded. CMVLI cancellation belongs to Part I-D. Marine concealment special rules (Secs. 110-114) belong to Part I-D §7.

Part I-C — Loss, Settlement of Claims, and Subrogation

PART 1 - SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Loss	Core	Insurer pays where the insured peril was the proximate cause (Sec. 86); a specially excepted peril applies by but-for test (Sec. 88); willful act bars, negligence never does (Sec. 89)	Secs. 86-89; Pan Malayan (G.R. No. 95070, 1991); 2017 Bar Q I.A (ATC)
2	Notice of Loss	High	Fire loss needs written notice without unnecessary delay (Sec. 90); proof is best-evidence only (Sec. 91); remediable defects and delay are waived if insurer stays silent (Secs. 92-93)	Secs. 90-94
3	Collateral Source Rule	Moderate	Benefits from a source independent of the insurer do not reduce the insurer's liability; no Batch-1 case assigned, rule stated from the chapter	Chapter-derived

§	Topic	Priority	The one rule you must state cold	Authority
4	Claims Settlement	Core	Five Sec. 247(a) practices without just cause plus general-business frequency equal unfair settlement; life proceeds in 60 days (Sec. 248), non-life 30/60/90 days (Sec. 249); miss the clock and delay is prima facie unreasonable (Sec. 250)	Secs. 247-251; United Merchants (G.R. No. 198588, 2012)
5	Prescriptive Period	High	A suit-time stipulation below one year from accrual is void (Sec. 63); no assigned case, accrual rule stated from the chapter	Sec. 63
6	Subrogation	Core	Payment subrogates the insurer to the insured's rights against the wrongdoer up to the amount paid; deficiency stays with the insured (Art. 2207); subrogation receipt suffices, policy presentation not indispensable (Delsan)	Art. 2207 CC; Malayan v Phil First (G.R. No. 184300, 2012); Delsan (G.R. No. 127897, 2001); Cebu Shipyard (G.R. No. 132607, 1999); Asian Terminals (G.R. No. 171406, 2011); 2025 Bar Q5

2. Learning Objectives

1. State the Sec. 86 proximate-cause rule and the Sec. 88 but-for test for excepted perils without mixing the two directions.
2. Distinguish actual total, constructive total, and partial loss and give the statutory trigger of each as used in Pan Malayan and Oriental Assurance.
3. Recite the Secs. 90-94 notice-and-proof sequence: who gives what, to whom, when, and what the insurer waives by silence.

4. State the collateral source rule in one sentence and explain why it does not create double recovery.

5. List all five Sec. 247(a) unfair practices and the life vs non-life payment clocks in Secs. 248-249 with their interest penalty.

6. Apply the Sec. 250 unreasonable-denial finding: what the court must find, what damages follow, and what counts as prima facie delay.

7. Run the Sec. 63 one-year floor: void stipulation, lawful stipulation, and no-stipulation rule, with accrual.

8. Run a subrogation problem end to end: requisites, who may be sued, how much is recoverable, prescription, and why the policy need not be presented, then draft a four-paragraph answer.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Pan Malayan Insurance v. CA (FAO)	G.R. No. 95070, Sept 5, 1991	Wetted seed-rice valueless for its purpose is actual total loss; full value payable without notice of abandonment	1
Oriental Assurance v. CA (Panama Sawmill)	G.R. No. 94052, Aug 9, 1991	One premium, one undivided 2,000-cubic-meter shipment: contract indivisible, 41.45 percent loss is neither actual nor constructive total loss	1
Philippine Manufacturing v. Union Insurance Society of Canton	G.R. No. L-16473, Nov 22, 1921	Sunken lighter costing more to salve and repair than its value is an actual total loss though the hull survives	1
United Merchants v. Country Bankers Insurance	G.R. No. 198588, July 11, 2012	Padded claim voids the policy for fraud; after insured's prima facie case the insurer proves the exception	1, 4

Case	G.R./Citation	One-line ratio	§
Malayan Insurance v. Philippines First Insurance (Wyeth/Reputable)	G.R. No. 184300, July 11, 2012	Two policies over the same goods for two different persons with distinct interests: no double insurance, other-insurance clause inapplicable, full P1M cover due	6
Delsan Transport Lines v. CA (American Home)	G.R. No. 127897, Nov 15, 2001	Payment waives seaworthiness defense vs the assured but subrogates vs the carrier; subrogation receipt suffices, policy presentation not indispensable	6
Cebu Shipyard v. William Lines	G.R. No. 132607, May 5, 1999	Art. 2207 subrogates the paying insurer to the insured's rights vs the wrongdoer; exclusion defense fails against proved negligence	6
Asian Terminals v. Malayan Insurance	G.R. No. 171406, Apr 4, 2011	Subrogation receipt alone proves the insurer-insured relation and amount paid; policy needed only for multi-stage handling gaps	6

B. Laws and Rules

Law	What it does here	§
Insurance Code Secs. 86-89 (loss)	Proximate-cause liability; rescue rule; but-for excepted peril; willful act out, negligence in	1
Insurance Code Secs. 129-130, 135, 139 (marine loss, per digests)	Actual vs constructive total loss classes; no abandonment needed on actual total loss; abandonment rule for constructive loss	1
Insurance Code Secs. 90-94 (notice of loss)	Fire written notice without delay; best-evidence proof; waiver of defects and delay; third-party certificate diligence	2

Law	What it does here	§
Insurance Code Secs. 95-96 (double insurance)	Same person, same subject and interest; order of claiming, deduction, ratable contribution	1, 6
Insurance Code Secs. 247-251 (claims settlement)	Unfair practices; life 60-day and non-life 30/60/90-day clocks; unreasonable-denial finding and damages; fraudulent claims punished	4
Insurance Code Sec. 63 (suit-time floor)	Sub-one-year suit limits void	5
Civil Code Art. 2207 (subrogation)	Paying insurer stepped into insured's shoes vs wrongdoer/contract-breaker; deficiency recoverable by the aggrieved party	6

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: memorize Secs. 86, 88-93, 247(a)(1)-(5), 248-250, 63, and Art. 2207 cold with section numbers	One-page provision map from memory
2	35 percent	Distinguish elements and exceptions: proximate vs remote vs but-for; notice vs proof; defects vs delay waiver; life vs non-life clocks; subrogation vs contribution	Distinction tables reproduced cold
3	25 percent	Apply model-answer problems: 2017 Q I.A, 2025 Q5, plus drills under time	Marked model answers

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Confusion pairs win marks next because loss and subrogation questions are built to punish merged concepts.

5. Syllabus Self-Check

1. (§1) State Sec. 86 in one sentence: which causation direction pays and which does not. (§1)

2. (§1) Sec. 88 but-for test: who invokes it and what must be shown about the excepted peril. (§1)

3. (§1) Negligence vs willful act under Sec. 89: which exonerates and which never does. (§1)

4. (§1) Actual vs constructive total loss: give the Pan Malayan trigger and the Oriental Assurance trigger. (§1)

5. (§2) Fire notice: who must give it, to whom, in what form, and within what time. (§2)

6. (§2) Proof of loss: court-grade evidence or best evidence. Cite the section. (§2)

7. (§2) Name the two waivers in Secs. 92 and 93 and what insurer conduct triggers each. (§2)

8. (§3) State the collateral source rule and why it is consistent with indemnity. (§3)

9. (§4) Recite all five Sec. 247(a) acts and the two qualifiers that must both be present. (§4)

10. (§4) Life clock vs non-life clock: days, trigger events, and the interest penalty. (§4)

11. (§4) What must a court or the Commissioner find under Sec. 250, and what damages follow. (§4)

12. (§5) A policy requires suit within six months of loss. Valid. Cite the section and the lawful result. (§5)

13. (§6) State the three Art. 2207 propositions: who is subrogated, against whom, and who keeps the deficiency. (§6)

14. (§6) Carrier demands presentation of the marine policy before paying the subrogee insurer. Answer with the case and its exception. (§6)

PART 2 - BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Loss	Secs. 86-89: proximate cause pays, remote does not; rescue from insured peril covered; excepted peril by but-for; willful act bars, negligence does not
2	Notice of Loss	Secs. 90-94: fire written notice without unnecessary delay; best-evidence proof; remediable defects and delay waived by insurer silence; diligence for third-party certificates

#	Topic	Must-know: provision + elements
3	Collateral Source Rule	Chapter rule: independent-source benefits do not cut insurer liability; no double recovery because indemnity still caps at loss
4	Claims Settlement	Secs. 247-251: five unfair acts with without-just-cause plus general-practice frequency; 60-day life, 30/60/90-day non-life; prima facie delay; fraud punished
5	Prescriptive Period	Sec. 63: sub-one-year suit limits void; stipulated period if at least one year; accrual runs the clock
6	Subrogation	Art. 2207: payment subrogates up to amount paid; deficiency to the aggrieved party; receipt suffices; sue the wrongdoer or contract-breaker

Framing questions for every problem: what juridical relation or cause of action is pleaded (payment on policy, denial under exception, enforcement against wrongdoer)? What are the elements or requisites and which Code section gives each? What exception, waiver, or defense defeats it? What is the remedy, and what time bar (notice delay, 60/30/60/90-day clocks, one-year floor, subrogation prescription) kills it?

Mnemonic for the chapter spine: L-N-C-S-P-S (Loss, Notice, Collateral, Settlement, Prescription, Subrogation). Periods: without unnecessary delay (notice), 60 days (life payment), 30/60/90 days (non-life payment), 1 year (suit floor).

1. Loss

> Unless otherwise provided by the policy, an insurer is liable for a loss of which a peril insured against was the proximate cause, although a peril not contemplated by the contract may have been a remote cause of the loss; but he is not liable for a loss of which the peril insured against was only a remote cause.
>
> - Sec. 86, Insurance Code (RA 10607)

Element/Requisite	Content
Proximate cause pays	Insured peril as efficient, predominant cause: liability even if an uncontemplated peril was a remote cause

Element/Requisite	Content
Remote insured peril does not pay	Insured peril merely remote while another peril proximately caused the loss: no liability unless policy provides otherwise
Rescue extension	Loss in rescuing the thing from an insured peril, or exposure to an uninsured peril in the course of rescue depriving possession, is covered (Sec. 87)
Excepted peril, but-for test	Loss that would not have occurred but for a specially excepted peril is excepted, though the immediate cause was not excepted (Sec. 88)
Willful act bars	Loss caused by willful act or connivance of the insured: no liability (Sec. 89, first clause)
Negligence never bars	Negligence of insured, agents, or others does not exonerate (Sec. 89, second clause)

Distinction table: causation direction.

Question	Sec. 86 pays	Sec. 88 excludes
Who invokes	Insured proving covered loss	Insurer proving the exception
Test	Was the insured peril the proximate cause	Would the loss not have occurred but for the excepted peril
Remote peril effect	Uncontemplated remote peril is ignored	Non-excepted immediate cause is ignored

Distinction table: loss classes in marine cases.

Class	Trigger	Consequence
Actual total loss	Destruction, sinking/break-up, or damage rendering the thing valueless for the owner's purpose (Pan Malayan: germinated seed-rice; Phil Manufacturing: salve-and-repair cost above value)	Full insured value without notice of abandonment (Sec. 135, per digests)
Constructive total loss	Abandonment of the thing or a separately valued portion where more than three-fourths in value is lost or value reduced by more than three-fourths (Sec. 139, per digest)	Recovery on abandonment; fails where the contract is indivisible (Oriental Assurance)
Partial loss	Anything short of total	Indemnity for the part lost only

Case: *Pan Malayan Insurance Corp. v. CA (FAO)*, G.R. No. 95070, Sept 5, 1991

Facts: FAO shipped 34,122 bags of IR-36 seed-rice on a barge that sank. Survey showed 23,510 bags wetted 10 to 15 percent and 983 bags shortlanded or missing, with further wetted bags found on sorting. The insurer denied the claim on partial-damage grounds.

Issue: Whether there was a total loss of the shipment.

Held: There was actual total loss. Contact with water activated germination and rendered the seeds valueless for FAO's planting purpose. The sinking also deprived FAO of possession at destination.

Doctrine: Complete physical destruction is not essential. Damage that renders the thing valueless for the owner's purpose is actual total loss. The full insured value is then due without notice of abandonment.

> Exam trap: Do not argue abandonment validity where actual total loss is found; the right to the whole insurance is absolute and abandonment drops out.

Case: *Oriental Assurance Corp. v. CA (Panama Sawmill)*, G.R. No. 94052, Aug 9, 1991

Facts: Apitong logs totalling 1,208 pieces (2,000 cubic meters) were insured for P1,000,000 against total loss only and loaded on two barges. Rough seas caused the loss of 497 pieces carried on one barge. The lower courts treated each barge separately and found constructive total loss.

Issue: Whether the per-barge loss sustains recovery under a total-loss-only policy.

Held: No. One premium for one undivided shipment with no separate valuation or separate insurance means one indivisible contract. For that reason 497 of 1,208 pieces (41.45 percent) is neither actual nor constructive total loss.

Doctrine: Indivisibility follows intention, premium unity, and absence of separate valuation. The Sec. 139 three-fourths test therefore runs on the whole shipment.

> Exam trap: Two barges do not make two contracts; check separate valuation and separate premium before dividing the cargo.

Case: *Philippine Manufacturing Co. v. Union Insurance Society of Canton*, G.R. No. L-16473, Nov 22, 1921

Facts: The lighter Philmaco sank in Manila Bay in a typhoon during the policy term. Salve and repair cost substantially equaled original cost and policy value.

Issue: Whether there was absolute (actual) total loss though the hull was raised and rebuilt.

Held: There was actual total loss. Lying at the bay bottom, the lighter was of no value to the owner. Repair cost above value makes repair practically impossible.

Doctrine: Valuelessness to the owner under existing conditions, not disintegration of parts, is the test. Foreign marine law that is unpleaded and unproved is not applied.

2017 Bar Q: Absolute Timber Co. (ATC) has been engaged in the logging business in Isabela. To secure one of its shipments of logs to be transported by Andok Shipping Co., ATC purchased a marine policy with an "all risks" provision. Because of a strong typhoon then hitting Northern Luzon, the vessel sank and the shipment of logs was totally lost. ATC filed its claim, but the insurer denied the claim on several grounds, namely: (1) the vessel had not been seaworthy; (2) the vessel's crew had lacked sufficient training; (3) the improper loading of the logs on only one side of the vessel had led to the tilting of the ship to that side during the stormy voyage; and (4) the extremely bad weather had been a fortuitous event. ATC now seeks your legal advice to know if its claim was sustainable. What is your advice. Explain your answer. (3 percent)

A: The claim is sustainable. An all-risks marine policy covers all fortuitous losses proximately caused by perils of the sea unless expressly excepted, and the typhoon sinking is the proximate cause of total loss.
Sec. 86 holds the insurer liable where the insured peril was the proximate cause though an uncontemplated peril was remote. Sec. 89 provides that negligence of the insured or its agents does not exonerate. Under Pan Malayan a sunken cargo valueless to the owner is actual total loss payable in full.
Defenses 1 to 3 sound in unseaworthiness, manning, and loading negligence, which Sec. 89 keeps inside coverage. Defense 4 concedes that the insured peril itself caused the sinking. No excepted peril was invoked under the Sec. 88 but-for test.
Denial is improper. The insurer is liable for the total loss.

Complements table for §1.

Item	Content
Measure on actual total loss	Full insured or insurable value without notice of abandonment

Item	Content
Constructive-loss math	More than three-fourths in value lost or value reduced (Sec. 139, per digest)
Fraudulent overclaim	Padded claim voids the policy; insurer proves fraud after insured's prima facie case (United Merchants, cross-listed §4)

2. Notice of Loss

> In case of loss upon an insurance against fire, an insurer is exonerated, if written notice thereof be not given to him by an insured, or some person entitled to the benefit of the insurance, without unnecessary delay. For other non-life insurance, the Commissioner may specify the period for the submission of the notice of loss.
>
> - Sec. 90, Insurance Code (RA 10607)

Element/Requisite	Content
Fire: written notice, no unnecessary delay	Given by the insured or any person entitled to the benefit; non-compliance exonerates the fire insurer
Other non-life: Commissioner-set period	The 90-day-style deadline is regulatory, not in the section; check the Commissioner's issuance
Proof is best-evidence only	Preliminary proof needs the best evidence in the insured's power at the time, not court-grade proof (Sec. 91)
Remediable defects waived	Defects the insured could remedy are waived unless the insurer specifies them without unnecessary delay as grounds of objection (Sec. 92)
Delay waived two ways	Insurer-caused delay, or failure to object promptly and specifically on delay ground, waives delay (Sec. 93)
Third-party certificates	Reasonable diligence to procure suffices; on refusal without just grounds of disbelief, furnish reasonable evidence of that (Sec. 94)

Distinction table: notice vs proof.

Point	Notice (Sec. 90)	Proof of loss (Secs. 91, 94)
Function	Alerts the insurer that loss happened	Documents the loss for adjustment

Point	Notice (Sec. 90)	Proof of loss (Secs. 91, 94)
Standard	Written, without unnecessary delay (fire)	Best evidence in hand; diligence for third-party papers
Insurer silence effect	Delay objection waived if not prompt and specific (Sec. 93)	Defect objection waived if not specified without delay (Sec. 92)

Case card: none assigned. Do not cite an unassigned case for notice doctrine.

Historic Bar question: gap. The 2016-2025 file carries no verbatim question on notice or proof of loss. The section is tested through the Code rules above.

Q: A fire policy requires written notice within 15 days. The insured notifies on day 40 without justification, then cures a defective proof after the insurer specifies the defect late. Run Secs. 90, 92, and 93 and conclude which omission exonerates the insurer and which omission it waived.

A: The insurer is exonerated for the late fire notice under Sec. 90, because forty days without justification exceeds without unnecessary delay, unless the delay was insurer-caused or went unobjected under one of the two Sec. 93 waivers. The proof defect specified late is waived under Sec. 92, since a defect the insurer failed to specify without delay cannot later defeat the claim. The notice delay therefore bars recovery unless waived, while the late-specified defects do not bar it.

Complements table for §2.

Item	Content
Who may give notice	Insured or any person entitled to the benefit of the insurance
Form for fire	Written
Proof measure	Best evidence in power at the time, not trial-grade proof

3. Collateral Source Rule

> Authority note: the syllabus assigns no Code section letter to this item and no Batch-1 case; the rule below is the chapter rule (p. 219), stated without an invented holding.

Element/Requisite	Content
The rule	Benefits received from a source independent of the insurer and the wrongdoer do not reduce the insurer's liability on the policy
Why it holds	Insurance pays on its own contract promise; the collateral benefit is not policy proceeds and not the wrongdoer's payment
Indemnity limit preserved	No double recovery results because total recovery is still capped at the loss; the paying insurer takes its recourse through subrogation, not deduction
Mirror in double insurance	Secs. 95-96 deduction and ratable contribution apply only between co-insurers of the same person, subject, and interest, never against an independent collateral source

Distinction table: collateral source vs double insurance vs subrogation.

Mechanism	Reduces insurer payment	Why
Collateral source	No	Independent promisor, separate contract
Double insurance (Secs. 95-96)	Yes, by deduction and contribution	Same person, same subject and interest
Subrogation (Art. 2207)	Reimburses after payment	Shifts the paid loss to the wrongdoer

Historic Bar question: gap - the 2016-2025 file carries no verbatim collateral-source question.

Q: The insured's employer pays sick-leave benefits for the same confinement the health insurer covers. The insurer deducts the sick-leave amount. Decide, then explain where the insurer's real recourse lies.

A: The deduction is improper because the sick-leave pay comes from a source independent of the insurer, so the collateral source rule requires the health policy to pay in full with total recovery capped at the loss. Employer benefits and policy proceeds answer different promises, and Secs. 95-96 deduction and contribution apply only to same-person same-interest co-insurance. The insurer must therefore pay the policy in full, and any recourse runs through subrogation against the party liable for the loss, never by deduction from the insured.

Complements table for §3.

Item	Content
Test of independence	Different promisor, different contract or status, not the insurer or the wrongdoer

Item	Content
Cap	Aggregate recovery never exceeds the loss
Remedy direction	Insurer pays, then is subrogated; it does not deduct

4. Claims Settlement

> No insurance company doing business in the Philippines shall refuse, without just cause, to pay or settle claims arising under coverages provided by its policies, nor shall any such company engage in unfair claim settlement practices. Any of the following acts by an insurance company, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices: (1) Knowingly misrepresenting to claimants pertinent facts or policy provisions relating to coverage at issue; (2) Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies; (3) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies; (4) Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; or (5) Compelling policyholders to institute suits to recover amounts due under its policies by offering without justifiable reason substantially less than the amounts ultimately recovered in suits brought by them.
>
> - Sec. 247(a), Insurance Code (RA 10607)

Element/Requisite	Content
Two qualifiers for every act	Without just cause plus frequency indicating general business practice; an isolated lapse is not the offense
Life clock (Sec. 248)	Proceeds immediately on maturity; death proceeds within 60 days after claim presentation and proof of death; delay interest at twice the Monetary Board ceiling unless the claim is fraudulent
Non-life clock (Sec. 249)	Pay within 30 days after receipt of proof of loss plus ascertainment by agreement or arbitration; if no ascertainment within 60 days of receipt, pay within 90 days of receipt; same double-ceiling interest unless fraudulent

Element/Requisite	Content
Unreasonable-denial finding (Sec. 250)	Commissioner or court must make the finding in any enforcement litigation; damages are attorney's fees and expenses plus double-ceiling interest from the day after the Sec. 248/249 deadline until full satisfaction; missing the statutory deadline is prima facie unreasonable delay
Fraudulent claim (Sec. 251)	Presenting or supporting a fraudulent claim is unlawful: fine up to twice the amount claimed or two years imprisonment or both

Distinction table: life vs non-life payment.

Point	Life (Sec. 248)	Non-life (Sec. 249)
Trigger	Maturity; for death, presentation of claim plus proof of death	Receipt of proof of loss
Deadline	Immediately; 60 days for death proceeds	30 days after receipt plus ascertainment; 90 days if no ascertainment within 60
Common penalty	Double-ceiling interest for delay, excused only by fraudulent claim	Same

Distinction table: unfair practice vs unreasonable denial vs fraudulent claim.

Concept	Actor	Consequence
Unfair claim settlement practice (Sec. 247)	Insurer, general business practice	Each instance a separate violation; suspension or revocation of certificate of authority
Unreasonable denial or withholding (Sec. 250)	Insurer in litigated enforcement	Attorney's fees, expenses, double-ceiling interest
Fraudulent claim (Sec. 251)	Claimant or supporter	Fine, imprisonment, or both; claim fails

Case: *United Merchants Corp. v. Country Bankers Insurance Corp.*, G.R. No. 198588, July 11, 2012 (cross-listed from Part I-B)

Facts: The insured filed a fire claim that the insurer found to be padded. The insurer denied payment and invoked fraud as a defense to coverage.

Issue: Whether a padded claim voids the policy and who carries the burden of proving the fraud defense.

Held: A padded claim voids the policy for fraud. After the insured presents a prima facie case, the insurer carries the burden of proving the exception. Fraud is both a defense to payment and, when presented as a claim, the Sec. 251 offense. The interest penalties in Secs. 248 to 250 never run where refusal rests on a fraudulent claim.

Doctrine: Fraud must be proved and is never presumed. A proved padded-claim finding voids coverage and excuses the payment clocks.

> Exam trap: Fraud excuses the Secs. 248-250 interest, but the insurer must prove the fraud; a bare allegation neither stops the clock nor voids the policy.

Historic Bar question: gap - the 2016-2025 file carries no verbatim unfair-practices or payment-clock question.

Q: A non-life insurer receives complete proof of loss on March 1, neither agrees on the amount nor arbitrates within 60 days, and pays on day 120, blaming heavy volume. The insured sues for the proceeds plus damages. Decide interest and damages.

A: The insurer owes double-ceiling interest from May 31, the day after the 90-day Sec. 249 deadline fixed at May 30 where ascertainment defaulted, until full satisfaction, because heavy volume is not just cause and missing the deadline is prima facie unreasonable delay under Sec. 250. Payment on day 120 is therefore 30 days of delay with no fraud defense pleaded. The insured recovers the proceeds plus double-ceiling interest, attorney's fees, and proven expenses.

Complements table for §4.

Item	Content
Complaint evidence (Sec. 247(b))	Valid complaint numbers and types plus the Commissioner's comparative experience are admissible
Per-instance rule (Sec. 247(c))	Each noncompliance is a separate violation after notice and hearing
Fraud cutoff	All payment clocks and interest stop where refusal rests on a fraudulent claim

5. Prescriptive Period

> A condition, stipulation, or agreement in any policy of insurance, limiting the time for commencing an action thereunder to a period of less than one (1) year from the time when the cause of action accrues, is void.

> - Sec. 63, Insurance Code (RA 10607)

Element/Requisite	Content
Floor, not ceiling	Parties may stipulate a suit-time period; only a period below one year from accrual is void
Lawful stipulation enforced	A one-year-or-longer stipulation governs; file within it or lose the action
No-stipulation rule	With no valid stipulation, the action is governed by the general law on prescription of actions
Accrual	The one-year minimum runs from when the cause of action accrues, not from loss alone; the chapter treats denial or ascertainment dispute as the accrual reference for enforcement suits

Distinction table: three prescriptive situations.

Situation	Rule	Effect
Stipulation below one year from accrual	Void under Sec. 63	Clause struck; action proceeds under the lawful period
Stipulation of one year or more	Valid	Must sue within the stipulated period
No stipulation	General prescription law	Period runs from accrual under applicable law

Historic Bar question: gap - the 2016-2025 file carries no verbatim prescriptive-period question.

Q: A fire policy requires suit within six months of the fire. The insured sues in month eight after a denied claim. The insurer pleads the six-month clause. Decide.

A: The six-month suit clause is void under Sec. 63 because it falls below the one-year-from-accrual floor, reckoned from accrual which here postdates the fire, so the insurer's plea fails. The suit filed in month eight is proper, and the insurer must defend on the merits.

Complements table for §5.

Item	Content
Void line	Anything below one year from accrual
Valid line	One year or longer, enforced as written
Accrual anchor	Enforcement cause of action, not the bare date of loss

6. Subrogation

> If the plaintiff's property has been insured, and he has received indemnity from the insurance company for the injury or loss arising out of the wrong or breach of contract complained of, the insurance company shall be subrogated to the rights of the insured against the wrongdoer or the person who has violated the contract. If the amount paid by the insurance company does not fully cover the injury or loss, the aggrieved party shall be entitled to recover the deficiency from the person causing the loss or injury.
>
> - Art. 2207, Civil Code

Element/Requisite	Content
Payment of the claim	Subrogation accrues simply upon payment; no privity, assignment, or written transfer needed (Delsan; Cebu Shipyard)
Insured loss from wrong or breach	The defendant must be the wrongdoer or the contract-breaker vis-a-vis the insured (carrier, arrastre operator, tortfeasor)
Substitution, not duplication	Insurer steps into the insured's shoes against that defendant; insured keeps only the deficiency (Art. 2207, second sentence)
Amount cap	Recovery limited to the amount paid; excess over loss held and deficiency stays claimable by the aggrieved party
No double-insurance shortcut	Where two policies cover different persons with distinct interests, there is no double insurance and contribution (Sec. 96(e)) does not apply (Malayan v Phil First)
Policy presentation	Subrogation receipt suffices to prove relation and amount; policy needed only where multi-stage handling hides where damage occurred (Delsan; Asian Terminals)

Distinction table: subrogation vs contribution vs reimbursement.

Mechanism	Source	Direction
Subrogation (Art. 2207)	Payment of insured's loss	Insurer vs wrongdoer or contract-breaker, up to amount paid
Contribution (Sec. 96(e))	Double insurance overpayment	Co-insurer vs co-insurer, ratably by respective liabilities
Deficiency recovery (Art. 2207)	Partial indemnity	Aggrieved party vs person causing loss, for the uncovered balance

Distinction table: when the policy must be presented.

Situation	Policy needed	Authority
Single known leg, subrogation receipt states relation and amount	No	Delsan; Asian Terminals
Cargo through several stages with different handlers, damage stage unknown	Yes	Delsan (Home Insurance distinguished); Asian Terminals

Case: *Malayan Insurance Co. v. Philippines First Insurance and Reputable Forwarder,* G.R. No. 184300, July 11, 2012

Facts: Wyeth's infant-formula cargo was hijacked in transit. Philippines First paid Wyeth P2,133,257 under its marine policy and sued Reputable, the private carrier bound by contract to answer for all risks including theft and force majeure. Reputable impleaded Malayan, its own SR-policy insurer, which invoked the other-insurance and over-insurance clauses.

Issue: Whether there is double insurance making the other-insurance and ratable-contribution clauses applicable, and whether Reputable and Malayan are solidarily liable.

Held: There is no double insurance. The two policies covered the same goods and peril but insured two different persons with distinct interests (owner versus carrier under Sec. 15). Neither clause applies and Malayan owes its full P1,000,000 cover. There is no solidary liability. Malayan answers on the policy while Reputable answers on the carriage contract.

Doctrine: Same subject plus same peril is not double insurance without the same person and the same interest. Ambiguities construe against the insurer. Distinct obligations defeat solidarity.

> Exam trap: Full same-goods same-peril overlap still fails double insurance where insured persons and interests differ; check identity of person and interest before applying Secs. 95-96.

Case: *Delsan Transport Lines v. CA (American Home),* G.R. No. 127897, Nov 15, 2001

Facts: Caltex's fuel-oil cargo sank with MT Maysun. American Home paid P5,096,635.57 and sued the carrier as subrogee. The carrier pleaded seaworthiness admission, missing policy, and force majeure.

Issue: Whether payment admits seaworthiness, whether the policy must be presented, and whether the carrier is liable.

Held: Payment waives the seaworthiness warranty against the assured but subrogates against the carrier. The subrogation receipt suffices and the policy need not be presented on a single known leg. The carrier failed to rebut presumed negligence (PAGASA readings versus claimed 18 to 20-foot waves) and is liable.

Doctrine: Art. 2207 subrogation is equitable and automatic on payment. The receipt proves relation and amount. Carrier negligence is presumed from unexplained sinking.

> Exam trap: Payment cuts off the insurer vs its own assured on seaworthiness but opens the insurer vs the carrier; do not carry the waiver across to the subrogation suit.

Case: *Cebu Shipyard and Engineering Works v. William Lines*, G.R. No. 132607, May 5, 1999

Facts: The vessel was in the repairer's custody and was lost through its negligence. The repairer invoked a liability cap and a policy exclusion.

Issue: Whether the paying insurer is subrogated to the insured's rights against the negligent repairer and whether the cap and exclusion defenses hold.

Held: The paying insurer is subrogated under Art. 2207 to the insured's rights against the negligent repairer. The exclusion defense fails against proved negligence. An unconscionable cap will not be enforced.

Doctrine: Subrogation reaches any wrongdoer, including a custodian-repairer. Contractual caps and exclusions do not survive the subrogee's proved-negligence case.

Case: *Asian Terminals v. Malayan Insurance*, G.R. No. 171406, Apr 4, 2011

Facts: The insurer as subrogee sued the arrastre operator. The defendant demanded presentation of the policy.

Issue: Whether the subrogation receipt alone proves the claim without presentation of the policy.

Held: The subrogation receipt alone establishes the insurer-insured relation and the amount paid. The policy becomes necessary only where multi-stage handling obscures where the damage occurred.

Doctrine: Accrual on payment plus receipt sufficiency is the standing rule. The multi-stage exception is narrow.

2025 Bar Q: X obtained an insurance policy for her Porsche Carrera GT from XYZ Insurance Company. The same car was insured by her creditor-mortgagee, Y, with ABC Insurance Company. When the car was damaged because of an accident, X filed a claim

with XYZ Insurance Company. The latter denied the claim since it discovered that the car was also insured with ABC Insurance Company. According to XYZ Insurance Company, double insurance is prohibited by law. Decide with reason(s).

A: Denial is improper. Double insurance exists only where the same person is insured by several insurers separately in respect to the same subject and interest, and X and Y are different persons with distinct interests (owner vs creditor-mortgagee).
Sec. 95 defines double insurance, and under Malayan v Phil First the same goods and the same peril for different persons with distinct insurable interests is not double insurance, so the other-insurance and contribution clauses do not apply.
X's policy answers her ownership interest while Y's answers the mortgage-credit interest. XYZ must pay X's claim and, having paid, is subrogated under Art. 2207 against the party at fault for the accident. Any over-indemnity is adjusted by Sec. 96 deduction and ratable contribution.
XYZ is liable on the policy. Double insurance is regulated and apportioned, not prohibited.

Complements table for §6.

Item	Content
Who may be sued	Wrongdoer or contract-breaker: common or private carrier, arrastre operator, repairer-custodian, tortfeasor
What is proved by receipt	Insurer-insured relation and amount paid
Prescription posture	Subrogee inherits the insured's cause of action and its prescriptive treatment; sue within the period governing that action
Solidarity	None between insurer and wrongdoer; distinct sources of obligation (Malayan v Phil First)
Discretion	Insurer decides whether to exercise the right; payment creates it, litigation is optional

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Quick-Recall Tables

R1. Core provisions and numbers

Section	Content in one line
86	Proximate insured cause pays; remote insured cause does not
87	Rescue from insured peril and rescue-caused exposure covered

Section	Content in one line
88	But-for excepted peril excludes though immediate cause was covered
89	Willful act or connivance bars; negligence never exonerates
90	Fire written notice without unnecessary delay or exoneration
91	Proof is best evidence in hand, not court-grade proof
92	Remediable notice or proof defects waived unless specified without delay
93	Delay waived if insurer-caused or unobjected promptly and specifically
94	Reasonable diligence for third-party certificates suffices
95	Double insurance needs same person, same subject and interest
96	Claim in any order; deduction rules; ratable contribution
63	Sub-one-year suit limits void
247	Five unfair practices with without-just-cause plus general-practice frequency
248	Life: immediately; death proceeds 60 days after claim plus proof of death
249	Non-life: 30 days after proof plus ascertainment; 90 days if none within 60
250	Unreasonable-denial finding with fees, expenses, double-ceiling interest; missed clock is prima facie delay
251	Fraudulent claim or supporting writing: fine up to twice claimed or two years or both
Art. 2207	Paying insurer subrogated vs wrongdoer or contract-breaker; deficiency to aggrieved party

R2. Periods, notices, and floors

Count	Rule	Section
Without unnecessary delay	Fire notice; defect and delay objections	90, 92, 93

Count	Rule	Section
60 days	Death-proceeds payment after claim plus proof of death	248
30 days	Non-life payment after proof plus ascertainment	249
60 days	Ascertainment window; then 90-day rule engages	249
90 days	Non-life payment after proof where no ascertainment	249
1 year	Minimum suit-time stipulation	63

R3. Loss causation at a glance

Test	Invoked by	Result
Proximate insured cause	Insured	Pay
Remote insured cause only	Insurer	No liability
But-for excepted cause	Insurer	Excluded
Willful act or connivance	Insurer	Exonerated
Mere negligence	Never a defense	Pay

R4. Claims clocks compared

Clock	Trigger	Deadline	Penalty
Life maturity	Maturity	Immediately	Double-ceiling interest unless fraudulent
Life death	Claim plus proof of death	60 days	Same
Non-life	Proof of loss plus ascertainment	30 days	Same
Non-life default	Proof of loss, no ascertainment in 60	90 days	Same

R5. Subrogation standing checklist

#	Element	Fail means
1	Insurer paid the insured's loss	No payment, no subrogation

#	Element	Fail means
2	Loss from wrong or breach of contract	Stranger to the wrong cannot be sued
3	Sue in insured's shoes	Defenses good vs insured are good vs subrogee
4	Cap at amount paid	Excess belongs to contribution or deficiency rules
5	Receipt proves relation and amount	Policy needed only for multi-stage gaps
6	Insurer and wrongdoer not solidary	Sue on distinct obligations

R6. Remedy ladder across the Part

Trigger	Remedy	Bar
Covered proximate loss	Payment of proceeds or indemnity	Excepted-peril or willful-act proof
Late fire notice	Exoneration	Sec. 93 waiver by insurer act or silence
Defective notice or proof	Waiver, claim proceeds	Timely specific objection preserves
Unfair practice pattern	Suspension or revocation per instance	Isolated lapse without frequency
Delayed payment	Double-ceiling interest	Fraudulent-claim ground
Unreasonable denial finding	Fees, expenses, running interest	None once found
Sub-one-year suit clause	Clause void	Lawful period still runs
Payment by insurer	Subrogation vs wrongdoer up to amount paid	Deficiency stays with aggrieved party

Exam Traps

1. Proximate direction matters. An insured peril that is proximate pays. An insured peril that is merely remote does not pay. Do not invert Sec. 86.
2. Sec. 88 runs the other way. A but-for excepted peril excludes even where the immediate cause was covered. Do not merge it with Sec. 86.
3. Negligence never exonerates under Sec. 89. Only willful act or connivance exonerates. Unseaworthiness, bad manning, and bad loading sound in negligence.
4. Actual total loss needs valuelessness for purpose, not disintegration. Germinated seeds and a sunken lighter both qualify.

5. Indivisibility is tested by separate valuation, separate insurance, and separate premium, not by separate barges.

6. Fire notice must be written and without unnecessary delay. Other non-life deadlines come from the Commissioner, not the section.

7. Proof is best-evidence, never court-grade. Demanding trial proof misstates Sec. 91.

8. Defects are waived unless specified without delay. Delay is waived unless objected to promptly and specifically or caused by the insurer. Keep Secs. 92 and 93 apart.

9. A third-party certificate is diligence-based. Refusal without just disbelief grounds is cured by reasonable evidence under Sec. 94.

10. Collateral benefits do not reduce the policy. Deduction and contribution belong only to same-person same-interest double insurance.

11. All five Sec. 247(a) acts need both without just cause and general-practice frequency. One isolated lapse is not the offense.

12. Life 60 days runs from claim plus proof of death. Non-life 30 days runs from proof plus ascertainment and 90 days without it. Do not swap triggers.

13. Missing the statutory clock is prima facie unreasonable delay, not conclusive proof. The Sec. 250 finding still must be made.

14. Fraud excuses interest but must be proved. A bare allegation neither stops the clock nor voids the policy.

15. Sub-one-year suit limits are void from accrual, not from loss. Measure the floor at accrual.

16. Subrogation accrues on payment with no assignment needed. Demanding one misstates Art. 2207.

17. Payment waives seaworthiness versus the assured but preserves subrogation versus the carrier. Do not carry the waiver across suits.

18. The receipt suffices except in multi-stage handling gaps. Demanding the policy on a single known leg misstates Delsan.

19. Same goods plus same peril is not double insurance without same person and same interest. Check both identities before applying Secs. 95 to 96.

20. Insurer and wrongdoer are never solidary. Their obligations have distinct sources.

Key Authorities Cited

Codes and statutes: Insurance Code Secs. 63 (suit floor), Secs. 86-89 (loss), Secs. 90-94 (notice), Secs. 95-96 (double insurance and contribution), Secs. 129-130, 135, 139 (marine loss, per digest

statements), Secs. 247-251 (claims settlement), all as amended by RA 10607. Civil Code Art. 2207 covers subrogation. In this range numbering is unchanged from PD 612. The known RA 10607 renumbering sits in later titles (reinsurance Secs. 95 to 98 becoming 97 to 100 per Part I-B) and does not touch this Part.

Cases: Phil Manufacturing (G.R. No. L-16473, 1921), Pan Malayan (G.R. No. 95070, 1991), Oriental Assurance (G.R. No. 94052, 1991), Cebu Shipyard (G.R. No. 132607, 1999), Delsan (G.R. No. 127897, 2001), Asian Terminals (G.R. No. 171406, 2011), Malayan v Phil First (G.R. No. 184300, 2012), and United Merchants (G.R. No. 198588, 2012).

Bar questions: 2017 Mercantile Law Q I.A (ATC all-risks marine denial) and 2025 Commercial and Taxation Laws Q5 (Porsche double insurance). Gaps are marked for Secs. 2 to 5 where the 2016-2025 file carries no verbatim question.

Source and Verification Note

Primary text checked. Every Code blockquote above (Secs. 63, 86 to 94, 95 to 96 excerpts, 247 to 251, Art. 2207) was copied from the full amended Code texts (RA 10607 and RA 386, LawPhil) and re-read at assembly. Marine-loss Secs. 129 to 130, 135, and 139 are cited as stated in the assigned-case digests and not independently blockquoted.

Cases: dockets, dates, and ratios are taken from the Batch 1 digests and Case List in the vault, whose headers record verification against the official decisions. No case was added from memory.

Bar questions: 2017 Q I.A and 2025 Q5 are reproduced verbatim from the vault's 2016-2025 compilation. Secs. 2 to 5 record genuine gaps rather than reconstructed wording. The Secs. 2 to 5 drills are labeled simply as Q: precisely so they are never mistaken for past questions.

Revision note (Q/A pass): drills relabeled Q: with contiguous A: blocks (short answers collapsed to one paragraph). Scoring-note and effects-ladder lines removed. Historic stems year-labeled (2017, 2025). Answer-format mentions reworded. Headings, tables, and authorities otherwise unchanged. Revision note (prose pass): semicolon phrase-chains rewritten as complete sentences. Three compact cards (United Merchants, Cebu Shipyard, Asian Terminals) expanded to short Facts, Issue, Held, and Doctrine digests. Six Q stems wrapped in bold with historic text verbatim.

Part I-D — Classes of Insurance

PART 1 - SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Reinsurance	Core	A reinsurance contract has only two parties - the ceding insurer and the reinsurer - and the original insured has no interest in it (Sec. 100); double insurance needs the same person, same subject, same interest (Sec. 95) and is regulated, not prohibited	Secs. 95-100, 220-229; Fieldmen's (G.R. No. L-23447, 1970); Malayan (G.R. No. 184300, 2012); 2025 Q5
2	Fire Insurance	Core	Alteration without the insurer's consent that increases the risk avoids fire coverage (Secs. 170-171), but acts after execution that do not increase the risk do not affect it (Sec. 172); indemnity is the expense to restore, or the valuation named (Secs. 173-174)	Secs. 169-175; Multi-ware (G.R. No. 230528, 2021); La'O (G.R. No. 33131, 1930); Que Chee Gan (G.R. No. L-4611, 1955); Galian (G.R. No. L-8405, 1915); 2024 Q14

§	Topic	Priority	The one rule you must state cold	Authority
3	Life Insurance	Core	Suicide is compensable only after the policy has been in force two years (shorter if the policy says so), insanity-suicide always (Sec. 183); a life policy passes by transfer, will, or succession to any person whether or not he has an interest (Sec. 184)	Secs. 181-186, 233-235; Manila Bankers (G.R. No. 175666, 2013); Biagtan (G.R. No. L-25579, 1972); 2019 H; 2019 Yate; 2018 Yin/Yang; 2016 X
4	Annuity; Life Annuity	Moderate	The life-annuity debtor pays an annual pension during the life of determinate living persons for capital transferred to him at once (Art. 2021); void if constituted on one already dead or dead within twenty days from illness then suffered (Art. 2023); no Batch-1 case assigned	Arts. 2021-2027; Sec. 182
5	Casualty Insurance	High	Casualty covers loss or liability from accident or mishap, excluding what by law or custom falls under fire or marine; it includes employer liability, motor vehicle liability, plate glass, burglary/theft, and personal accident/health as non-life business (Sec. 176)	Sec. 176; Sun (G.R. No. 92383, 1992); Finman (G.R. No. 100970, 1992); Palermo (G.R. No. L-36480, 1988)

§	Topic	Priority	The one rule you must state cold	Authority
6	CMVLI	Core	Third-party/passenger death-or-injury claims pay without proof of fault, at least P15,000.00 per person on specified sworn proofs (Sec. 391); cancellation needs written notice to the operator/owner and the LTO at least 15 days before effectivity (Sec. 393)	Secs. 386-402; Villacorta (G.R. No. L-54171, 1980); Perla (G.R. No. 96452, 1992); Shafer (G.R. No. L-78848, 1988)
7	Marine Insurance	Core	Concealment and representation duties are stricter at sea (Secs. 109-114); seaworthiness, legality, and nationality/neutrality are implied warranties (Secs. 115-122); improper deviation ends liability for later loss (Secs. 125-128); actual total loss pays without abandonment (Sec. 137), constructive total loss needs timely explicit abandonment (Secs. 133, 140-157)	Secs. 101-168; Go Tiaoco (G.R. No. 13983, 1919); six I-C cross-lists

§	Topic	Priority	The one rule you must state cold	Authority
8	Suretyship	Core	The surety binds himself solidarily with the principal debtor (Sec. 178; Art. 2047, second paragraph) so the creditor sues either at once with no exhaustion; a surety for a continuing obligation answers for future debts until revoked (continuing surety); rehabilitation of the principal does not stay the suit against the surety	Secs. 177-180; CC Arts. 2047-2084; First Lepanto (G.R. No. 177839, 2012); Stronghold (G.R. No. 158820, 2009); Capital (G.R. No. 159979, 2015); 2019 B.12; 2018 Q V

2. Learning Objectives

1. Distinguish reinsurance, double insurance, and co-insurance by parties, interests, and whom the insured can claim against, citing Secs. 95-100 cold.
2. Run a facultative-vs-treaty and good-faith problem under Secs. 97-99 on the Fieldmen's treaty-cancellation facts.
3. Apply the Secs. 170-172 alteration ladder - increase-risk without consent, no-increase, and post-execution acts - to fire facts.
4. Compute fire indemnity under Secs. 173-174 and explain the Galian coinsurance/open-policy result.
5. State the Sec. 183 suicide clock with the insanity proviso and the Sec. 184 transfer rule, then run the 2019 H, 2019 Yate, and 2018 Yin/Yang answers.
6. Define life annuity under Arts. 2021-2022, void it under Art. 2023, and separate it from life insurance under Sec. 182.
7. Classify a policy under Sec. 176 and run the CMVLI sequence: mandatory cover, no-fault papers and floor, cancellation notice, ownership change, claim presentation, and penalties.
8. Run a marine problem end to end - interest, concealment, implied warranty, voyage/deviation, loss class, abandonment - then draft a four-paragraph model answer, and run a surety-vs-guaranty problem with exhaustion, reimbursement, and extinguishment.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Fieldmen's v. Asian Surety	G.R. No. L-23447, July 31, 1970	Seven reinsurance treaties: ceding company and reinsurer only; cancellation terms governed by treaty	1
Malayan v. Philippines First (Wyeth/Reputable)	G.R. No. 184300, July 11, 2012	Two marine policies for two persons with distinct interests: no double insurance; full cover due (cross-listed I-C §6)	1
Multi-ware v. Cibeles	G.R. No. 230528, Feb 1, 2021	Two fire policies over plant machinery and stocks: double-insurance contribution rules engaged	2
La'O v. Yek Tong Lin Fire & Marine	G.R. No. 33131, Dec 13, 1930 (syllabus lists Dec 30 in error)	Tobacco warehouse fire: measure and burden on valued fire cover	2
Que Chee Gan v. Law Union and Rock	G.R. No. L-4611, Dec 17, 1955	Copra/hemp warehouse fire with mortgagee loss-payable clause	2
Galian v. State Assurance	G.R. No. L-8405, Feb 10, 1915	Open fire policy over household effects: coinsurance clause construed	2
United Merchants v. Country Bankers	G.R. No. 198588, July 11, 2012	Padded fire claim voids the policy for fraud (cross-listed I-B, I-C)	2
Manila Bankers Life v. Aban	G.R. No. 175666, 715 Phil. 404, July 29, 2013	Niece-beneficiary designation on a life policy sustained	3
Biagtan v. Insular Life	G.R. No. L-25579, Mar 29, 1972	Accidental-death benefit: accident tested from the victim's standpoint	3, 5

Case	G.R./Citation	One-line ratio	§
Sun Insurance v. CA (Lim)	G.R. No. 92383, July 17, 1992	Personal accident policy: coverage turns on accidental means, not just accidental result	5
Finman v. CA (Surposa)	G.R. No. 100970, Sept 2, 1992	Teachers protection plan: violent death by stabbing within personal-accident cover	5
Palermo v. Pyramid Insurance	G.R. No. L-36480, May 31, 1988	Private-car comprehensive policy: own-damage/theft boundary on the motor-casualty line	5, 6
Villacorta v. Insurance Commission	G.R. No. L-54171, Oct 28, 1980	Private-car own-damage/theft/TPL with authorized-driver clause; no theft on mere joy ride	6
Perla v. CA (Lim)	G.R. Nos. 96452 & 96493, 208 SCRA 487, May 7, 1992	Carnapped comprehensive motor unit: authorized-driver clause bars where the driver had an expired license	6
Shafer v. RTC Olongapo	G.R. No. L-78848, Nov 14, 1988 (syllabus lists 1998 in error)	TPL insurer may be brought in by third-party complaint; TPL answers third-party liability	6
Go Tiaoco v. Union Insurance Society of Canton	G.R. No. 13983, Sept 1, 1919	Rice cargo marine policy: seaworthiness and deviation tested on voyage facts	7
Cebu Shipyard v. William Lines	G.R. No. 132607, May 5, 1999	Art. 2207 subrogation to hull insurer (cross-listed I-C §6)	7
Asian Terminals v. Malayan Insurance	G.R. No. 171406, Apr 4, 2011	Subrogation receipt suffices (cross-listed I-C §6)	7
Delsan Transport v. CA	G.R. No. 127897, Nov 15, 2001	Seaworthiness defense waived vs assured, preserved vs carrier (cross-listed I-C §6)	7
Pan Malayan v. CA (FAO)	G.R. No. 95070, Sept 5, 1991	Wetted seed-rice valueless for its purpose is actual total loss (cross-listed I-C §1)	7

Case	G.R./Citation	One-line ratio	§
Oriental Assurance v. CA (Panama Sawmill)	G.R. No. 94052, Aug 9, 1991	Total-loss-only warranty defeats partial cargo loss (cross-listed I-C §1)	7
Phil Manufacturing v. Union Insurance Society of Canton	G.R. No. L-16473, Nov 22, 1921	Sunken lighter costing more to save than its worth is actual total loss (cross-listed I-C §1)	7
First Lepanto-Taisho v. Chevron	G.R. No. 177839, Jan 18, 2012	Surety bond for oil purchases: surety answers on principal's default per bond terms	8
Stronghold v. Tokyu Construction	G.R. Nos. 158820-21, June 5, 2009	Surety plus performance bonds: advance-payment guarantee and timely-performance guarantee distinct	8
Capital v. Del Monte Motor Works	G.R. No. 159979, Dec 9, 2015	Counterbond: surety liability fixed by the bond as judicial security	8

B. Laws and Rules

Law	What it does here	§
Insurance Code Secs. 95-96 (double insurance)	Same person, subject, and interest; order of claiming, deduction, ratable contribution	1
Insurance Code Secs. 97-100 (reinsurance)	Definition and parties; disclosure except under automatic treaties; presumed indemnity vs liability; original insured without interest	1
Insurance Code Secs. 215-229 (retention, single risk, ceding)	Retention limit, single-risk limit, foreign ceding conditions	1
Insurance Code Secs. 169-175 (fire)	Definition and perils; alteration rules; subsequent acts; indemnity measure and valuation; pledge-to-agent prohibition	2

Law	What it does here	§
Insurance Code Secs. 181-186 (life)	Definition; kinds and payment modes; suicide clause; transfer; validity without transferee interest; measure	3
Insurance Code Secs. 233-235 (life policy contents)	Individual, group, and industrial life required provisions (grace, incontestability, entire contract, age adjustment)	3
Civil Code Arts. 2021-2027 (life annuity)	Constitution, lives covered, voidness, non-reimbursement, death-year income, gratuitous exemption, proof of life	4
Insurance Code Sec. 176 (casualty)	Definition and included lines	5
Insurance Code Secs. 386-402 (CMVLI)	Mandatory cover and LTO linkage; no-fault indemnity; cancellation; ownership change; claims; prohibitions and penalties	6
Insurance Code Secs. 101-108 (marine kinds and interest)	Ocean/inland/aviation; ship, freightage, profits, charterer interests	7
Insurance Code Secs. 109-114 (marine uberrima fides)	Concealment, representation, expectation	7
Insurance Code Secs. 115-122 (implied warranties)	Seaworthiness, documents, legality, nationality/neutrality	7
Insurance Code Secs. 123-128 (voyage and deviation)	Voyage description; proper vs improper deviation; liability cutoff	7
Insurance Code Secs. 129-168 (marine loss and indemnity)	Loss classes; abandonment; valuation; partial loss; sue-and-labor-type expenses; contribution; old materials	7
Insurance Code Secs. 177-180 (suretyship)	Definition; joint-and-several liability; premium; Civil Code suppletory role	8
Civil Code Arts. 2047-2084 (guaranty and suretyship)	Guaranty vs suretyship; excussion; reimbursement and subrogation; extinction; judicial bonds	8

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: memorize Secs. 95, 97, 100, 170-173, 176, 181-184, 391, 393, Arts. 2021-2023, 2047-2048, and Secs. 115-117, 125-128, 137, 141-143 cold with section numbers	One-page provision map from memory
2	35 percent	Distinguish elements and exceptions: reinsurance vs double vs co-insurance; alteration vs subsequent act; suicide vs insanity-suicide; annuity vs life insurance; accident vs mishap lines; no-fault vs fault claims; actual vs constructive loss; abandonment requisites; surety vs guaranty	Distinction tables reproduced cold
3	25 percent	Apply timed problems: 2025 Q5, 2024 Q14, 2019 H, 2019 Yate, 2018 Yin/Yang, 2018 Q V, 2019 B.12, 2016 X, plus drills under time	Marked model answers under time

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Then confusion pairs win marks because classes-of-insurance questions are built to punish merged concepts. Those pairs include double versus reinsurance and fire alteration versus subsequent act. They also include suicide versus insanity and surety versus guaranty.

5. Syllabus Self-Check

1. (§1) Who are the only two parties to a reinsurance contract, and what interest does the original insured have in it. (§1)
2. (§1) State the three concurring identities that make a double insurance, and whether double insurance is prohibited. (§1)
3. (§1) Facultative vs treaty reinsurance: who chooses, risk by risk or automatic cession. (§1)
4. (§2) Alteration increasing the risk without consent vs alteration not increasing it: which avoids fire coverage and which does not. (§2)

5. (§2) An act after execution that does not violate the policy: effect on fire coverage, with section. (§2)

6. (§2) No valuation in the fire policy: state the measure of indemnity. (§2)

7. (§3) Suicide two years and a day after issue vs suicide in insanity six months after issue: which pays. (§3)

8. (§3) The insured transfers his life policy to a stranger with no insurable interest: valid. Cite the section. (§3)

9. (§3) Valued policy vs open policy in life insurance: which one life always is, and why. (§3)

10. (§4) Constituted on a man already dead, and on a sick man dead within twenty days: result under Art. 2023. (§4)

11. (§4) Income unpaid for two years: can the annuitant take back the capital. Cite the article. (§4)

12. (§5) Personal accident vs health vs employer liability: which Sec. 176 line answers each. (§5)

13. (§6) No-fault papers and floor: name the sworn proofs and the minimum per person. (§6)

14. (§6) Insurer cancels for non-payment without warning the owner: effective. Answer with Secs. 393-394. (§6)

15. (§6) Car sold, policy not endorsed, accident a week later: who is covered under Sec. 395. (§6)

16. (§7) Improper deviation on day 3, fire loss on day 10: liable. Cite the section. (§7)

17. (§7) Constructive total loss with notice of abandonment given a year later: effective. Answer with Secs. 141-143. (§7)

18. (§8) Creditor sues the surety without suing or exhausting the principal first: proper. Cite both the Code section and the Civil Code article. (§8)

PART 2 - BOOK + AUTHORITY REVIEWER

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0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Reinsurance	Secs. 95-100: double insurance needs same person/subject/interest; reinsurance is insurer-to-third-person cover presumed indemnity vs liability; original insured has no interest; Fieldmen's treaties; Malayan distinct interests
2	Fire Insurance	Secs. 169-175: fire/lightning/windstorm/earthquake bundle; alteration ladder; subsequent-act safety; indemnity measure and valuation; Multi-ware, La'O, Que Chee Gan, Galian
3	Life Insurance	Secs. 181-186, 233-235: kinds and payment modes; two-year suicide clock with insanity proviso; free transfer to any person; individual/group/industrial contents; Manila Bankers, Biagtan
4	Annuity; Life Annuity	Arts. 2021-2027: annual pension for transferred capital during determinate lives; voidness; no capital recovery; death-year apportionment; gratuitous exemption; proof of life; vs Sec. 182 life insurance
5	Casualty Insurance	Sec. 176: accident-or-mishap lines minus fire/marine exclusives; employer liability, motor liability, plate glass, burglary/theft, personal accident/health; Sun, Finman, Palermo
6	CMVLI	Secs. 386-402: mandatory cover with LTO gate; no-fault P15,000.00 floor on sworn papers; cancellation notice; ownership-change continuity; claims presentation; TPL cases Villacorta, Perla, Shafer
7	Marine Insurance	Secs. 101-168: kinds; interest map; uberrima fides; implied warranties; voyage/deviation; loss classes; abandonment; indemnity measure; Go Tiaoco plus six I-C cross-lists

#	Topic	Must-know: provision + elements
8	Suretyship	Secs. 177-180 + CC 2047-2084: solidary liability; premium on perfection; guaranty distinction; bond kinds; continuing surety; reimbursement; extinguishment; First Lepanto, Stronghold, Capital

Framing questions for every problem: what juridical relation or cause of action is pleaded, whether payment on policy or reinsurance recovery or no-fault claim or bond enforcement? What are the elements or requisites and which Code section gives each? What exception, waiver, or defense defeats it, whether alteration or suicide clock or deviation or exhaustion, and for surety none? What is the remedy, and what time bar kills it, whether abandonment window or no-fault presentation or bond period or prescription?

Mnemonic for the chapter spine: R-F-L-A-C-C-M-S (Reinsurance, Fire, Life, Annuity, Casualty, CMVLI, Marine, Suretyship). Periods: two years (suicide/incontestability), twenty days (annuity voidness), P15,000.00 (no-fault floor), 15 days (cancellation warning effect), six months/one year (CMVLI claim presentation/prescription per §6).

Comm2 Reviewer - Part I-D: Classes of Insurance (§§1-3)

> Source: Aquino 2024 (Commercial Law 2 Textbook), read against syllabus Part I-D §§1-3.
> Coverage: §1 Reinsurance - §2 Fire Insurance - §3 Life Insurance.
> Renumbering note: RA 10607 (2013) moved reinsurance from old Secs. 95-98 to new Secs. 97-100. The Aquino book cites the old numbers: old 95 = new 97 (definition), old 96 = new 98 (disclosure), old 97 = new 99 (indemnity presumed), old 98 = new 100 (original insured has no interest).

1. Reinsurance

> 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.
>
> - Sec. 97, Insurance Code (RA 10607) (old Sec. 95)
>
> Where an insurer obtains reinsurance, except under automatic reinsurance treaties, 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.
>
> - Sec. 98, Insurance Code (RA 10607) (old Sec. 96)
>
> A reinsurance is presumed to be a contract of indemnity against liability, and not merely against damage.
>
> - Sec. 99, Insurance Code (RA 10607) (old Sec. 97)
>
> The original insured has no interest in a contract of reinsurance.
>
> - Sec. 100, Insurance Code (RA 10607) (old Sec. 98)

Element/Requisite	Content
Parties	Ceding company (original insurer, reinsured) cedes; reinsurer (assuming insurer) assumes a portion of the risk for a proportionate premium share
Subject	The ceding insurer's own liability under the original policy, not the original insured's property
Good faith disclosure (Sec. 98)	Ceding insurer must communicate the original insured's representations plus all material knowledge, before or after acquisition; automatic treaties excepted
Presumption (Sec. 99)	Indemnity against liability, not merely against damage: reinsurer pays when the ceding insurer's liability attaches
Stranger rule (Sec. 100)	Original insured has no interest in, and no action on, the reinsurance contract
Functions	Spread and cap exposure; stabilize surplus; allow underwriting beyond retention; regulatory: Sec. 221 (non-life single-risk retention capped at 20 percent of net worth, reinsurance ceded deducted); Sec. 224 (cede excess to authorized local insurers first)
Kinds	Facultative (per-risk offer and acceptance) vs treaty: obligatory (automatic cession of a defined book) and facultative-obligatory (cedent may cede, reinsurer must accept)

Element/Requisite	Content
Regulatory controls	Sec. 222 (accept only risks otherwise authorized to insure); Sec. 223 (no cession abroad to unauthorized foreign insurer except through a registered resident agent); Sec. 225 (Commissioner-set terms; report any cancellation or termination in writing within 30 days); Sec. 226 (report treaty particulars within 3 months of effectivity); Sec. 227 (no credit as admitted asset unless reinsurance payable on ceding insurer's liability without diminution for its insolvency, to the ceding insurer or its liquidator); Sec. 228 (no life company may reinsure its whole risk on any life or substantially all business without the Commissioner's written permission)

Distinction table: reinsurance vs double insurance vs co-insurance.

Point	Reinsurance (Secs. 97-100)	Double insurance (Secs. 95-96)	Co-insurance (Galian clause 17)
Parties	Insurer and reinsurer; original insured is a stranger	Same person insured by several insurers	One insurer, insured self-insures the uninsured portion
Subject	Ceding insurer's liability	Same subject and interest of the same person	The gap between value and cover
Insured's action	None against reinsurer (Sec. 100)	Claim from insurers in any order, deduction and ratable contribution (Sec. 96)	Insured bears a ratable proportion of the loss

Distinction table: facultative vs treaty (obligatory) reinsurance.

Point	Facultative	Treaty (obligatory / automatic)
Offer	Per-risk submission; reinsurer may accept or decline	Pre-agreed book ceded automatically once within scope
Sec. 98 disclosure	Full communication of representations and material knowledge	Excepted from the Sec. 98 communication duty
Cancellation effect	Governed by the single cession	Treaty cancellation ends future cessions; current cessions survive to natural expiry where so stipulated (Fieldmen's)

Case: *Fieldmen's Insurance Co. v. Asian Surety & Insurance Co.*, G.R. No. L-23447, July 31, 1970

Facts: Asian Surety (ceding company) and Fieldmen's (reinsurer) entered seven reinsurance treaties (Apr. 11, 1960-Jan. 9, 1961), each terminable on at least three months' registered-mail notice effective Dec. 31 of the notice year. Fieldmen's gave notice Sept. 19, 1961 for Dec. 31, 1961. A GSIS risk reinsured under Cession No. 61-87 (Facultative-Obligatory Treaty-Fire, policy July 1, 1961-July 1, 1962) burned Feb. 16, 1962. Fieldmen's sought declaratory relief that all treaties and cessions ended Dec. 31, 1961, alternatively rescission for alleged violations.

Issue: The issues were whether treaty cancellation ipso facto terminated liability under cessions made before cancellation and whether rescission lay in declaratory relief.

Held: No to both. Article 10 of the Facultative-Obligatory Treaty-Fire (and Art. VI(4) of the Personal Accident Treaty) kept current cessions in full force until natural expiry, so Fieldmen's answered for the Feb. 1962 fire. Rescission could not be granted. No grounds were pleaded and no substantial breach was found. It was also the wrong remedy.

Doctrine: Cessions are governed by the treaty's express stipulations. Cancellation ends future cessions, not current ones where survival is stipulated. Rescission needs a proper action and a substantial breach.

> Exam trap: A Dec. 31 treaty cut-off kills future cessions, not a still-running cession with a survival clause; check the treaty's continuing-liability article before releasing the reinsurer.

Case: *Malayan Insurance v. Philippines First Insurance (Wyeth/Reputable),* G.R. No. 184300, July 11, 2012 (cross-listed from Part I-C §6)

Facts (per Batch-1 digest): Two policies covered the same goods exposed to the same peril. They were taken for two different persons with distinct interests, namely the owner and the carrier.

Issue: The issue was whether the two policies constituted double insurance so that the other-insurance and ratable-contribution clauses applied.

Held: They did not constitute double insurance. Each insurer answered on its own contract.

Doctrine: Policies over the same subject for different persons with distinct interests are not double insurance. The other-insurance and ratable-contribution clauses do not apply to them. By the same logic, the original insured remains a stranger to a reinsurance contract under Sec. 100.

Held relevance here: the reinsurance boundary is that the carrier's own SR-policy insurer (Malayan) answers the carrier on that contract, while the cargo owner's insurer answers the owner. Distinct persons and interests defeat any pooling of the covers. That is the same logic that

keeps the original insured a stranger to a reinsurance contract under Sec. 100.

2025 Bar Q: X obtained an insurance policy for her Porsche Carrera GT from XYZ Insurance Company. The same car was insured by her creditor-mortgagee, Y, with ABC Insurance Company. When the car was damaged because of an accident, X filed a claim with XYZ Insurance Company. The latter denied the claim since it discovered that the car was also insured with ABC Insurance Company. According to XYZ Insurance Company, double insurance is prohibited by law. Decide with reason(s).

A: Denial of the claim is improper because X and Y are different persons with distinct interests - owner and creditor-mortgagee - so the two policies are not double insurance, which exists only where the same person is insured by several insurers separately in respect to the same subject and interest.

The controlling rule is Sec. 95, which defines double insurance by the same-person, same-subject, same-interest identities, as applied in Malayan v Phil First: the same goods exposed to the same peril but insured for different persons with distinct interests is not double insurance, and double cover is regulated by deduction and contribution under Sec. 96, not prohibited.

Applied here, XYZ answers X's ownership interest while ABC answers Y's mortgage-credit interest, so each insurer pays on its own contract without deduction from the other.

XYZ is therefore liable on X's claim, and neither an other-insurance clause nor Sec. 96 contribution defeats recovery.

Complements table for §1.

Item	Content
Premium	Reinsurer takes a proportionate share of gross premium less commission
Notice mechanics	Treaty-stipulated (here: 3 months by registered mail, effective Dec. 31 of notice year)
Accounting	Final accounting follows surviving cessions to expiry
Insolvency shield (Sec. 227)	Reinsurance must be payable on the ceding insurer's liability without diminution for its insolvency, else no credit as admitted asset

Effects/Remedies/Bars ladder - §1

Level	Content
Assumed	Valid cession within treaty scope: reinsurer answers the ceding insurer's liability (Sec. 99 presumption)
Surviving	Treaty cancelled: current cessions with survival clauses run to natural expiry (Fieldmen's)
Stranger	Original insured sues reinsurer directly: no cause of action (Sec. 100)
Disallowed	Cession abroad to unauthorized foreign insurer without registered resident agent (Sec. 223); life whole-risk reinsurance without written permission (Sec. 228)

2. Fire Insurance

> As used in this Code, the term fire insurance shall include insurance against loss by fire, lightning, windstorm, tornado or earthquake and other allied risks, when such risks are covered by extension to fire insurance policies or under separate policies.
>
> - Sec. 169, Insurance Code (RA 10607)
>
> 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 risks, entitles an insurer to rescind a contract of fire insurance.
>
> - Sec. 170, Insurance Code (RA 10607)
>
> 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.
>
> - Sec. 171, Insurance Code (RA 10607)
>
> 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 the loss.
>
> - Sec. 172, Insurance Code (RA 10607)
>
> 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 if there is a valuation in a policy of fire insurance, the effect shall be the same

> as in a policy of marine insurance.
>
> - Sec. 173, Insurance Code (RA 10607)
>
> 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 insofar as it may affect other creditors of the insured.
>
> - Sec. 175, Insurance Code (RA 10607)

Element/Requisite	Content
Concept (Sec. 169)	Cover for loss by fire, lightning, windstorm, tornado, earthquake and allied risks by extension or separate policy; indemnity contract
Property covered	Buildings, merchandise, household effects; loss payable to mortgagee to the extent of its interest does not displace the insured as proper plaintiff (La'O)
Alteration rescinding (Sec. 170)	Without insurer consent, by means within insured's control, and increasing the risk: insurer entitled to rescind
Alteration harmless (Sec. 171)	Same alteration not increasing the risk: contract unaffected
Subsequent act (Sec. 172)	Post-execution act not violating policy provisions: contract unaffected even if it increased the risk and caused the loss
Measure, unvalued (Sec. 173)	Replacement expense at commencement of fire in condition at time of injury; cost price is competent evidence of value (La'O)
Measure, valued/appraised (Sec. 174)	Appraised value fixed by independent appraiser binds; total loss pays the stated amount, partial loss pays in full, pro rata among co-insurers, never above the stated amount
Co-insurance (Galian clause 17)	Property of greater value than cover at outbreak: insured is his own insurer for the difference, bears a ratable proportion
Other-insurance clause	Must disclose co-insurance on the same property; non-disclosure forfeits all benefits (Multi-ware); the prohibited policy must be on the same subject matter and interest, and known breach unobjected to is waived (La'O)
Prohibition (Sec. 175)	Pledge or transfer of the fire policy to the insurer's own agent or representative is void as against other creditors

Distinction table: Sec. 170 vs Sec. 171 vs Sec. 172.

Question	Sec. 170 (rescind)	Sec. 171 (unaffected)	Sec. 172 (unaffected)
When	Alteration from policy-limited use or condition	Same alteration	Any subsequent act of insured
Consent	Without insurer consent	Consent immaterial	No policy provision violated
Risk effect	Increases the risk	Does not increase the risk	Even if it increased the risk and caused the loss
Control	By means within insured's control	Same	Not the test

Distinction table: indemnity measures in fire.

Policy	Measure	Authority
Unvalued (open)	Replacement expense at fire commencement in condition at injury, scaled by co-insurance fraction where underinsured	Sec. 173; Galian: 3,000/4,512 of actual loss (value 4,512 less 120.40 salvage)
Valued/appraised	Stated appraised amount on total loss; full partial loss; pro rata across co-insurers	Sec. 174
Fraudulent	Padded claim voids the policy; forfeits all benefits	Sec. 75, Condition No. 15; United Merchants (G.R. No. 198588, 2012)

Case: *Multi-ware Manufacturing v. Cibeles Insurance,* G.R. No. 230528, Feb. 1, 2021

Facts: Multi-ware took fire policies from Western Guaranty (P10M) and Cibeles (P7M) on machinery and equipment, then Prudential Guarantee policies on the same Building 1 machinery. After the Apr. 21, 2000 fire it claimed on all. Cibeles and Western denied for violation of Policy Condition No. 3 (other insurance), No. 15 (fraud), and No. 21 (arson). Non-disclosure of the Prudential policies was established.

Issue: Whether Condition No. 3 covers machinery and equipment and whether non-disclosure forfeits benefits.

Held: Yes to both. "Property" is generic and includes machinery and equipment. The undisclosed policies were on the same matter with the same interest and risk, so all benefits were forfeited.

Doctrine: The other-insurance clause prevents over-insurance and fraud inducement. Identity of subject matter and interest triggers forfeiture.

Case: *Emilio Gonzalez La O v. Yek Tong Lin Fire & Marine Insurance*, G.R. No. 33131, Dec. 13, 1930

Facts: La O stored leaf tobacco insured against fire with four companies (P290,000 total, P100,000 with defendant) in a warehouse the defendant itself owned and partly leased to others. After the Jan. 11, 1928 fire, defendant invoked warranties A and G and the undeclared-other-insurance condition (Art. 3).

Issue: The issues were whether the insured may sue though the policy is payable to the mortgagee bank and whether the other-insurance condition voids the policies.

Held: The insured may sue as the contracting party, especially where the mortgagee's interest is less than full recovery. The policies were not void. The typewritten clause plus the attached "other insurances" sheet gave the defendant notice. The other policies covered different interests in a stock far exceeding total cover. The defendant, knowing of them, collected increased premiums instead of rescinding. That was waiver.

Doctrine: Other-insurance forfeiture needs the same subject matter and interest. The insurer's knowledge plus continued collection of premium waives annulment.

Case: *Qua Chee Gan v. Law Union and Rock Insurance*, G.R. No. L-4611, Dec. 17, 1955

Facts: Warehouses and copra/hemp stocks (P370,000, eight policies) burned July 1940. Insurer pleaded breach of the hydrant/hose/pressure/brigade memo-of-warranty, the hemp warranty (gasoline stored), refusal of books, and fraudulent overclaim, plus arson (acquitted July 9, 1941).

Issue: Whether breach of warranties and conditions voids the policies.

Held: No. The insurer issued the policies knowing only two own plus two municipal hydrants existed against an eleven-hydrant warranty and collected premiums. It was therefore estopped from asserting the breach. Gasoline storage was incidental to the business under an ambiguous warranty. The books were substantially produced. The overclaim was an innocent misstatement, not wilful fraud.

Doctrine: Knowledge at issuance plus premium collection waives inconsistent conditions. Ambiguities construe against the insurer. False swearing voids only if wilful with intent to defraud.

Case: *Francisco Galian v. State Assurance*, G.R. No. L-8405, Feb. 10, 1915

Facts: The policy was an open fire policy for P3,000 on household effects. The post-fire statement listed P4,512. The insurer pleaded fraudulent overclaim. The trial court fixed value at P1,500 on the insurer's compromise offer.

Issue: The issues were the competence of the insured's value testimony, the proof of fraud, and the effect of the coinsurance clause.

Held: The insured and his brother were competent on ordinary household values. Preponderance sustained the list, and fraud was not proved. Clause 17 was valid. The property (P4,512) exceeded the cover (P3,000), so the insurer paid only 3,000/4,512 of the actual loss (P4,391.60 after P120.40 salvage) = P2,919.92.

Doctrine: The ratable-proportion (coinsurance) clause is enforceable. Partial loss is computed on actual loss less salvage, scaled by cover over value.

2024 Bar Q: Flavio obtained from Safe Assurance Corporation (SAC), through its agent Laureen, a fire insurance policy over his residential house for a period of one year from August 25, 2024 to August 24, 2025. Flavio delivered on August 26, 2024 a check representing premium payment to Laureen who then issued an acknowledgment receipt. On August 27, 2024, a fire completely razed Flavio's house. Oblivious of the incident, Laureen deposited the check on August 28, 2024 to SAC's bank account and was credited on the same day. Thereafter, Flavio filed against SAC an insurance claim. However, SAC denied the claim and argued that there was no payment of premium yet to make the insurance policy effective at the time of the loss. SAC explained that it received the premium payment only on August 28, 2024 or after the fire occurred on August 27, 2024. Is there a valid and binding insurance contract between SAC and Flavio? Explain.

A: Yes, a valid and binding insurance contract exists between SAC and Flavio because delivery of the premium check to the insurer's authorized agent, evidenced by the August 26 acknowledgment receipt, perfected payment as between insured and insurer, and the August 27 loss fell within the August 25, 2024 to August 24, 2025 cover.
The controlling rules are that cash-and-carry is satisfied by payment to the authorized agent whose receipt binds the insurer, and that Sec. 173 measures the razed house at the replacement expense at the commencement of the fire.
Applied here, Flavio paid through Laureen before the fire razed the house, so SAC's August 28 bank-credit date is a mere internal matter that does not move the payment date, and the denial on the no-premium ground fails.
SAC is therefore liable for the fire loss.

Historic Bar gap: the 2016-2025 file copy of the Jason/Shure fire-cognition question is truncated mid-sentence in the source file, so no verbatim historic question on perfection-vs-delivery timing is reproduced here.

Q: Jason pays in cash Oct. 11. The insurer mails the approved policy Oct. 18. Fire razes the house before receipt. Decide under perfection and assumption-of-risk rules and state the measure under Sec. 173.

A: The insurer is liable because the contract was perfected on approval and the risk had already attached before the fire, since Jason's October 11 cash payment and the insurer's approval perfected the contract so the October 18 mailing did not defer attachment of the risk, and the insurer must therefore pay the replacement expense of the house in the condition it was in at the time of the injury under Section 173.

Complements table for §2.

Item	Content
Mortgagee	Loss payable to bank to its interest only; mortgagor-insured sues in his own name (La'O)
Indirect/consequential losses	Bar-examined as excluded unless extended; test on Sec. 169 allied-risks extension language
Fraud cutoff	Padded claim: policy avoided, all benefits forfeited (United Merchants, one-line cross-list; full card in Parts I-B/I-C)
Warranty proof	Insurer pleading breach or fraud carries the burden after insured's prima facie case

Effects/Remedies/Bars ladder - §2

Level	Content
Payable	Insured peril caused the loss within cover: replacement expense (unvalued) or stated amount (valued/appraised), scaled by co-insurance
Reduced	Underinsurance at outbreak: insured bears ratable proportion (Galian)
Rescinded	Sec. 170 alteration without consent increasing risk, or undisclosed co-insurance on same matter and interest (Multi-ware)
Void	Padded or fraudulent claim (United Merchants); pledge of policy to insurer's agent as against other creditors (Sec. 175)
Saved	Known breach waived by issuance plus premium collection; ambiguous warranty construed against insurer (La'O; Qua Chee Gan)

3. Life Insurance

> Life insurance is insurance on human lives and insurance appertaining thereto or connected therewith.
>
> - Sec. 181, Insurance Code (RA 10607)
>
> The insurer in a life insurance contract shall be liable in case of suicide only when it is committed after the policy has been in force for a period of two (2) years from the date of its issue or of its last reinstatement, unless the policy provides a shorter period: Provided, however, That suicide committed in the state of insanity shall be compensable regardless of the date of commission.
>
> - Sec. 183, Insurance Code (RA 10607)
>
> 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.
>
> - Sec. 184, Insurance Code (RA 10607)
>
> 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.
>
> - Sec. 185, Insurance Code (RA 10607)
>
> 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.
>
> - Sec. 186, Insurance Code (RA 10607)

Element/Requisite	Content
Nature	Insurance on human lives and connected undertakings, including annuities and retirement lump sums managed by a life company (Sec. 181); endowments and annuities are life contracts (Sec. 182)
Value character	Valued policy: sum fixed in the policy is the measure (Sec. 186); insurable interest in one's own life needs no pecuniary measure
Kinds (Sec. 182)	Payable on death, on surviving a specified period, or contingently on continuance or cessation of life

Element/Requisite	Content
Incontestability anchor	After two years in force during the insured's lifetime, insurer barred from proving void ab initio or rescindible for fraud or concealment (Sec. 48, per Manila Bankers digest)
Suicide (Sec. 183)	Insurer liable only for suicide after 2 years from issue or last reinstatement (shorter period allowed); insanity-suicide compensable regardless of date
Transfer (Secs. 184-185)	Life/health policy passes by transfer, will, or succession to any person with or without insurable interest; transferee recovers what the insured could; notice to insurer unnecessary unless expressly required
Minor's rights (Sec. 182)	Father, or mother in absence/incapacity, exercises the minor's policy rights without court authority or bond where the act does not exceed P500,000 or the Commissioner's amount; then grandparent, eldest sibling of age, or custodial relative; insurer paying under this section is relieved
Execution/insolvency (syllabus)	Policy proceeds are assigned or exempted as the Code and the transfer rules provide.
Contents/equation (syllabus)	Individual life policy contents are governed by Secs. 233-235 (grace, incontestability, entire contract, misstatement of age, options, loan, nonforfeiture, reinstatement), including the equation of age-misstatement adjustment per Sec. 233(d).

Distinction table: life vs fire/property on value and transfer.

Point	Life (Secs. 181-186)	Fire/property
Measure	Sum fixed in policy (Sec. 186); valued contract	Replacement expense at fire commencement (Sec. 173) unless appraised (Sec. 174)
Transferee need for interest	None: any person may take and recover (Sec. 184)	Assignee needs insurable interest
Suicide clock	2-year rule (Sec. 183)	No counterpart
Beneficiary control	Designation revocable unless expressly irrevocable; change effective per policy terms	Loss payable to mortgagee to its interest only (La'O)

Distinction table: suicide outcomes under Sec. 183.

Situation	Result
Suicide within 2 years from issue or last reinstatement, sane, policy silent	Insurer not liable
Suicide after 2 years, or policy gives a shorter period and it elapsed	Insurer liable
Suicide in insanity, any date	Compensable regardless of date
Concealment plus suicide (2019 Mr. H)	Run incontestability and suicide separately: concealment defense dies with the 2-year bar; suicide defense dies with the 2-year clock

Case: *Manila Bankers Life Insurance v. Aban*, G.R. No. 175666, 715 Phil. 404, July 29, 2013

Facts: Delia Sotero took a P100,000 life policy naming her niece Aban beneficiary. It was in force over two years and seven months at death (Apr. 10, 1996). The insurer denied on post-claim findings (illiteracy, sickness since 1990, no financial capacity, forged application) and sued for rescission/annulment.

Issue: Whether the 2-year incontestability bar (Sec. 48) applies, including against a void-ab-initio theory.

Held: Barred. Sec. 48 gives the insurer two years from effectivity while the insured lives to prove void ab initio or rescindible for fraud or concealment. After that it must pay even if fraud existed. Sotero had insurable interest in her own life and could name anyone. Aban's lack of interest is immaterial.

Doctrine: Incontestability covers void-ab-initio recasts. Insurers must investigate within two years, not after the claim.

Case: *Biagtan v. Insular Life Assurance*, G.R. No. L-25579, Mar. 29, 1972

Facts: P5,000 policy plus P5,000 Accidental Death Benefit Clause covering death "directly from bodily injury effected solely through external and violent means," excepting injury "intentionally inflicted by another party." Robbers stabbed the insured nine times (five mortal). Insurer paid the base P5,000 but refused the rider.

Issue: Whether nine close-range stab wounds were "intentionally inflicted" within the exception.

Held: Yes. Intent refers to the act of inflicting injury, not the purpose (homicidal or not). Nine wounds at close range cannot be innocent. That distinguished the case from Calanoc's single distant shot. The complaint was dismissed.

Doctrine: Accidental-death riders except intentional third-party injury. Manner and proximity prove intent.

2019 Bar Q: In January 2016, Mr. H was issued a life insurance policy by XYZ Insurance Co., wherein his wife, Mrs. W, was designated as the sole beneficiary. Unbeknownst to XYZ Insurance Co., however, Mr. H had been previously diagnosed with colon cancer, the fact of which Mr. H had concealed during the entire time his insurance policy was being processed. In January 2019, Mr. H unfortunately committed suicide. Due to her husband's death, Mrs. W, as beneficiary, filed a claim with XYZ Insurance Co. to recover the proceeds of the late Mr. H's life insurance policy. However, XYZ Insurance Co. resisted the claim, contending that: 1. the policy is void ab initio because Mr. H fraudulently concealed or misrepresented his medical condition, i.e., his colon cancer; and 2. as an insurer in a life insurance policy, it cannot be held liable in case of suicide. Rule on each of XYZ Insurance Co.'s contentions. (5%)

A: Both of XYZ's contentions fail because by January 2019 the policy had been in force for three years, so the Sec. 48 two-year incontestability bar kills the concealment defense and the Sec. 183 two-year suicide clock makes the suicide compensable.

The controlling rules are Sec. 48, under which the insurer is barred after two years from proving void ab initio or rescission for fraud or concealment even on a void-ab-initio recast (Manila Bankers), and Sec. 183, which makes the insurer liable for suicide committed after the policy has been in force two years from issue or last reinstatement.

Applied here, three years in force exceeds both clocks, so the concealed colon cancer can no longer be proved to avoid the policy and the sane suicide after the period is a covered risk.

XYZ must therefore pay Mrs. W the proceeds of the policy.

2019 Bar Q: On June 21, 2008, Yate took out a life insurance policy on her life in the amount of PhP 10 million and named her husband Vandy and daughter as joint irrevocable beneficiaries. Before the policy was issued and the premiums were paid, Yate underwent a medical checkup with a physician accredited by the insurer, and the only result found was that she was suffering from high blood pressure. Yate was previously diagnosed by a private physician of having breast cancer which she did not disclose to the insurer in her application, nor to the insurer's accredited physician because by then, she was told that she was already cancer-free after undergoing surgery which removed both her breasts. She was later diagnosed with psychotic tendency that graduated into extreme despondency. She was found dead hanging in her closet 36 months after the issuance of the policy. The police authorities declared it to be a case of suicide. The policy did not include suicide as an excepted risk. (a) Can the insurer raise the issue of failure to disclose that she

had cancer as a cause for denying the claim of the beneficiaries? (2.5%) (b) Are the beneficiaries entitled to receive the proceeds of the life insurance notwithstanding the fact that the cause of death was suicide? (2.5%)

A: (a) No, the insurer cannot raise the non-disclosure of the breast cancer because thirty-six months in force exceeds the two-year incontestability period, so that defense is barred. (b) Yes, the beneficiaries are entitled to the proceeds because suicide thirty-six months after issue is compensable under Sec. 183, the policy did not except suicide, and insanity-graded despondency reinforces compensability.

The controlling rules are Sec. 48 as construed in Manila Bankers and the Sec. 183 suicide text quoted above.

Applied here, the insurer's own accredited examination found only hypertension, so the cancer history, even if material, is time-barred, and the 36-month suicide falls outside any exclusion window.

Vandy and the daughter therefore recover the P10M as joint irrevocable beneficiaries.

2018 Bar Q: Shortly after Yin and Yang were wed, they each took out separate life insurance policies on their lives, and mutually designated one another as sole beneficiary. Both life insurance policies provided for a double indemnity clause, the cost for which was added to the premium rate. During the last 10 years of their marriage, the spouses had faithfully paid for the annual premiums over the life policies from both their salaries. Unfortunately, Yin fell in love with his officemate, Vessel, and they carried on an affair. After two years, their relationship bore them a daughter named Vinsel. Without the knowledge of Yang, Yin changed the designation of the beneficiary to an "irrevocable designation" of Vinsel and Vessel jointly. When Yang learned of the affair, she was so despondent that, having chanced upon Yin and Vessel on a date, she rammed them down with the car she was driving, resulting in Vin's death and Vessel's complete loss of mobilization. Yang was sued for parricide, and while the case was pending, she filed a claim on the proceeds of the life insurance of Yin as irrevocable beneficiary, or at least his legal heir, and opposed the claims on behalf of Vessel and her daughter Vinsel. Yang claimed that her designation as beneficiary in Vin's life insurance policy was irrevocable, in the nature of one "coupled with interest," since it was made in accordance with their mutual agreement to designate one another as sole beneficiary in their respective life policies. She also claimed that the beneficiary designation of Vessel and the illegitimate minor child Vinsel was void being the product of an illicit relationship, and therefore without "insurable interest." (a) Is Yang correct in saying that her designation as beneficiary was irrevocable? (2.5%) (b) Do Vessel and Vinsel have "insurable interest" on

the life of Yin? (2.5%)

A: (a) No, Yang is not correct because a beneficiary designation is revocable unless expressly made irrevocable in the policy, a private mutual agreement does not create irrevocability "coupled with interest," and Yin's later express irrevocable designation of Vinsel and Vessel displaced her. Her killing of Yin additionally disqualifies her as beneficiary. (b) Vessel and Vinsel need no insurable interest on Yin's life because Sec. 184 lets a life policy pass to any person and Sec. 10 gives Yin insurable interest in his own life to support naming whom he pleases, so their illicit origin does not void the designation itself.

The controlling rules are Secs. 184-185, which allow transfer to any person without need of notice, together with the revocability default and the killer-beneficiary disqualification.

Applied here, ten years of faithful premium payment created no vested irrevocability, so the written irrevocable change controls and Vessel and Vinsel take as designated transferees.

Yang's irrevocability claim therefore fails, and Vessel and Vinsel may recover as irrevocable beneficiaries, subject to the parricide consequence against Yang.

2016 Bar Q: X insured his life for P20 million. X, plays golf and regularly exercises everyday, hence is considered in good health. He did not know, however, that his frequent headache is really caused by his being hypertensive. In his application form for a life insurance for himself, he did not put a check to the question if he is suffering from hypertension, believing that because of his active lifestyle, being hypertensive is a remote possibility. While playing golf one day, X collapsed at the fairway a [question continues in the official release on hypertension concealment and materiality]. [a] Will the beneficiary of X be entitled to the proceeds of the life insurance under the circumstances, despite the non-disclosure that he is hypertensive at the time of application? (2.5%) [b] If X died in an accident instead of a heart attack, would the fact of X's failure to disclose that he is hypertensive be considered as material information? (2.5%)

A: [a] The beneficiary's right to the proceeds depends on good faith and materiality at application, because unknowing non-disclosure without fraudulent intent does not avoid the policy where the applicant genuinely believed himself healthy, but hypertension that caused the very death is material and avoids the policy if it is proved to have been known or fraudulently concealed. [b] No, the undisclosed hypertension is not a ground to deny the accidental-death claim because immateriality to accidental death means it would not have affected the risk assumed.

The controlling rules are that concealment avoids only when fraudulent and material to the risk, that incontestability under Sec. 48 (Manila Bankers) bars late proof after two years, and that Biagtan distinguishes accidental from non-accidental death measures.

Applied here, X's good-faith omission plus the insurer's own medical-examination opportunity weigh against avoidance, and death by accident severs any causal link to hypertension.
The insurer must therefore pay where the omission was innocent or time-barred, and may deny only on proved fraudulent material concealment within the contestable period.

Historic Bar gap (2017 item (e)): the file carries only the one-line proposition "The law on life insurance prohibits double insurance. (2%)" as a true/false-style item, with no fact pattern. It is tested through Sec. 95 and Q5 above. Double insurance is not prohibited but regulated, and Sec. 184 lets life policies pass to any person regardless of interest.

Q: The insured names his business partner, who has no insurable interest, as irrevocable beneficiary, then outlives two years. Decide on the partner's right and the insurer's late fraud defense.

A: The business partner recovers the proceeds because Section 184 lets a life policy pass to any person even without insurable interest, so the irrevocable designation stands, and the insurer's fraud suit comes too late because Section 48 bars rescission after two years in force.

Historic Bar gap (2025 Q8): the file copy consulted carries no verbatim-verifiable Q8 life-beneficiaries (two wives) text, so no historic question is reproduced here.

Q: An insured with two successive marriages names both wives as beneficiaries. State who takes and why, running Secs. 184-185 and the revocability default.

A: The widow named in the last valid written designation takes the proceeds because beneficiary designations are revocable by default so the later designation displaces the earlier one, each taker needs no insurable interest under Sections 184 and 185, and the succession of marriages itself neither supplies nor defeats the designation.

Complements table for §3.

Item	Content
Double indemnity rider	Added premium buys added accidental-death cover construed under Biagtan intent test
Beneficiary vs heir claim	Designated beneficiary takes proceeds as transferee, not as inheritance share
Insurable interest anchor	Sec. 10: every person has interest in his own life; designation of anyone valid (Manila Bankers)
Minor proceeds cap	P500,000 or Commissioner's amount without guardianship proceedings (Sec. 182)

Effects/Remedies/Bars ladder - §3

Level	Content
Payable	Death, survival, or contingency within cover after 2 years: fixed sum (Sec. 186); suicide after 2 years or in insanity (Sec. 183)
Transferable	Passes by transfer, will, or succession to any person (Sec. 184); notice unnecessary unless required (Sec. 185)
Barred	Fraud or concealment proved within 2 years (Sec. 48); sane suicide within 2 years where policy excepts it (Sec. 183)
Excluded	Intentional third-party injury under an accidental-death rider (Biagtan); killer-beneficiary from taking

Comm2 Reviewer - Part I-D: Classes of Insurance (§§4-6)

> Source: Aquino 2024 (Commercial Law 2 Textbook), syllabus Part I-D §§4-6; Code texts verified against /opt/data statute files (RA 10607) and RA 386 HTML; case ratios from Batch-1 digests.
> Coverage: §4 Annuity - §5 Casualty Insurance - §6 Compulsory Motor Vehicle Liability Insurance (CMVLI).
> How to use: Part 1 of the I-C template (coverage map, objectives, inventory, study plan, self-check) is not repeated here; these three sections plug into the same spine. Each section below carries the full Part 2 apparatus: verbatim authority, element table, distinctions, case cards, historic-Bar or gap drill, complements, ladder.

4. Annuity

> 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 purposes of this Code.
>
> - Sec. 182, Insurance Code (RA 10607), second paragraph in context

The aleatory contract of life annuity binds the debtor to pay an annual pension or income during the life of one or more determinate persons in consideration of a capital consisting of money or other property, whose ownership is transferred to him at once with the

burden of the income. (1802a)

- Art. 2021, Civil Code (Chapter 3, Life Annuity)

Authority note: the Civil Code does carry a dedicated life-annuity title - Chapter 3, Arts. 2021-2027 - so annuity doctrine rests on statute, not on textbook paraphrase. The product rule is Sec. 182, second paragraph: every contract or pledge for the payment of annuities is a life insurance contract for Code purposes. Aquino pp. 290-291 were not directly quotable (vault PDF is a full-scan file with no text layer); substance below is stated from Secs. 181-182 and Arts. 2021-2027.

Element/Requisite	Content
Life-annuity contract (Art. 2021)	Aleatory contract: debtor pays an annual pension or income during the life of one or more determinate persons, in consideration of capital (money or property) whose ownership passes to him at once with the burden of the income
Lives it may be constituted upon (Art. 2022)	Upon the life of the person who gives the capital, upon a third person, or upon several living persons; in favor of the measuring life or lives, or in favor of another person or persons
Void constitution (Art. 2023)	Void if constituted upon the life of one already dead at contracting, or then suffering from an illness that caused death within twenty days after
Non-payment remedy (Art. 2024)	Arrears do not authorize reimbursement of capital or retaking of the property absent stipulation; remedy is judicial claim of arrears plus security for future income
Product classification (Sec. 182)	Every annuity contract or pledge is a life insurance contract for Code purposes; measure of indemnity is the sum fixed (Sec. 186)
Kinds in the syllabus	Life annuity under the Civil Code; annuity as a life-insurance kind under Sec. 182

Distinction table: annuity vs life insurance vs endowment.

Point	Annuity (Art. 2021)	Life insurance (Secs. 181-182)	Endowment (Sec. 182)
Promise	Periodic pension during a measuring life	Sum on death or on surviving a period	Sum on survival to a fixed date or on earlier death

Point	Annuity (Art. 2021)	Life insurance (Secs. 181-182)	Endowment (Sec. 182)
Consideration	Capital transferred at once with burden of income	Premiums	Premiums
Code treatment	Life insurance contract per Sec. 182	Life insurance proper	Life insurance contract per Sec. 182

Distinction table: Art. 2023 voidness vs Art. 2024 non-payment.

Situation	Rule	Effect
Measuring life already dead, or mortally ill dying within 20 days	Art. 2023	Constitution void
Debtor defaults on income due	Art. 2024	No recovery of capital; sue arrears plus security

Case card: none assigned. Do not cite an unassigned case for annuity doctrine.

Historic Bar question: gap - the 2016-2025 file carries no verbatim annuity question.

Q: X transfers P1,000,000 to Y in exchange for a yearly pension during the life of Z, who dies of a pre-existing illness ten days after the contract. X demands the capital back. Decide under Arts. 2021-2024.

A: The constitution is void and X recovers the capital because Z died within twenty days from a pre-existing illness under Article 2023, so no valid measuring life ever attached and the Article 2024 arrears-only remedy for a valid annuity never came into play.

Complements table for §4.

Item	Content
Pro-rata year of death (Art. 2025)	Income for the year of death paid pro rata to days lived; advance installments begun in his lifetime paid in full
Exemption by gratuitous title (Art. 2026)	Grantor may exempt the annuity from execution or attachment, except where constituted in fraud of creditors
Proof of life (Art. 2027)	No annuity claimed without first proving the existence of the measuring life
Minor's rights (Sec. 182)	Father, mother, or substitute guardian may exercise the minor's policy rights without court authority within the P500,000.00 (or Commissioner-set) cap

Effects/Remedies/Bars ladder - §4

Level	Content
Valid	Measuring life living at constitution: debtor pays pension, arrears sued with security
Void	Dead or mortally-ill measuring life within 20 days: constitution void, no annuity
Limited	Default on income: arrears plus security only, no capital recovery absent stipulation
Classified	Annuity contract or pledge: treated as life insurance under Sec. 182

5. Casualty Insurance

> Casualty insurance is insurance covering loss or liability arising from accident or mishap, excluding certain types of loss which by law or custom are considered as falling exclusively within the scope of other types of insurance such as fire or marine. It includes, but is not limited to, employer's liability insurance, motor vehicle liability insurance, plate glass insurance, burglary and theft insurance, personal accident and health insurance as written by non-life insurance companies, and other substantially similar kinds of insurance.
>
> - Sec. 176, Insurance Code (RA 10607)

Element/Requisite	Content
Trigger	Loss or liability arising from accident or mishap
Carve-out	Losses falling by law or custom exclusively within fire or marine are excluded
Non-exhaustive kinds	Employer's liability; motor vehicle liability; plate glass; burglary and theft; personal accident and health as written by non-life companies; other substantially similar kinds
Accident meaning (Sun; Finman)	That which happens by chance or fortuitously, without intention or design, unexpected, unusual, unforeseen; judged from the insured's standpoint
Exclusion discipline (Finman)	Liability exclusions are enumerated and exclusive; murder and assault not listed are covered (expressio unius)

Element/Requisite	Content
Motor boundary (Villacorta; Perla; Palermo)	Theft and accident are distinct risks; the Authorized Driver clause governs accident, the theft clause governs unlawful taking

Distinction table: casualty vs fire vs marine.

Point	Casualty (Sec. 176)	Fire (Sec. 169)	Marine
Peril	Accident or mishap generally	Fire, lightning, windstorm, tornado, earthquake and allied risks	Perils of the sea and navigation
Boundary	Yields where law or custom reserves the loss to fire or marine	Yields to marine where the risk is transit by sea	Yields to fire where the risk is fire on land
Example kinds	Personal accident, burglary/theft, plate glass, employer liability, motor liability	Building and contents fire cover	Cargo, hull, freightage

Distinction table: accident vs willful exposure vs negligence (Sun).

Concept	Test	Result
Accident	Fortuitous, unintended, unforeseen happening (e.g., gun believed unloaded fires)	Covered
Willful exposure to needless peril	Reckless risking bordering on suicidal intent	Excepted where the policy so provides
Mere negligence of insured	Contributory carelessness without design	Does not bar recovery absent a policy provision

Case: *Sun Insurance Office v. CA (Lim)*, G.R. No. 92383, July 17, 1992

Facts: Felix Lim Jr. held a P200,000 Personal Accident Policy. Two months later he died after pointing at his temple a gun whose magazine he had removed and which he believed to be unloaded. The gun fired. The insurer conceded there was no suicide but denied that any accident occurred.

Issue: Whether the self-inflicted gunshot death was an accident or a willful exposure to needless peril.

Held: The death was accidental and covered. The firing was the additional, unexpected, independent, unforeseen happening. Lim believed the act was safe, so the needless-peril exception failed. Negligence did not bar recovery because no policy provision gave it that effect. Damages and attorney's fees were deleted. The insurer had litigated in good faith a debatable issue of first impression.

Doctrine: Accident carries its ordinary meaning. A deliberate act still yields an accident where an unforeseen happening produces death. The needless-peril exception imports recklessness bordering on suicidal intent.

> Exam trap: Do not treat a mistaken belief of safety as willful exposure; the exception needs conscious reckless risking, and negligence alone never implies it.

Case: *Finman General Assurance v. CA (Surposa)*, G.R. No. 100970, Sept 2, 1992

Facts: The policy was a Teachers Protection Plan personal accident policy. The insured was stabbed to death without provocation by unidentified men on his way home from a festival. The insurer denied the claim. It said murder and assault were not within coverage.

Issue: Whether death by murder or assault is covered or excluded.

Held: The claim was covered. The death was pure accident on the insured's part. The policy enumerated ten excluding circumstances and murder and assault were not among them, so expressio unius keeps the insurer liable. Ambiguities are construed against the insurer under Art. 1377.

Doctrine: Third-party criminal violence unforeseen by the insured is accident as to him. Enumerated exclusions are exclusive.

> Exam trap: Murder is intentional as to the killer but accidental as to the victim; coverage is judged from the insured's standpoint against the exclusion list.

Case: *Palermo v. Pyramid Insurance*, G.R. No. L-36480, May 31, 1988

Facts: The policy was Private Car Comprehensive Policy MV-1251 with P20,000 own damage and P10,000 TPL. Palermo's new car was wrecked head-on by a fire engine while he drove with an expired license. The insurer invoked the Authorized Driver clause.

Issue: Whether driving with an expired license removed the insured from the Authorized Driver clause.

Held: No. The insured himself is always an authorized driver. The licensing proviso applies only to the second class of persons driving on his order or with his permission. The Motor Vehicle Law infraction draws penal sanctions. It does not work a forfeiture of cover.

Doctrine: The Authorized Driver clause polices other drivers. It does not police the insured owner. An expired license alone does not void a comprehensive motor claim.

> Exam trap: Check who drove before checking the license; the proviso never disqualifies the insured himself.

Historic Bar question: gap - the 2016-2025 file carries no verbatim casualty or personal-accident question.

Q: A personal accident policy excludes ten listed causes. The insured dies in a stabbing by strangers, with no provocation. The insurer denies the claim. It cites an unlisted peace-and-order exclusion it says is implied. Decide whether the insurer must pay.

A: The insurer must pay the face amount because the death is accidental as to the insured under the Section 176 trigger, murder by strangers falls outside the ten listed causes so the exclusive enumeration closes against adding an implied peace-and-order exclusion, and ambiguities construe against the insurer.

Complements table for §5.

Item	Content
Motor liability as casualty kind	Sec. 176 lists motor vehicle liability insurance; Third-Party Liability detail lives in Chapter VI (Secs. 386-402)
Theft as casualty kind	Burglary and theft insurance is expressly listed; comprehensive motor theft claims apply the theft clause, not the Authorized Driver clause (Perla)
Health as casualty kind	Personal accident and health as written by non-life companies; life-company health cover is life business instead
Good-faith litigation shield	Debatable first-impression denial defeats moral/exemplary damages and attorney's fees but not the face amount (Sun)

Effects/Remedies/Bars ladder - §5

Level	Content
Covered	Fortuitous loss within a listed kind, no enumerated exclusion hit: insurer pays

Level	Content
Excepted	Enumerated exclusion proved by insurer: no liability for that loss
Distinct-risk rule	Unlawful taking pleaded: theft clause, not the accident/driver clause, decides (Villacorta; Perla)
Shielded	Good-faith debatable denial: face amount due, added damages deleted (Sun)

6. Compulsory Motor Vehicle Liability Insurance (CMVLI)

> 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, bodily injury, and/or damage to property of a third-party or passenger, as the case may be, arising from the use thereof.
>
> - Sec. 387, Insurance Code (RA 10607)
>
> Any claim for death or injury to any passenger or third-party pursuant to the provisions of this chapter shall be paid without the necessity of proving fault or negligence of any kind: Provided, That for purposes of this section: (a) The total indemnity in respect of any person shall not be less than Fifteen thousand pesos (P15,000.00); (b) The following proofs of loss, when submitted under oath, shall be sufficient evidence to substantiate the claim: (1) Police report of accident; and (2) Death certificate and evidence sufficient to establish the proper payee; or (3) Medical report and evidence of medical or hospital disbursement in respect of which refund is claimed; (c) Claim may be made against one motor vehicle only. In the case of an occupant of a vehicle, claim, shall lie against the insurer of the vehicle in which the occupant is riding, mounting or dismounting from. In any other case, claim shall lie against the insurer of the directly offending vehicle. In all cases, the right of the party paying the claim to recover against the owner of the vehicle responsible for the accident shall be maintained.
>
> - Sec. 391, Insurance Code (RA 10607)

Element/Requisite	Content
Who must be covered (Sec. 387)	Every land transportation operator and every motor vehicle owner operating on public highways: policy, cash guaranty, or surety bond in force

Element/Requisite	Content
LTO linkage (Sec. 389)	No registration or renewal without Commissioner-approved documentation that the cover is in effect
Alternative compliance (Sec. 390)	At the owner's/operator's option: authorized-company policy or surety bond, or cash deposit with the Commissioner in the Sec. 390 limit amounts; impaired deposits restored within 60 days
Persons (Sec. 386)	Passenger: fare-paying person conveyed for compensation, plus persons expressly authorized by law, operator, or agents to ride free; Third party: any person other than a passenger, excluding household/family within second civil degree of the owner/operator and employees acting in course of employment
No-fault core (Sec. 391)	Death or injury of passenger or third party paid without proof of fault or negligence; floor P15,000.00 per person; sworn police report plus death certificate/payee proof or medical report/disbursement proof suffices
One-vehicle rule (Sec. 391(c))	Occupant claims against the insurer of the ridden/mounted/dismounted vehicle; others against the directly offending vehicle's insurer; payer keeps recovery against the responsible owner
Cancellation guard (Secs. 393-394)	No valid cancellation without 15-day prior written notice to operator/owner and LTO; plates confiscable absent replacement cover or revival; owner-initiated cancellation needs gap-free replacement filed with LTO
Continuity on transfer (Sec. 395)	Change of ownership or engine: no new policy needed until next registration/renewal if the insurer agrees to continue, by endorsement duplicate filed with LTO within a reasonable time
Claims discipline (Secs. 396-398)	Indemnity is assistance/restitution, not enrichment (Sec. 396); written physician-certified notice within 6 months of accident or claim waived; suit with Commissioner or courts within 1 year from denial or action prescribes (Sec. 397); insurer ascertains and pays within 5 working days after agreement, else pays no-fault now without quitclaim compulsion (Sec. 398)
Forum (Sec. 398)	Disputes enforcing CMVLI policies: original and exclusive jurisdiction of the Commissioner, subject to Sec. 439 limits

Element/Requisite	Content
Prohibitions and penalties (Secs. 399-402)	Operator/owner may not make drivers or employees contribute premiums (Sec. 399); implementing officials may not act as procuring agents, agent commission capped at 10 percent of premiums (Sec. 400); violations fined not less than P500.00 and/or imprisoned up to 6 months, operator Sec. 390 violation grounds CPC revocation (Sec. 401); knowing executive officers liable as principals for entity violations (Sec. 402)

Distinction table: passenger vs third party (Sec. 386).

Point	Passenger (Sec. 386(b))	Third party (Sec. 386(c))
Who	Fare-paying riders for compensation plus lawfully/operator-authorized free riders	Any person other than a passenger
Excluded	Not applicable	Household/family within second degree of owner/operator; employees injured in course of employment
Cover trigger	Operator-class cover (Sec. 390(a) scale)	Owner-class cover (Sec. 390(b) scale) reaches them

Distinction table: no-fault claim vs full fault claim (Secs. 391, 398).

Point	No-fault track	Full claim track
Proof	Sworn police report plus death/medical papers; no fault or negligence	Fault, negligence, and full damages litigated
Amount	At least P15,000.00 per person, immediately payable	Policy limits and proven loss
Timing	Paid even with no agreement, within the Sec. 398 discipline	Paid within 5 working days after agreement; balance pursued without forced quitclaim
Recourse	Payer preserves recovery vs responsible owner	Same preservation

Case: *Villacorta v. Insurance Commission (Empire)*, G.R. No. L-54171, Oct 28, 1980

Facts: The policy was a Private Car Policy with P35,000 own damage and P30,000 theft and P30,000 TPL. The car was entrusted to Sunday Machine Works for check-up. It was taken by shop residents and employees. It was driven to Montalban and crashed into a parked truck. The driver and the passenger died and the car was totally smashed. The insurer and the Commission

denied the claim. They cited an unauthorized driver and a mere temporary joy ride and no theft.

Issue: Whether the repair-shop diversion violated the Authorized Driver clause, and whether the taking was theft.

Held: Recovery was allowed on both grounds. Entrustment to a shop implies permission to its owner and employees for legitimate checking and road-testing. Diversion to an illicit purpose by a licensed employee does not breach the clause. This is the same as a family driver's joy ride. Independently, unlawful taking without consent partakes of theft under Art. 308 even if temporary because use itself is gain. The theft clause applies and the driver clause does not. The subrogee claim against the shop was preserved.

Doctrine: Implied permission covers shop employees for legitimate purposes. Unauthorized diversion keeps authorized-driver status. Temporary unlawful taking is theft for the theft clause.

> Exam trap: Run the theft clause first where consent to the taking is absent; the driver clause only decides accident-risk cases.

Case: *Perla Compania de Seguros v. CA (Lim)*, G.R. No. 96452, 208 SCRA 487, May 7, 1992

Facts: The policy was Comprehensive Policy PC/41PP-QCB-43383 on a mortgaged Ford Laser. The car was carnapped while parked. The loss was promptly reported to the police and the LTC and the highway patrol. The claim was filed two days later. The insurer denied the claim. It said driver Evelyn Lim's license had expired in violation of the Authorized Driver clause.

Issue: Whether the Authorized Driver clause applies to a theft-clause claim.

Held: No. Theft as intent to gain and accident as event without the actor's will are distinct risks. The driver clause contemplates accident and not theft. No causal link exists between license validity and carnapping, and reading one in would make car insurance a sham. The mortgage note survives as the principal obligation. Interest and liquidated damages and attorney's fees were excused because of the sham denial. Bad-faith refusal draws moral/exemplary damages and fees.

Doctrine: On a theft taking, only the theft clause decides. License status is irrelevant. The mortgage debt stands apart from the accessory chattel mortgage.

> Exam trap: An expired license never travels from the accident risk to the theft risk; keep the two clauses in separate lanes.

Case: *Shafer v. RTC Olongapo (Makati Insurance)*, G.R. No. L-78848, Nov 14, 1988

Facts: The policy was private car TPL policy GA No. 0889. Shafer was criminally charged with reckless imprudence for a collision injuring a third party. The trial court dismissed his third-party complaint against the TPL insurer as premature pending conviction.

Issue: Whether the insured may implead the TPL insurer before final judgment on his own liability.

Held: Yes. TPL under then Sec. 374 and now Chapter VI insures directly against liability. The insurer's liability accrues on the injury's occurrence and not on final judgment. The victim may sue the insurer directly, and the insured may use the third-party complaint to avoid multiplicity. No-action clauses yield to the Rules of Court.

Doctrine: Occurrence and not conviction triggers TPL accrual. A third-party complaint is proper where a second suit would otherwise follow.

> Exam trap: Prematurity pleas fail against TPL; the insurer is in from occurrence, and no-action clauses do not block the third-party complaint.

Historic Bar question: gap - the 2016-2025 file carries no verbatim CMVLI, no-fault, or comprehensive-motor question (the Mustang Q at 2017 tests insurable interest/double insurance, already covered in Part I-C).

Q: A pedestrian is hit by a private car. Sworn police report and hospital receipts for P40,000 are filed with the offending car's insurer. The insurer refuses any payment until fault is proved and demands a full quitclaim for P15,000. The victim sues eight months after denial. Decide liability, amount floor, quitclaim, and prescription.

A: The insurer must pay no-fault indemnity of at least P15,000.00 on the sworn papers without proof of fault, and it may not condition payment on a full quitclaim, while the balance above the floor is litigated on fault and the suit filed eight months after denial is within the Sec. 397 one-year period.

The controlling rules are Sec. 391(a)-(c) on the no-fault track, the Sec. 398 first paragraph barring quitclaim compulsion, and Sec. 397 on the six-month notice and one-year-from-denial suit.

Applied here, the sworn police report plus medical and disbursement proof satisfies Sec. 391(b), Sec. 391(c) points the claim at the directly offending vehicle, Sec. 398 bars the forced quitclaim, and eight months from denial is inside the one-year limit.

The insurer must therefore pay no-fault now, litigate the excess on fault, and the action is timely.

Complements table for §6.

Item	Content
Indemnity purpose (Sec. 396)	Assistance or restitution as fairly ascertainable, never an instrument of enrichment
Refusal to insure (Sec. 392)	Unreasonable denial of the mandatory cover is unlawful; LTO substitutes Commissioner cash deposit; unjustified refusal costs the company its casualty/surety authority
LTO list (Sec. 388)	Commissioner furnishes LTO the authorized-company list
Scales (Sec. 390)	Operator per-passenger/third-party minimum P12,000.00 with per-accident category scale; owner per-accident scale by vehicle class; Commissioner may schedule death/bodily-injury indemnities

Effects/Remedies/Bars ladder - §6

Level	Content
Compliant	Live policy/bond/deposit plus LTO documentation: registration allowed, victims covered
Payable	Sworn Sec. 391(b) papers: no-fault floor due without fault proof, no quitclaim exacted
Enforced	Agreement: full payment within 5 working days; dispute: Commissioner jurisdiction, payer's recovery vs responsible owner preserved
Cancelled or transferred	15-day dual notice or confiscation; gap-free replacement; endorsement continuity to next registration
Barred	6-month notice missed: claim waived; 1 year from denial lapsed: action prescribed
Punished	Sec. 399-402 violations: fine, imprisonment, CPC revocation, executive-officer liability

Comm2 Reviewer - Part I-D §§7-8: Marine Insurance and Suretyship

> Source: Aquino 2024 (Commercial Law 2 Textbook), read against syllabus Part I-D §§7-8.
> Coverage: §7 Marine Insurance - §8 Suretyship.
> How to use: Part 1 of this note is the syllabus slice; Part 2 below is the authority reviewer. This file contains ONLY §§7-8.

7. Marine Insurance

Marine Insurance includes: (a) Insurance against loss of or damage to: (1) Vessels, craft, aircraft, vehicles, goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, instruments of debts, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, transhipment, or reshipment incident thereto, including war risks, marine builder's risks, and all personal property floater risks; (2) Person or property in connection with or appertaining to a marine, inland marine, transit or transportation insurance, including liability for loss of or damage arising out of or in connection with the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or surety bonds nor insurance against loss by reason of bodily injury to any person arising out of ownership, maintenance, or use of automobiles); (3) Precious stones, jewels, jewelry, precious metals, whether in course of transportation or otherwise; and (4) Bridges, tunnels and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishings, fixed contents and supplies held in storage); piers, wharves, docks and slips, and other aids to navigation and transportation, including dry docks and marine railways, dams and appurtenant facilities for the control of waterways. (b) Marine protection and indemnity insurance, meaning insurance against, or against legal liability of the insured for loss, damage, or expense incident to ownership, operation, chartering, maintenance, use, repair, or construction of any vessel, craft or instrumentality in use of ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

- Sec. 101, Insurance Code (RA 10607)

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

- Sec. 115, Insurance Code (RA 10607)

An insurer is not liable for any loss happening to the thing insured subsequent to an improper deviation.

- Sec. 128, Insurance Code (RA 10607)

> Upon an actual total loss, a person insured is entitled to payment without notice of abandonment.
>
> - Sec. 137, Insurance Code (RA 10607)
>
> Abandonment, in marine insurance, is the act of the insured by which, after a constructive total loss, he declares the relinquishment to the insurer of his interest in the thing insured.
>
> - Sec. 140, Insurance Code (RA 10607)

Element/Requisite	Content
Kinds and scope (Sec. 101)	Ocean/inland marine, transit and transportation risks including war risks, marine builder's risks, floater risks; P and I (protection and indemnity) liability cover; inland aids to navigation and transport instrumentalities
Policy period (Sec. 117(a))	Voyage policy: seaworthiness at commencement of the risk; time policy: seaworthiness at commencement of every voyage undertaken during the period
Risks covered	Perils of the sea and like perils only; general words construed ejusdem generis with enumerated perils; perils of the ship (wear, inherent vice, negligent unequipment) are not covered (Go Tiaoco)
All-risk vs named perils	All-risk covers all fortuitous losses from insured perils unless expressly excepted; named-peril covers only listed perils; insurer proves the exception (2017 Q I.A, per Part I-C)
Insurable interest - ship (Secs. 102-103, 108)	Owner always has interest though chartered out, insurer liable only for what owner cannot recover from charterer; bottomry owner's interest is only the excess over the secured amount; charterer has interest to the extent of damnification by loss
Insurable interest - freightage (Secs. 104-106)	All benefits from chartering or carriage of own or others' goods; exists for expected freightage in the ordinary course but for the peril; attaches on breaking ground (charter) or on lading/contract plus readiness (carriage price)
Insurable interest - profits (Sec. 107)	One with interest in the thing from which profits are expected has insurable interest in the profits

Element/Requisite	Content
Concealment (Secs. 109-112)	Each party must communicate all material information beyond Sec. 28 plus exact truth on representations; third-person belief on material fact is material; presumed knowledge of prior loss by usual transmission; nationality/capture/seizure/documents/false-papers concealment exonerates only from the resulting loss
Representation (Secs. 113-114)	Intentionally false representation in any material respect or on character/nature of risk: insurer may rescind entire contract; eventual falsity of mere expectation without fraud does not avoid
Implied warranties (Secs. 115-122)	Seaworthiness on every marine policy; reasonably fit for the contemplated service and ordinary perils; properly laden, competent master and crew, requisite equipment; stage-wise compliance (Sec. 119); unreasonable delay in repairing unseaworthiness exonerates on resulting loss (Sec. 120); ship seaworthy for hull may be unseaworthy for cargo (Sec. 121); express nationality warranty implies proper and unsuspicious documents (Sec. 122)
Voyage and deviation (Secs. 123-128)	Described voyage follows mercantile-usage course, else the most natural, direct, advantageous way; deviation is departure, unreasonable delay, or a different voyage; proper only if beyond control, to comply with warranty or avoid peril, good-faith belief of necessity, or to save life; improper deviation cuts liability for subsequent loss
Loss classes (Secs. 129-134, 139)	Total or partial; total is actual or constructive; actual total by destruction, irretrievable sinking/break-up, valuelessness to owner, or deprivation of possession at destination; absence without tidings presumes actual loss; total-loss-only cover excludes constructive loss but covers deprivation of the entire thing at destination
Reshipment (Secs. 135-136)	Cargo cover continues after reshipment at intermediate port on peril's interruption, at possible additional premium; insurer bears discharge, storage, reshipment, extra freightage and saving expenses up to amount insured, never beyond insured/insurable value
Abandonment (Secs. 140-157)	After constructive total loss only; three-fourths value rule (Secs. 141(a)-(d)); ship and freightage special rules; neither partial nor conditional; timely notice on reliable information with inquiry allowance; explicit notice stating cause; valid refusal still binds as actual total loss less salvage; omission to abandon preserves actual-loss recovery

Element/Requisite	Content
Indemnity and valuation (Secs. 158-164)	Valuation conclusive if interest at risk and no fraud (bottomry/respondentia exception; fraudulent valuation rescinds); partial loss apportioned to interest value; profits pro rata; valued freightage/cargo apportioned; open-policy rules for ship, cargo, freightage plus insurance cost; damaged-arrival loss by market-price proportion
Co-insurance and contribution (Secs. 166-167)	General-average contribution for insured peril paid proportionately to policy value; insured claiming whole loss from insurer subrogates the insurer to contribution rights, lost after separation of interests or neglected enforcement
Sue-and-labor-type expenses (Sec. 165)	Expenses forcing ship into port for repair plus agreed labor-for-recovery expenses are insurer's liability in addition to a subsequent total loss
Old materials (Sec. 168)	Old materials applied to new on partial ship loss; insurer pays only two-thirds of remaining repair cost unless stipulated otherwise, anchors in full

Distinction table: perils of the sea vs perils of the ship.

Question	Perils of the sea (covered)	Perils of the ship (not covered)
Nature	Fortuitous accidents of navigation, akin to enumerated perils (ejusdem generis)	Natural and inevitable action of sea, ordinary wear and tear, inherent vice, negligent failure to equip
Example	Sinking in typhoon (Pan Malayan, per Part I-C)	Corroded drain pipe known before voyage admitting seawater (Go Tiaoco)
Who answers	Insurer	Shipowner

Distinction table: voyage policy vs time policy.

Point	Voyage policy	Time policy (Sec. 117(a))
Risk measured by	The described voyage	The specified length of time
Seaworthiness reckoning	At commencement of the risk	At commencement of every voyage during the period
Deviation relevance	Full Secs. 123-128 course discipline	Each voyage during the period separately tested

Distinction table: actual vs constructive total loss.

Class	Trigger	Abandonment
Actual total loss (Sec. 132)	Destruction, irretrievable sinking/break-up, valuelessness to owner, deprivation of possession at destination	None needed; full value on proof (Sec. 137)
Constructive total loss (Secs. 133, 141)	Right to abandon: more than three-fourths lost or to be expended, value reduced more than three-fourths, ship/cargo voyage impracticable on prudent-man cost/risk test	Mandatory, timely, explicit, non-partial, non-conditional

Distinction table: proper vs improper deviation.

Deviation	Instances	Effect
Proper (Sec. 126)	Beyond control; warranty compliance or peril avoidance; good-faith necessity; saving life or relieving distress	Cover continues
Improper (Secs. 127-128)	Every other departure, unreasonable delay, or different voyage	No liability for subsequent loss

Case: *La Razon Social Go Tiaoco y Hermanos v. Union Insurance Society of Canton,* G.R. No. 13983, Sept 1, 1919

Facts: Cargo of rice shipped Saigon to Cebu on the Hondagua. 1,473 sacks were damaged by seawater entering through a defective drain pipe. The hole predated the voyage from ordinary wear and tear. The cement-and-iron-patch repair was slovenly. The pipe vent sat below sea level when laden. The trial court dismissed the case. It was affirmed on appeal.

Issue: Whether a loss from a pre-voyage defect and negligent repair is a peril of the sea, and whether the implied warranty of seaworthiness bars recovery.

Held: No to coverage on both grounds. General words (all other perils, losses, misfortunes) cover only risks of like kind (ejusdem generis) with enumerated perils. A loss flowing from wear and tear or negligent unequipment is a peril of the ship, not of the sea. The implied warranty (then Act No. 2427, Sec. 106. Now Sec. 115) was breached: the ship was unseaworthy for the cargo at inception.

Doctrine: Insurer answers for accidents that may happen, not events that must happen. A ship seaworthy for hull purposes may be unseaworthy for cargo purposes.

> Exam trap: A defect known and badly patched before sailing sounds in unseaworthiness and peril of the ship; do not call every seawater entry a peril of the sea.

Cross-listed marine cards. Full cards are in Part I-C. One-line ratios are stated here. *Pan Malayan* (G.R. No. 95070, 1991) - wetted seed-rice valueless for planting purpose is actual total loss, full value without abandonment. *Oriental Assurance* (G.R. No. 94052, 1991) - one premium, undivided 2,000-cubic-meter shipment: 41.45 percent loss is neither actual nor constructive total loss. *Philippine Manufacturing* (G.R. No. L-16473, 1921) - sunken lighter costing more to salve and repair than its value is actual total loss. *Delsan* (G.R. No. 127897, 2001) - payment waives seaworthiness vs assured but subrogates vs carrier, and receipt suffices. *Cebu Shipyard* (G.R. No. 132607, 1999) - Art. 2207 subrogation to insurer vs negligent repairer. *Asian Terminals* (G.R. No. 171406, 2011) - subrogation receipt alone proves relation and amount.

Historic Bar question: gap - the 2016-2025 file carries no verbatim marine-insurance question (the 2017 Q I.A all-risks denial problem is carded in Part I-C).

Q: A time-policy hull insurer denies a mid-period voyage loss because the ship, seaworthy at inception of the period, developed unseaworthiness during an earlier voyage that the master unreasonably delayed repairing. The cargo owner separately claims although the hull was sound for hull purposes. Decide both claims.

A: The hull claim fails for losses arising from the unrepaired defect because Sec. 117(a) demands seaworthiness at the commencement of every voyage and Sec. 120 exonerates the insurer on unreasonable delay in repairing unseaworthiness, while the cargo claim depends on Sec. 121, under which fitness for hull purposes does not decide fitness for cargo.
The controlling rules are Secs. 115-121 as quoted and tabled above.
Applied here, the master's unreasonable delay in repair triggers the Sec. 120 exoneration on the resulting hull loss, and cargo seaworthiness is separately measured at the inception of the risk against equipment, lading, and manning.
The denial is therefore proper on the resulting hull loss, and cargo recovery turns on cargo-specific unseaworthiness.

Complements table for §7.

Item	Content
Averaging on partial loss	Sec. 159: proportion of amount insured as loss bears to whole interest value

Item	Content
Profits presumption	Sec. 162: loss of the property conclusively presumes loss of valued expected profits
Open-policy cargo value	Sec. 163(b): actual cost laden or market at time and place of lading plus purchase and lading charges, insurance cost added
Reshipment cap	Never beyond insured or insurable value (Sec. 136, second clause)
Judicial-bondsman analog	None here; exhaustion rules belong to §8 (Arts. 2058-2059, 2084)

Effects/Remedies/Bars ladder - §7

Level	Content
Covered	Fortuitous sea peril proximately causing loss: indemnity per valuation and averaging rules
Continued	Reshipment, sue-and-labor-type expenses, general-average contribution: paid within caps
Constructive	Valid timely abandonment: recovery as total loss; refused valid abandonment: liability as actual total less salvage
Cut off	Improper deviation: no liability for subsequent loss
Barred	Peril-of-the-ship loss or breach of implied seaworthiness: no recovery from insurer, redress vs shipowner

8. Suretyship

> A contract of suretyship is an agreement whereby a party called the surety guarantees the performance by another party called the principal or obligor of an obligation or undertaking in favor of a third party called the obligee. It includes official recognizances, stipulations, bonds or undertakings issued by any company by virtue of and under the provisions of Act No. 536, as amended by Act No. 2206.
>
> - Sec. 177, Insurance Code (RA 10607)
>
> The liability of the surety or sureties shall be joint and several with the obligor and shall be limited to the amount of the bond. It is determined strictly by the terms of the contract of suretyship in relation to the principal contract between the obligor and the obligee.

- Sec. 178, Insurance Code (RA 10607)

The surety is entitled to payment of the premium as soon as the contract of suretyship or bond is perfected and delivered to the obligor. No contract of suretyship or bonding shall be valid and binding unless and until the premium therefor has been paid, except where the obligee has accepted the bond, in which case the bond becomes valid and enforceable irrespective of whether or not the premium has been paid by the obligor to the surety: Provided, That if the contract of suretyship or bond is not accepted by, or filed with the obligee, the surety shall collect only a reasonable amount, not exceeding fifty percent (50%) of the premium due thereon as service fee plus the cost of stamps or other taxes imposed for the issuance of the contract or bond: Provided, however, That if the nonacceptance of the bond be due to the fault or negligence of the surety, no such service fee, stamps or taxes shall be collected. In the case of a continuing bond, the obligor shall pay the subsequent annual premium as it falls due until the contract of suretyship is cancelled by the obligee or by the Commissioner or by a court of competent jurisdiction, as the case may be.

- Sec. 179, Insurance Code (RA 10607)

Pertinent provisions of the Civil Code of the Philippines shall be applied in a suppletory character whenever necessary in interpreting the provisions of a contract of suretyship.

- Sec. 180, Insurance Code (RA 10607)

By guaranty a person, called the guarantor, binds himself to the creditor to fulfill the obligation of the principal debtor in case the latter should fail to do so. If a person binds himself solidarily with the principal debtor, the provisions of Section 4, Chapter 3, Title I of this Book shall be observed. In such case the contract is called a suretyship.

- Art. 2047, Civil Code

The guarantor cannot be compelled to pay the creditor unless the latter has exhausted all the property of the debtor, and has resorted to all the legal remedies against the debtor.

- Art. 2058, Civil Code

Element/Requisite	Content
Contract and parties	Surety guarantees principal's performance to obligee; three parties: surety, principal (obligor), obligee (Sec. 177; Art. 2047)
Three statutory characters	Accessory to the principal contract; joint and several with the obligor; limited to the amount of the bond (Sec. 178)

Element/Requisite	Content
Guaranty vs surety	Guarantor pays only on debtor's failure after exhaustion (Art. 2058); surety binds solidarily so creditor may proceed directly against either (Art. 2047, second paragraph; Art. 2059(2))
Not insurance	Insurance is aleatory indemnity on risk for premium with insurable interest; suretyship is solidary guarantee of another's undertaking with recourse against the principal (Secs. 177-178 vs Part I-A)
Written and express	Guaranty is not presumed; must be express and goes no further than stipulated (Art. 2055); commercial bond states terms, amount, and period
Extent capped	Liability limited to bond amount and strictly by suretyship terms in relation to the principal contract, never extended by implication (Sec. 178)
Premium (Sec. 179)	Due on perfection and delivery; no valid bond until paid unless obligee accepted the bond; unaccepted/unfiled bond earns at most 50 percent service fee plus stamps/taxes; surety's fault kills even that; continuing bond pays annual premium until cancellation by obligee, Commissioner, or court
Interpretation	Strictly against the creditor-surety drafter in doubt, resolved in favor of the solidary debtor; suppletory Civil Code Title XV applies (Sec. 180; Art. 2055)
Bond kinds	Surety bonds for credit lines and purchases; performance bonds for due and timely works; counterbonds discharging attachment; judicial and official bonds (Secs. 177, 2082-2084)
Continuing surety	Guarantees future debts even unliquidated (Art. 2053); survives as long as facility or period runs; annual premium until cancellation (Sec. 179, last sentence)
Claims posture	Creditor sues surety jointly and severally without prior exhaustion; surety proves its defenses including fraud or non-communication of recited principal terms
Reimbursement (Arts. 2066-2067)	Paying surety indemnified: debt total, legal interest from notice, post-notice expenses, damages due; subrogated to creditor's rights, capped at what was really paid on compromise

Element/Requisite	Content
Pre-payment relief (Art. 2071)	Before paying, surety may move for release or security when sued, debtor insolvent or absconding, debt demandable, ten-year lapse, or agreed relief period expired
Extinguishment (Arts. 2076-2080)	Ends with debtor's obligation and same causes; creditor's voluntary acceptance of property in payment releases; release of one co-surety benefits all to that share; unauthorized extension to debtor extinguishes; creditor act defeating subrogation releases even solidary sureties

Distinction table: guaranty vs suretyship.

Point	Guaranty (Art. 2047, first paragraph)	Suretyship (Art. 2047, second paragraph; Sec. 178)
Undertaking	Pay if the debtor fails to pay	Pay jointly and severally with the obligor
Creditor's first target	Exhaust debtor's property and remedies (Art. 2058)	May proceed directly against surety, no exhaustion (Art. 2059(2))
Commercial form	Conventional, legal, or judicial (Art. 2051)	Bond with stated amount and period; premium on perfection (Sec. 179)

Distinction table: suretyship vs insurance.

Point	Suretyship	Insurance
Promise	Another's performance to the obligee	Indemnity on fortuitous risk to the insured
Parties	Three: surety, principal, obligee	Two: insurer, insured (beneficiary where stipulated)
Recourse	Surety reimbursed by and subrogated vs principal (Arts. 2066-2067)	Insurer subrogated vs wrongdoer, not vs its own assured (Art. 2207)
Measure	Bond amount cap, strict terms (Sec. 178)	Insured/insurable value and averaging (Secs. 158-164)

Distinction table: defenses that release vs defenses that do not.

Defense	Effect
Bond expressly recites a written principal agreement never reduced to writing or communicated (First Lepanto)	Creditor barred from demanding performance

Defense	Effect
Material alteration imposing new obligation or changing legal effect without surety consent	Surety released
Creditor's voluntary acceptance of property in payment, unauthorized extension, or act defeating subrogation (Arts. 2077, 2079-2080)	Surety released
Non-onerous modification, like-for-like scope revision (Stronghold)	No release
Internal signing limits or lost-records claim without proof (Capital)	No release; insurer bears burden

Case: *First Lepanto-Taisho Insurance (FLT Prime) v. Chevron (Caltex)*, G.R. No. 177839, Jan 18, 2012

Facts: Fumitechniks got Surety Bond FLTICG (16) No. 01012 for P15,700,000 to secure a fuel-credit line with Caltex/Chevron. Bond recited payment in accordance with the terms of the parties' agreement and referred to a written agreement to be attached. Fumitechniks defaulted (dishonored P11,461,773.10 check. P15,084,030.30 claimed). No written distributorship or credit agreement existed or was relayed to the surety. RTC dismissed the case. CA reversed and held the surety liable. Supreme Court reinstated dismissal.

Issue: Whether the surety is liable where the bond expressly refers to a written principal agreement that was never communicated to it.

Held: No. Suretyship is ancillary and presupposes a principal contract. Liability is strictly by bond terms in relation to the principal contract (then Secs. 175-176. Now Secs. 177-178) and cannot be extended by implication. The creditor's non-communication of recited terms bars it from demanding performance, though the bond itself is not voided.

Doctrine: Recital controls: bond terms communicated to the surety fix its risk. It is strictly construed against the creditor. Doubts are resolved in favor of the solidary debtor.

> Exam trap: Non-communication of the recited principal terms bars the creditor's demand but does not void the bond; plead bar to performance, not nullity.

Case: *Stronghold Insurance v. Tokyu Construction*, G.R. Nos. 158820-21, June 5, 2009

Facts: Gabriel subcontracted NAIA Terminal 2 SDS/STP works (P56,507,752 total), backed by Stronghold surety bonds (advance repayment) and performance bonds (due and timely

performance), each one year. Gabriel defaulted. Scope was revised down and Tico bonds were later taken. Gabriel abandoned at partial completion. CIAC and CA held Stronghold liable. Supreme Court affirmed with modification.

Issue: Whether advance issuance, scope modification without notice, replacement bonds, or expiry defeats the surety's liability.

Held: Liable as modified. Ancillary does not mean the bond is void if issued ahead of the principal contract. Only a material alteration imposing a new obligation, taking one away, or changing legal effect releases. The scope revision did not make the obligation more onerous. Default had already fixed liability before the Tico bonds. But one-year performance bonds cap solidary liability to cost overrun and liquidated damages accruing during effectivity.

Doctrine: Modification without added onerosity does not release. Bond period caps the solidary reach.

> Exam trap: Expiry and replacement do not erase liability already fixed by default; cap recovery to the bond's effectivity window.

Case: *Capital Insurance and Surety v. Del Monte Motor Works*, G.R. No. 159979, Dec 9, 2015

Facts: To discharge a preliminary attachment, a CISCO counterbond (Bond No. 00011-00005/JCL(3), June 10, 1997) was filed and approved. RTC later held defendants jointly and severally liable for P11,835,375.50 and enforced against the counterbond. Capital disowned the bond via internal limits (P5,000,000 authority), alleged forgery, lost records, and unpaid premium. RTC and CA sustained the bond. Supreme Court sustained validity but reversed levy on the Sec. 203 security deposit.

Issue: Whether internal authority limits, lost records, or unpaid premium defeat the counterbond, and whether the Sec. 203 deposit answers for it.

Held: Bond valid and enforceable. Deposit is exempt. Apparent authority binds the insurer as against the obligee. Unsubstantiated internal rules and bare non-payment claims do not discharge the proved bond. But Sec. 203 expressly exempts the security deposit from levy by any judgment creditor or claimant. It is a contingency fund for all policyholders.

Doctrine: Insurer proves invalid issuance or pays. Single claimants take no preference from the statutory deposit.

> Exam trap: Win the bond, lose the deposit levy; enforce against ordinary assets, never the Sec. 203 fund.

One-line cross-reference: *Malayan Insurance v. Philippines First Insurance (Wyeth/Reputable)*, G.R. No. 184300 (2012) - two policies for two persons with distinct interests is not double insurance Full card is in §1 reviewer's Part I-C & §1 of this series. It is not re-carded here.

2019 Bar Q: EFG, Inc. is indebted to Bank Y in the amount of P50,000,000.00. The loan was secured by a suretyship agreement issued by Z Insurance Co. Due to EFG, Inc's default, Bank Y filed a case against Z Insurance Co. as surety. There is also a pending criminal case for violation of the Bouncing Checks Law against the President of EFG, Inc., Mr. P, who signed the check as signatory for the company. Unable to meet its obligations as they fell due, EFG, Inc. filed a petition for rehabilitation. Finding the petition sufficient in form and substance, the court issued a Commencement Order, which was thereafter published. (a) Should the case filed against Z Insurance Co. be suspended in light of the Commencement Order? Explain. (2.5%) (b) Should the criminal case filed against Mr. P be suspended in light of the Commencement Order? Explain. (2.5%)

A: (a) No, the case against Z Insurance Co. should not be suspended because the surety's liability is joint and several with the obligor under Sec. 178 and solidary under Art. 2047, second paragraph, so Bank Y may proceed directly against the surety while the rehabilitation stay covers only EFG, with the solidary surety answering independently up to the bond amount. (b) No, the criminal case against Mr. P should not be suspended because rehabilitation suspends only enforcement of civil claims against the debtor, while his criminal liability for the Bouncing Checks Law violation is personal to him as signatory and is not a claim against EFG's estate.

The controlling rules are Sec. 178 on joint-and-several liability within the bond cap and strict bond terms, Art. 2047 on solidary suretyship, and Arts. 2059(2) and 2084 on the absence of exhaustion where the obligation is solidary or the bond is judicial.

Applied here, Bank Y sues on the surety's independent solidary promise and not on EFG's stayed obligation, and Mr. P is prosecuted for his own act of issuing the worthless check and not for EFG's debt.

Neither case is therefore suspended: Bank Y collects from Z up to the bond amount, and the State prosecutes Mr. P.

2018 Bar Q: Yellow Fin Tuna Corporation (Yellow Fin), a domestic corporation, applied for a credit facility in the amount of PhP 50 million with Yengzi Financial Corporation (YFC). The application was approved and the Credit Agreement was signed and took effect. Ysko and Yuan, Yellow Fin Chairman and President, respectively, executed a Continuing Suretyship Agreement in favor of YFC wherein they guaranteed the due and full payment and performance of Yellow Fin's guarantee obligations under the credit

facility. YFC soon discovered material inconsistencies in the financial statements given by Yellow Fin, drawing YFC to conclude that Yellow Fin committed misrepresentation. Under the Credit Agreement, any misrepresentation by Yellow Fin or its sureties will constitute an event of default. YFC thus called an event of default and filed a complaint for sum of money against Yellow Fin, Ysko, and Yuan. Immediately thereafter, Yellow Fin filed a petition for rehabilitation. The court suspended the proceedings in YFC's complaint until the rehabilitation court disposed of the petition for rehabilitation. YFC posits that the suspension of the proceedings should only be with respect to Yellow Fin but not with respect to Ysko and Yuan. Is YFC correct? (2.5%)

A: Yes, YFC is correct because a continuing suretyship guarantees full payment and performance of present and future obligations under the facility under Art. 2053, and sureties bind themselves solidarily under Sec. 178 and Art. 2047, so YFC may enforce directly against Ysko and Yuan despite the stay on Yellow Fin, with the solidary sureties answering on their own promise and remaining suable while retaining reimbursement against the debtor later under Arts. 2066-2067.

The controlling rules are Art. 2053 on future debts secured, Sec. 178 and Art. 2047 on joint-and-several and solidary liability, and Art. 2059(2) on the absence of excussion where the obligation is solidary.

Applied here, Ysko and Yuan signed a continuing solidary guarantee of the whole facility, so YFC's declaration of default on misrepresentation triggered their independent liability, unaffected by Yellow Fin's rehabilitation stay.

Suspension is therefore proper as to Yellow Fin only, and the complaint proceeds against Ysko and Yuan.

Complements table for §8.

Item	Content
Benefit of excussion lost when	Express renunciation; solidary binding; debtor insolvent, absconded or unsuable here, or execution presumptively fruitless (Art. 2059)
Invoking excussion	Plead on demand and point to available Philippine property covering the debt; creditor negligence on it bears the resulting insolvency loss (Arts. 2060-2061)
Co-surety division	Debt divided among co-sureties absent express solidarity; payer recovers proportional shares, insolvent's share spread (Arts. 2065, 2073)

Item	Content
Judicial bondsmen	Cannot demand exhaustion, same for sub-surety (Art. 2084); qualifications per Art. 2056 and special laws (Art. 2082)
Premium default	Unpaid premium voids unaccepted bond; accepted bond binds regardless, obligor still owes premium (Sec. 179)

Effects/Remedies/Bars ladder - §8

Level	Content
Valid	Express bond with communicated principal terms plus premium or obligee acceptance: enforceable to bond cap
Enforced	Creditor proceeds jointly and severally vs surety without exhaustion; solidary surety pays
Reimbursed	Paying surety indemnified by and subrogated to debtor's position; co-sureties contribute proportionally
Released	Unauthorized extension, property-in-payment acceptance, subrogation-defeating act, or material onerous alteration without consent
Barred	Demand beyond bond amount or beyond strict bond terms as related to principal contract: no liability by implication

Quick-Recall Tables

R1. Core provisions and numbers

§	Provision	Number to write cold
1	Double insurance identity	Same person, same subject, same interest (Sec. 95)
1	Reinsurance parties and bar	Ceding insurer + reinsurer only; original insured has no interest (Secs. 97, 100)
2	Fire alteration ladder	Increase-risk without consent avoids (170); no-increase does not (171); benign subsequent act no effect (172)
2	Fire measure	Restoration expense, or valuation named (Secs. 173-174)

§	Provision	Number to write cold
3	Life suicide	Two years in force, shorter if policy says; insanity always pays (Sec. 183)
3	Life transfer	To any person by transfer, will, or succession; transferee interest unnecessary (Secs. 184-185)
4	Annuity voidness	Dead at constitution, or dead within twenty days from illness then suffered (Art. 2023)
5	Casualty scope	Accident or mishap minus fire/marine exclusives; five named lines (Sec. 176)
6	No-fault floor	At least P15,000.00 per person on sworn proofs (Sec. 391)
7	Deviation cutoff	No liability for loss after improper deviation (Sec. 128)
7	Abandonment	Timely, explicit, causally sustained; actual total loss needs none (Secs. 137, 141-147)
8	Surety liability	Joint and several with the obligor, limited to the bond amount (Sec. 178)

R2. Periods, notices, and floors

Clock	Period	Source
Life suicide/incontestability	Two years from issue or last reinstatement	Secs. 183, 48
Annuity voidness window	Death within twenty days from illness at constitution	Art. 2023
Individual-life grace	Thirty days or one month	Sec. 233(a)
CMVLI cancellation notice	At least 15 days before effectivity, to owner/operator and LTO	Sec. 393
CMVLI claim notice	Six months from accident, else waived	Sec. 397
CMVLI suit	One year from denial of claim, else prescribed	Sec. 397
CMVLI payment after agreement	Five working days; no quitclaim compulsion for the no-fault balance	Sec. 398

Clock	Period	Source
Abandonment	Reasonable time after reliable information of loss	Sec. 143
No-fault minimum	P15,000.00 per person	Sec. 391(a)
Agent commission cap (CMVLI)	Ten percent of premiums	Sec. 400

R3. Double vs reinsurance vs co-insurance at a glance

Mechanism	Parties	Same interest	Insured claims against
Double insurance	One insured, several insurers, same subject and interest	Yes, required (Sec. 95)	Policies in any order subject to deduction and ratable contribution (Sec. 96)
Reinsurance	Ceding insurer and reinsurer only	No - reinsurer covers the cedent's liability	Cedent alone; original insured has no interest (Sec. 100)
Co-insurance (fire)	Insured plus co-insurers sharing one risk	Shared by agreement	Each co-insurer for its share; Galian construes the clause

R4. Marine loss and abandonment map

Step	Rule
Classify	Total or partial; total is actual or constructive (Secs. 129-133)
Actual total	Destruction, irretrievable loss, or thing valueless for its purpose; pay without abandonment (Secs. 132, 137)
Constructive total	Right to abandon under Sec. 141 (Sec. 133)
Abandon	Timely, neither partial nor conditional, explicit with cause, sustained on that cause (Secs. 142-147)
Effect	Transfer of interest to insurer; accepted abandonment irrevocable and conclusive (Secs. 148, 153-154)
Omission	Insured may still recover actual loss (Sec. 157)

R5. Surety vs guaranty vs insurance

Point	Surety (Secs. 177-180; CC 2047)	Guaranty (CC 2047-2066)	Insurance
Promise	Solidary with principal debtor	Subsidiary; exhaust principal first	Indemnity on fortuitous loss

Point	Surety (Secs. 177-180; CC 2047)	Guaranty (CC 2047-2066)	Insurance
Creditor's first move	Sue surety at once	Excussion of principal's property	Prove loss within cover
Premium	Due on perfection and delivery of the bond (Sec. 179)	Gratuitous unless stipulated (Art. 2048)	Premium for risk cover
After payment	Reimbursement and subrogation vs principal	Same, with excussion benefit before	Subrogation vs wrongdoer (Art. 2207)

R6. Remedy ladder across the Part

Situation	Remedy
Double cover, same interest	Claim in any order; deduct and contribute ratably (Sec. 96)
Reinsurer liable	Cedent recovers as indemnity vs liability (Sec. 99)
Fire alteration increasing risk	Coverage avoided (Sec. 170)
Suicide inside two years, sane	Insurer exonerated (Sec. 183)
Annuitant unpaid	Sue for arrears plus security, not capital recovery (Art. 2024)
Accident victim under CMVLI	No-fault P15,000.00 on sworn papers; pursue balance without quitclaim (Secs. 391, 398)
Improper deviation then loss	No liability for post-deviation loss (Sec. 128)
Principal defaults on bonded duty	Sue surety directly up to bond amount (Sec. 178)

Exam Traps

1. Double insurance is regulated and not prohibited. The same person plus the same subject plus the same interest triggers order of claiming and contribution. Denial is never automatic. See 2025 Q5 and Malayan and Secs. 95 to 96.
2. The original insured has no interest in the reinsurance contract. He cannot sue the reinsurer. See Sec. 100.
3. Reinsurance is presumed to be indemnity against liability. It is not merely indemnity against damage. See Sec. 99.
4. Disclosure to the reinsurer is required. The exception is an automatic reinsurance treaty. See Sec. 98.

5. Facultative reinsurance is risk by risk cession. Treaty reinsurance is automatic cession of a defined book. See Fieldmen's.

6. Fire alteration avoids coverage only with increased risk plus lack of consent. Harmless alteration does not affect the policy. Benign subsequent acts also do not affect it. See Secs. 170 to 172.

7. The Sec. 175 pledge prohibition targets transfer to one acting as the insurer's agent. Do not extend it to ordinary mortgagee loss payable clauses. See Que Chee Gan.

8. Open policy value is fixed at loss. Valued policy value is fixed on the face. Fire open policies like Galian construe coinsurance against the insurer on ambiguity.

9. Suicide after two years pays. Insanity suicide pays at any time. A shorter contractual period binds. See Sec. 183.

10. Concealment bars only within the two-year contestable period. After that the insurer cannot prove void ab initio. See 2019 H and 2019 Yate and Sec. 48.

11. A life beneficiary designation is revocable by default. Only an express irrevocable designation made with legal formalities binds. Even then the killer beneficiary and interest rules still apply. See 2018 Yin Yang.

12. A life policy passes to any transferee regardless of insurable interest. Do not import property insurance interest rules into life transfers. See Sec. 184.

13. Life annuity needs living determinate lives at constitution. It pays only on proof that the measuring life subsists. See Arts. 2022 and 2027.

14. Nonpayment of annuity income never recovers the capital absent stipulation. The remedy is arrears plus security only. See Art. 2024.

15. Casualty classification follows the Sec. 176 enumeration. Motor liability sits inside casualty. But CMVLI procedure follows Secs. 386 to 402 and not Sec. 176 alone. See Palermo and Villacorta and Perla.

16. No-fault pays on the sworn papers with no negligence proof. The floor is a minimum and not a ceiling. No quitclaim may be exacted for the balance. See Secs. 391 and 398.

17. CMVLI cancellation is void without the 15-day prior notice to owner and operator and LTO. Confiscation of plates follows uncured cancellation. See Sec. 393.

18. Change of ownership or engine needs no new policy until next registration. Endorsement plus LTO filing continues cover. See Sec. 395.

19. Improper deviation cuts liability only for subsequent loss. Loss before deviation stays covered. See Sec. 128.

20. Seaworthiness is judged per voyage stage and per subject. Hull seaworthy does not imply cargo seaworthy. See Secs. 117 to 121.

21. Constructive total loss without timely explicit abandonment still recovers actual loss. Abandonment perfects the total loss claim. It does not forfeit all recovery. See Sec. 157.

22. The surety is sued directly with no exhaustion. The guarantor is not sued directly. Excussion comes first for guaranty. See Sec. 178 and the Civil Code on guaranty.

23. Continuing suretyship covers future debts under the credit line until revoked. The principal rehabilitation stay does not stop the creditor suit against the solidary surety. See 2018 Q V and 2019 B.12.

24. Bond premium is due on perfection and delivery of the bond. It is not due on the principal default. See Sec. 179.

25. A counterbond surety answers as judicial security on the bond terms. Forgery or nonissuance defenses need proof and not mere allegation. See Capital.

26. Criminal liability of the corporate president is personal. It survives the corporation rehabilitation stay. See 2019 B.12(b).

Key Authorities Cited

Codes and statutes. The Insurance Code as amended by RA 10607 applies. The cited sections are Secs. 48 and 95 to 100 and 101 to 168 and 169 to 186 and 215 to 235 and 233 to 235 and 386 to 402. The Civil Code applies on life annuity in Arts. 2021 to 2027 and on guaranty and suretyship in Arts. 2047 to 2084. Art. 2207 applies as subrogation cross reference.

Special laws. The Land Transportation and Traffic Code or RA 4136 supplies definitions incorporated by Sec. 386. The LTO registration gate is in Secs. 388 to 390.

Cases. The cited cases are Fieldmen's (G.R. No. L-23447, 1970) and Multi-ware (G.R. No. 230528, 2021) and La'O (G.R. No. 33131, 1930) and Que Chee Gan (G.R. No. L-4611, 1955) and Galian (G.R. No. L-8405, 1915) and United Merchants (G.R. No. 198588, 2012) and Manila Bankers (G.R. No. 175666, 2013) and Biagtan (G.R. No. L-25579, 1972) and Sun (G.R. No. 92383, 1992) and Finman (G.R. No. 100970, 1992) and Palermo (G.R. No. L-36480, 1988) and Villacorta (G.R. No. L-54171, 1980) and Perla (G.R. No. 96452, 1992) and Shafer (G.R. No. L-78848, 1988) and Go Tiaoco (G.R. No. 13983, 1919) and First Lepanto (G.R. No. 177839, 2012) and Stronghold (G.R. No. 158820, 2009) and Capital (G.R. No. 159979, 2015). The cross lists are Malayan (G.R. No. 184300, 2012) and Cebu Shipyard (G.R. No. 132607, 1999) and Asian Terminals (G.R. No. 171406, 2011) and Delsan (G.R. No. 127897, 2001) and Pan Malayan (G.R. No. 95070, 1991) and Oriental (G.R. No. 94052, 1991) and Phil Manufacturing

(G.R. No. L-16473, 1921).

Source and Verification Note

Primary texts. The Insurance Code as amended by RA 10607 was verified section by section for every quoted block. The checked heads and full texts were Secs. 95 to 100 and 101 to 159 and 160 to 200 and 210 to 235 and 360 to 410 from Official Gazette and LawPhil HTML with spot checks. The Civil Code provisions were Title XIII Chapter 3 on Arts. 2021 to 2027 and Title XV on Arts. 2047 to 2084 from the RA 386 HTML. All 25 case citations carry syllabus dockets confirmed against the Batch-1 digests and the Case List. Corrections inherited from the digests apply. La'O was decided Dec 13 1930 and the syllabus Dec 30 date is in error. Perla consolidated dockets are cited by first number only or 96452. Shafer was decided in 1988 and the syllabus 1998 date is in error. The Que Chee Gan caption appears as Qua Chee Gan in the syllabus. RA 10607 renumbering is named where the Aquino 2024 discussion uses older numbers. Reinsurance is now Secs. 97 to 100 from old 95 to 98. Retention and ceding abroad is now Secs. 215 to 229 from old 210s. Bar question gaps for Secs. 4 to 7 are flagged. The 2016 to 2025 file carries no verbatim annuity or casualty or CMVLI or marine question. The Jason and Shure fire cognition and 2016 X hypertension copies truncate mid sentence and are marked rather than reconstructed. 2025 Q8 carries no verifiable text in the file copy consulted. The vault textbook PDF is a full scan file with zero text layer across all 1,460 pages as shown by pypdf scan. So no chapter sentence is quoted as the book own words. Chapter substance is carried by the Code and the digests. Tables carry uniform pipe counts per row and no triple-star runs. This was verified by script before delivery. Composed drills are labeled simply as Q with colon so they are never mistaken for past questions. Historic stems are reproduced verbatim and only their model answers are recast as unlabeled paragraphs.

Revision note on Q and A pass. Drills were relabeled Q with contiguous A blocks. Five short answers were collapsed to one paragraph. Scoring note lines were removed. Historic stems were year labeled. Part 1 answer format mentions were reworded. Headings and tables and authorities are otherwise unchanged.

Part I-E — Regulation of Insurance Business

PART 1 - SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Insurance Commissioner	Core	Six (6)-year no-reappointment term on Presidential appointment; Sec. 439 adjudicates insured-vs-insurer claims up to P5,000,000.00 per single claim with CA appeal in thirty (30) days	Secs. 437-439; Villacorta (G.R. No. L-54171, 1980)
2	Regulations Imposed on Insurance Business	Core	No insurance business without a Commissioner certificate of authority (Secs. 192-193); new stock life or non-life needs P1,000,000,000.00 paid-up; non-life retains at most twenty percent (20%) of net worth per risk	Secs. 191-221, 229-231, 247-256

§	Topic	Priority	The one rule you must state cold	Authority
3	Regulation of Persons	Core	Only licensed persons transact: professional reinsurers need a certificate (Sec. 288); foreign exit needs liability discharge plus certificate cancellation (Secs. 281-284); control deals need approval or notice (Secs. 299-300, 302); agents and brokers need licenses renewed every three (3) years (Secs. 307-311)	Secs. 281-289, 290-306, 307-347, 373-375, 435-436
4	Insurers in Financial Distress	High	Escalation runs conserve, receive, liquidate: Sec. 254 suspension triggers, Sec. 255 conservator on continuing inability or unwillingness to stay solvent or liquid, Sec. 256 cease-and-desist plus receiver on insolvency with ninety (90)-day reorganization determination, liquidation only on confirmed inability to resume safely	Secs. 254-257

§	Topic	Priority	The one rule you must state cold	Authority
5	Rate Regulation	Core	Rates reasonable, adequate, and non-discriminatory (Sec. 358); charge only the last filing (Sec. 365); excess only on approved written application (Sec. 366); no rebates or anti-Filipino discrimination (Sec. 370)	Secs. 350-372
6	Policy Forms	Moderate	No policy, certificate, or contract - and no application, rider, clause, warranty, or endorsement with it - may be issued or delivered in the Philippines without the Commissioner's prior approval	Sec. 232; Sec. 231 (annual-statement note); Sec. 372
7	Sales Practices and Consumer Protection	High	Refusal without just cause and the five Sec. 247 unfair practices with business-practice frequency support suspension or revocation; life-death claims pay within sixty (60) days and non-life within thirty (30)/ninety (90) days with twice-ceiling delay interest; unreasonable denial adds attorney's fees; each policy a separate Sec. 372 offense	Secs. 247-251, 370-372; Villacorta and Qua Chee Gan (cross-ref I-B/I-D)

§	Topic	Priority	The one rule you must state cold	Authority
8	Anti-Money Laundering	Moderate	Insurers, pre-need companies, and IC-supervised MBAs are covered persons who must report covered and suspicious transactions, and the CA may freeze related property ex parte for up to six (6) months	RA 9160 Secs. 3(a)(2), 4, 9(c), 10, as amended by RA 10365

2. Learning Objectives

1. State the Commissioner's appointment, term, rule-making and sanction powers under Secs. 437-438 and route an ordinary decision to the Secretary of Finance versus an adjudicated claim to the Court of Appeals.
2. Run a Sec. 439 adjudication problem: ceiling, covered parties, exclusion of company-agent disputes, concurrent forum with preclusion, judgment effect, and thirty (30)-day CA notice, using Villacorta as the review-of-IC-decisions illustration.
3. Run a licensing-to-liquidation sequence cold: certificate gate and refusal grounds, P1,000,000,000.00 floor with phase-in dates, dividend lock, twenty percent (20%) single-risk cap, reserve and reporting clocks, and the suspension, conservation and liquidation ladder.
4. Run the foreign-exit sequence (Secs. 281-287) and the professional-reinsurer licensing and capital test (Secs. 288-289) from the Code text.
5. Apply the holding-company control presumption (forty percent (40%), Sec. 290), the five percent (5%) approval and notice-band rules (Secs. 299-300), and the twenty (20)-day notice plus prior-approval acquisition rule (Sec. 302) to control facts.
6. Charge only last-filed rates (Sec. 365), route specific-risk surcharges through written Commissioner approval (Sec. 366), and refuse every rebate or discriminatory term (Sec. 370).
7. Run the Sec. 232 prior-approval gate and the Secs. 248-250 payment-clock and attorney's-fee sequence on an unfair-claim-settlement fact pattern, distinguishing rebating, twisting, and discrimination under Secs. 370-371.
8. Explain why an insurer is an AMLC covered person under RA 9160 Sec. 3(a)(2) as amended by RA 10365, state the reporting and freeze-order basics, and name the two §8 gaps (unverified current thresholds and no insurance-specific bar question).

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Villacorta v. Insurance Commission	G.R. No. L-54171, Oct. 28, 1980	IC dismissed own-damage and theft claim on authorized-driver plus no-theft theory; SC set aside, licensed shop employee authorized and unlawful taking is theft	1
Villacorta (G.R. No. L-54171, 1980); Qua Chee Gan (G.R. No. L-4611, 1955)	cross-reference only	Adhesion-construction doctrine; full cards in Parts I-B/I-D	7

B. Laws and Rules

Law	What it does here	§
Insurance Code Secs. 437-439	Commissioner term, duties, variable-contract exclusivity, rule-making, Finance appeal, indemnity, sanctions, Sec. 439 adjudication and CA appeal	1
Insurance Code Secs. 440-444	Fee floors, Insurance Fund, Sec. 442 penal backstop, Sec. 443 prescription	1
RA 9829 Pre-Need Code (background)	Pre-need companies under primary and exclusive IC supervision and regulation, transferred from SEC	1
Insurance Code Secs. 191-193, 195-196	Corporate organization, licensing gate, certificate life and conditions, foreign agency	2
Insurance Code Sec. 194	P1,000,000,000.00 new floor; P250,000,000.00, P300,000,000.00, P350,000,000.00, P400,000,000.00 phase-in; P100,000,000.00 surplus; net-worth components	2
Insurance Code Secs. 200-203	Solvency maintenance with fifteen (15)-day makeup; dividends; admitted and non-admitted assets	2

Law	What it does here	§
Insurance Code Secs. 201, 204-215	Dividend lock with thirty (30)-day report; investment caps; monthly fifteen (15)-day investment report	2
Insurance Code Secs. 216-221	Life valuation Dec. 31 with Apr. 30 sworn report; twenty-fourth (24th) method; twenty percent (20%) single-risk cap	2
Insurance Code Secs. 229-231, 247-256	Annual statement Apr. 30 with publication; claims practices; examinations; suspension, conservation, receivership, liquidation	2
Insurance Code Secs. 281-287	Foreign withdrawal and servicing: application, publication, liability discharge, examination, special certificate	3
Insurance Code Secs. 288-289	Professional reinsurers: certificate, definition, capital, investment and risk-based overlays	3
Insurance Code Secs. 290-306	Holding companies: definitions, forty percent (40%) presumption, registration, fair-terms standard, approval and notice lines, acquisition control, penalties	3
Insurance Code Secs. 307-318	Agents and brokers: licensing, renewal, definitions, fiduciary premiums, discipline, unauthorized-placement penalty	3
Insurance Code Secs. 319-331	Reinsurance brokers, resident agents, underwriters: authorization, E and O policies, process agency, registration	3
Insurance Code Secs. 332-343	Adjusters: licensing, Filipino-ownership rule, independent vs public, discipline, reports, penalties	3
Insurance Code Secs. 344-347	Actuaries: mandatory engagement, accreditation, certification duties, one-client rule	3
Insurance Code Sec. 373	Entity license authorizes only the named qualifying individual	3

Law	What it does here	§
Insurance Code Sec. 375	Bank-premises sale of approved products under joint Commissioner and BSP rules	3
Insurance Code Secs. 435-436	Self-regulatory organizations: rule approval, sixty (60)-day default effect, emergency action, Commissioner override, suspension and discipline	3
Insurance Code Secs. 350-369	Rating organizations and rate making: licensing, member vs subscriber, examinations, rate standards, filing, review, withdrawal, deviation ban, excess permission, adjustment, residual market	5
Insurance Code Secs. 370-372	Rebate ban, anti-Filipino discrimination ban, misrepresentation ban, P25,000.00 per-offense fine with suspension or revocation	5, 7
Insurance Code Sec. 232	Operative policy-form prior-approval gate for §6	6
Insurance Code Sec. 231	Annual-statement synopsis within thirty (30) days; publication rule, not the approval gate - numbering note kept	6
Insurance Code Secs. 247-251	Claims spine of §7: five unfair practices, sixty (60)-day and thirty (30)/ninety (90)-day clocks, attorney's fees, fraudulent-claim penalty	7
RA 9160 Secs. 3(a)(2), 4, 9(c), 10, as amended by RA 10365	Covered-person status, reporting, and freeze spine of §8	8

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	Frame controlling provisions	Read each §'s verbatim blockquote and reduce it to its gate, ceiling, clock, or threshold	One-line rule per § (the Coverage Map cold rule)

Pass	Time	What you do	Output
2	Distinguish elements/exceptions	Work every distinction table: Finance vs CA appeal; suspend vs conserve vs receive; agent vs broker vs adjuster; deviation vs excess vs rebate; covered vs suspicious	A confusion-pair card per table, statable without notes
3	Apply model-answer problems	Run the drills under time: licensing refusal, capital shortfall, control acquisition, below-file pricing, late claim payment, freeze exposure	Marked model answers

Why this order: authority filter first, then confusion pairs win marks. The examiner tests whether you charge the right gate (certificate, filing, approval, clock) before the story. Pairs (conserve vs receive, rebate vs excess, life vs non-life clocks) are where points separate.

5. Syllabus Self-Check

1. (§1) Who appoints the Commissioner, for what term, and what must be published on early removal. (§1)
2. (§1) State the Sec. 439 ceiling and the company-agent exclusion, then route the appeal and its period. (§1)
3. (§1) IC dismisses a P35,000.00 theft claim on a joy-ride theory: outcome under Villacorta and where the appeal goes. (§1)
4. (§2) New insurer with P800,000,000.00 paid-up seeks a certificate: result under Secs. 193-194, plus the refusal standard. (§2)
5. (§2) Non-life insurer retains thirty percent (30%) of net worth on one subject: violated section and the deductions that could have saved it. (§2)
6. (§3) A withdrawing foreign insurer leaves outstanding Philippine policy liabilities unreinsured and uncancelled. May the Commissioner cancel its certificate. (§3)
7. (§3) H Corp. holds forty-five percent (45%) of an insurer's voting stock and buys an asset worth six percent (6%) of admitted assets without notice. Name the three Code violations. (§3)
8. (§4) State the conserve, receive, liquidate escalation order, the ninety (90)-day determination, and the no-rehabilitation end state. (§4)

9. (§5) An insurer charges below its last filing to win a client and pays the client's officer an unstated bonus. Cite the two sections violated. (§5)

10. (§5) A hazardous risk needs a thirty percent (30%) above-file rate. State the only lawful procedure and its three requisites. (§5)

11. (§6) May an insurer deliver a policy in Manila on a form the Commissioner has not approved, and what happens to an unapproved rider stamped on an approved policy. (§6)

12. (§7) Name the five Sec. 247 unfair claim settlement practices and the two qualifiers that must accompany each act. (§7)

13. (§7) Life policy maturing by death vs non-life loss with no ascertainment within sixty (60) days of proof: state each deadline and the delay-interest rate, then add what Sec. 250 awards on an unreasonable-denial finding. (§7)

14. (§8) Why is a mutual benefit association an AMLC covered person, what is its reporting clock, and which court freezes on whose petition for how long at most. (§8)

PART 2 - BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Insurance Commissioner	Secs. 437-439: 6-year term, rule-making, P5,000.00-P200,000.00 sanctions, P5,000,000.00 adjudication ceiling, 30-day CA appeal
2	Regulations on Business	Secs. 192-194: certificate gate, 3-year certificate life, P1,000,000,000.00 floor + phase-in, 20% single-risk cap, 15-day makeup, Apr. 30 reports
3	Regulation of Persons	Secs. 281-347: exit-and-cancel sequence, 40% control presumption, 5% approval / notice band, 20-day acquisition notice, 3-year agent/broker licenses, P500,000.00 broker bond, 60% Filipino adjuster capital
4	Financial Distress	Secs. 254-257: suspend, conserve, cease-and-desist + receive, 90-day determination, liquidate; liquidated insurer never reauthorized

#	Topic	Must-know: provision + elements
5	Rate Regulation	Secs. 358-372: reasonable/adequate/non-discriminatory, last-filing rule, 10-day notice + 60-day withdrawal, excess only on approval, P25,000.00 per-policy penalty
6	Policy Forms	Sec. 232: prior Commissioner approval of every form, application, rider, clause, warranty, endorsement
7	Sales Practices	Secs. 247-251, 370-371: five unfair practices, 60-day / 30-day / 90-day clocks, twice-ceiling interest, attorney's fees, rebate/twist/discrimination bans
8	AML	RA 9160 Sec. 3(a)(2) as amended: insurers/MBAs/pre-need are covered persons; report in 5 working days; CA freeze to 6 months

Framing questions per problem: what gate authorizes the act (certificate, filing, approval, form)? what ceiling, clock, or threshold caps it? which forum hears the dispute and in how many days? what is the priced consequence (interest, fine, suspension, liquidation)?

Mnemonics: Commissioner numbers are 6-5-30 (6-year term, P5M ceiling, 30-day appeal). Capital build is 1-250-300-350-400 (P1B floor, then 250/2013 +300/2016 +350/2019 +400/2022). Clocks are 60-30-90 (life-death 60, non-life ascertained 30, unascertained 90). Distress runs S-C-R-L (Suspend, Conserve, Receive, Liquidate). Rates run F-A-P (Filed, Adjusted, Permitted - deviation Barred).

1. Insurance Commissioner

> The Insurance Commissioner shall be appointed by the President of the Republic of the Philippines for a term of six (6) years without reappointment and who shall serve as such until the successor shall have been appointed and qualified. If the Insurance Commissioner is removed before the expiration of his term of office, the reason for the removal must be published.
>
> - Sec. 437, par. 1, Insurance Code (RA 10607)
>
> The Insurance Commissioner shall have the duty to see that all laws relating to insurance, insurance companies and other insurance matters, mutual benefit associations,

and trusts for charitable uses are faithfully executed and to perform the duties imposed upon him by this Code, and shall, notwithstanding any existing laws to the contrary, have sole and exclusive authority to regulate the issuance and sale of variable contracts as defined in Section 238 hereof and to provide for the licensing of persons selling such contracts, and to issue such reasonable rules and regulations governing the same.

- Sec. 437, par. 2, Insurance Code (RA 10607)

The Commissioner may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of this Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public. Except as otherwise specified, decisions made by the Commissioner shall be appealable to the Secretary of Finance.

- Sec. 437, par. 3, Insurance Code (RA 10607)

The Commissioner shall have the power to adjudicate claims and complaints involving any loss, damage or liability for which an insurer may be answerable under any kind of policy or contract of insurance, or for which such insurer may be liable under a contract of suretyship, or for which a reinsurer may be sued under any contract of reinsurance it may have entered into; or for which a mutual benefit association may be held liable under the membership certificates it has issued to its members, where the amount of any such loss, damage or liability, excluding interest, cost and attorney's fees, being claimed or sued upon any kind of insurance, bond, reinsurance contract, or membership certificate does not exceed in any single claim Five million pesos (P5,000,000.00).

- Sec. 439, par. 1, Insurance Code (RA 10607)

The power of the Commissioner does not cover the relationship between the insurance company and its agents/brokers but is limited to adjudicating claims and complaints filed by the insured against the insurance company.

- Sec. 439, par. 2, Insurance Code (RA 10607)

The authority to adjudicate granted to the Commissioner under this section shall be concurrent with that of the civil courts, but the filing of a complaint with the Commissioner shall preclude the civil courts from taking cognizance of a suit involving the same subject matter.

- Sec. 439, par. 6, Insurance Code (RA 10607)

Any decision, order or ruling rendered by the Commissioner after a hearing shall have the force and effect of a judgment. Any party may appeal from a final order, ruling or

> decision of the Commissioner by filing with the Commissioner within thirty (30) days from receipt of copy of such order, ruling or decision a notice of appeal to the Court of Appeals in the manner provided for in the Rules of Court for appeals from the Regional Trial Court to the Court of Appeals.
>
> - Sec. 439, par. 7, Insurance Code (RA 10607)

Element/Requisite	Content
Appointment and term (Sec. 437)	Appointed by the President; term six (6) years without reappointment; holdover until successor appointed and qualified; if removed before expiry, reason for removal must be published
Core duty (Sec. 437)	See that all laws on insurance, insurance companies and other insurance matters, mutual benefit associations, and trusts for charitable uses are faithfully executed; perform duties imposed by the Code
Variable contracts (Sec. 437)	Sole and exclusive authority to regulate issuance and sale of variable contracts (Sec. 238) and license persons selling them, notwithstanding any existing laws to the contrary
Rule-making (Sec. 437)	May issue rulings, instructions, circulars, orders and decisions to enforce the Code, ensure efficient regulation per global best practices, and protect the insuring public
Ordinary appeal route (Sec. 437)	Except as otherwise specified, decisions appealable to the Secretary of Finance
Express powers (Sec. 437(a)-(p))	Policy formulation and advice to Congress; approve, reject, suspend or revoke licenses or certificates of registration; impose sanctions; make and supervise rules; deputize enforcement agencies; cease-and-desist against fraud or injury; contempt; compel stockholder meetings; subpoena duces tecum, summon witnesses, examine and seize documents subject to existing laws; suspend or revoke after notice and hearing on legal grounds; compliance examinations; yearly soundness investigation with immediate correction of deficiencies; solvency and liquidity inquiry with prompt corrective action; retain fees and income; fix fees, charges, penalties; implied and incidental powers

Element/Requisite	Content
Indemnity shield (Sec. 437)	Commission indemnifies the Commissioner, Deputy Commissioner, and officials including supervision and examination personnel for costs of civil or criminal suits by reason of duty, unless finally adjudged liable for negligence or misconduct; settlement indemnity only on external-counsel advice of no negligence or misconduct; advance of defense costs on undertaking to repay if ultimately not entitled
Administrative sanctions (Sec. 438)	At discretion, for willful failure or refusal to comply with or violation of the Code or any order, instruction, regulation or ruling, or any commission or irregularities, or unsafe or unsound business as determined by the Commissioner: (a) fines not less than P5,000.00 and not more than P200,000.00; (b) suspension, or after due hearing, removal of directors, officers, agents
Adjudicatory ceiling (Sec. 439)	Single claim not exceeding P5,000,000.00, excluding interest, cost and attorney's fees
Adjudicatory subject (Sec. 439)	Insurer liability under any policy or contract of insurance; suretyship liability; reinsurer sued on reinsurance; mutual benefit association on membership certificates
Adjudicatory exclusion (Sec. 439)	Does not cover insurer vs agents or brokers relations; only claims and complaints filed by the insured against the insurance company
Forum rule (Sec. 439)	Concurrent with civil courts; filing with the Commissioner precludes civil courts from the same subject matter
Personnel and procedure (Sec. 439)	May authorize officer or group to investigate, hear and decide; may issue adjudication rules; Rules of Court suppletory; filing party submits to jurisdiction; jurisdiction over impleaded party per Rules of Court; oath, subpoena, evidence, production powers; full stenographic record; ADR system to promote party autonomy
Decision effect (Sec. 439)	After hearing, decision, order or ruling has force and effect of a judgment
Appeal (Sec. 439)	Notice of appeal to the Court of Appeals filed with the Commissioner within thirty (30) days from receipt, in the manner provided for RTC-to-CA appeals

Element/Requisite	Content
Pre-need (RA 9829, background)	All pre-need companies under primary and exclusive supervision and regulation of the Insurance Commission; jurisdiction transferred from the SEC when the Pre-Need Code passed; outside the Code-file quote rule, stated as background

Distinction table: Sec. 437 appeal vs Sec. 439 appeal.

Point	Ordinary regulatory decisions (Sec. 437)	Adjudicated claims (Sec. 439)
Forum	Secretary of Finance, except as otherwise specified	Court of Appeals
Trigger	Rulings, instructions, circulars, orders, decisions generally	Final order, ruling or decision after hearing on a claim or complaint
Period	As specified in applicable regulation	Notice of appeal within thirty (30) days from receipt, filed with the Commissioner
Effect of decision below	As provided by the issuance	Has force and effect of a judgment

Distinction table: what the Commissioner can and cannot adjudicate.

Point	Covered (Sec. 439)	Excluded (Sec. 439)
Parties	Insured vs insurance company; member vs mutual benefit association; reinsurance suitor vs reinsurer	Insurance company vs its agents or brokers
Subject	Loss, damage or liability under policy, surety contract, reinsurance contract, membership certificate	Company-agency or brokerage relations
Amount	Single claim up to ₱5,000,000.00 excluding interest, cost, attorney's fees	Stated excess over the ceiling
Forum competition	Concurrent with civil courts; first filing with Commissioner precludes the courts	Courts retain what the Commissioner cannot take

Case: *Jewel Villacorta v. Insurance Commission and Empire Insurance Co.*, G.R. No. L-54171, Oct. 28, 1980

Facts: Jewel Villacorta owned a 1976 Colt Lancer insured with Empire under Private Car Policy No. MBI/PC-0704 for P35,000.00 own damage, P30,000.00 theft, P30,000.00 third-party

liability, May 16, 1977 to May 16, 1978. On May 9, 1978 she left it with Sunday Machine Works for check-up and repairs. On May 11, 1978, while in the shop's custody, six persons took it to Montalban, Rizal, where driver Benito Mabasa crashed into a parked gravel-and-sand truck. Mabasa and one passenger died, four were injured, and the car was extensively damaged. Empire denied the total-loss claim. The Insurance Commission dismissed the complaint, holding the driver was not an authorized driver and the taking was a mere temporary joy ride, hence no theft.

Issue: The first question is whether the shop employee's diversion violated the authorized-driver clause and barred recovery. The second question is whether the unlawful taking was theft within the theft clause.

Held: The petition was granted. The Commission decision was set aside. First, the shop employee was an authorized driver: entrusting the key to an established repair shop presumes permission to drive for legitimate checking or road-testing, and diversion to an illicit purpose does not breach the clause where the driver is duly licensed. Second, independently, the unlawful taking without consent partook of theft under Art. 308 of the Revised Penal Code, so the theft clause applied. Permanent intent to deprive is not required since use itself is gain. Empire was sentenced to pay P35,000.00 with legal interest from filing until full payment plus costs, with subrogation against Sunday Machine Works preserved.

Doctrine: An employee's unauthorized diversion of an entrusted car does not violate the authorized-driver clause so long as he is licensed. An unlawful taking without consent is theft under the theft clause even if temporary. Insurance contracts are contracts of adhesion construed strictly against the insurer to protect the weaker party.

> Exam trap: IC dismissal of a claim is not the end of the road - Sec. 439 gives the adjudicated decision the force of a judgment appealable to the Court of Appeals within thirty (30) days, and Villacorta shows the Court setting aside a restrictive authorized-driver plus no-theft ruling. Plead the thirty-day CA notice, not the Secretary-of-Finance route.

Complements table for §1.

Item	Content
Term	Six (6) years, no reappointment; holdover; published reason on early removal
Adjudication ceiling	P5,000,000.00 per single claim, interest, cost and attorney's fees excluded

Item	Content
Sanctions	Fine P5,000.00 to P200,000.00; suspension or, after due hearing, removal of directors, officers, agents
Appeal clock	Thirty (30) days from receipt of Sec. 439 decision, notice filed with the Commissioner, to the Court of Appeals
Rule-number caution	The Code file says only "in the manner provided for in the Rules of Court for appeals from the RTC to the Court of Appeals"; the "Rule 43" label is a background cross-reference, not quoted from the file
Pre-need caution	RA 9829 supervision rule is background law verified on LawPhil, not part of the Code-file quote set

Historic Bar question: gap. No 2016-2025 Bar question found on the Insurance Commissioner's appointment, powers, sanctions, or Sec. 439 adjudication and appeal. Search of the Bar Questions file returned no Commissioner, licensing, capital, or solvency question - only unrelated corporation-law hits (doing business without license, capital stock, insolvency under FRIA). If the examiner asks Villacorta-type facts, answer with the drill below.

Q: Villacorta leaves her insured car with a repair shop for check-up and repairs. A shop employee drives it to Montalban without her consent, crashes it into a parked truck, and the car is extensively damaged. The insurer invokes the authorized-driver clause and denies theft, and the Insurance Commission dismisses her complaint on those grounds. Decide whether recovery lies and state the appeal route.

A: The claim is recoverable under both the authorized-driver and theft covers, so the Commission's dismissal of the own-damage and theft claim must be set aside.

The controlling rules are Sec. 439, which lets the Commissioner adjudicate the insured's own-damage and theft claim up to P5,000,000.00 with appeal by notice to the Court of Appeals within thirty (30) days. The adhesion-construction rule resolves policy ambiguities strictly against the insurer. Art. 308 of the Revised Penal Code treats unlawful taking without consent as theft because use itself is gain.

Applied here, entrusting the key to an established repair shop presumptively authorizes legitimate driving by a licensed driver, so the diversion to an illicit purpose does not breach the clause. The taking without consent is theft regardless of permanence, and here it proved lasting since the car was smashed beyond serviceable return.

Villacorta therefore recovers P35,000.00 with legal interest from filing, subject to the insurer's subrogation against the shop, and the remedy from the adverse ruling is a Sec. 439 notice of appeal to the Court of Appeals filed with the Commissioner within thirty (30) days from receipt.

2. Regulations Imposed on Insurance Business

> The provisions of the Corporation Code, as amended, shall apply to all insurance corporations now or hereafter engaged in business in the Philippines insofar as they do not conflict with the provisions of this chapter.
>
> - Sec. 191, Insurance Code (RA 10607)
>
> No corporation, partnership, or association of persons shall transact any insurance business in the Philippines except as agent of a corporation, partnership or association authorized to do the business of insurance in the Philippines, unless possessed of the capital and assets required of an insurance corporation doing the same kind of business in the Philippines and invested in the same manner; unless the Commissioner shall have granted it a certificate to the effect that it has complied with all the provisions of this Code.
>
> - Sec. 192, Insurance Code (RA 10607)
>
> No insurance company shall transact any insurance business in the Philippines until after it shall have obtained a certificate of authority for that purpose from the Commissioner upon application therefor and payment by the company concerned of the fees hereinafter prescribed.
>
> - Sec. 193, par. 1, Insurance Code (RA 10607)
>
> The Commissioner may refuse to issue a certificate of authority to any insurance company if, in his judgment, such refusal will best promote the interest of the people of this country. No such certificate of authority shall be granted to any such company until the 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 Philippines to transact business therein, that the grant of such authority appears to be justified in the light of local economic requirements, and that the direction and administration, as well as the integrity and responsibility of the organizers and administrators, the financial organization and the amount of capital, reasonably assure the safety of the interests of the policyholders and the public.
>
> - Sec. 193, par. 2, Insurance Code (RA 10607)
>
> The certificate of authority issued by the Commissioner shall expire on the last day of December, three (3) years following its date of issuance, and shall be renewable every three (3) years thereafter, subject to the company's continuing compliance with the

provisions of this Code, circulars, instructions, rulings or decisions of the Commission.

- Sec. 193, par. 6, Insurance Code (RA 10607)

No insurance company may be authorized to transact in the Philippines the business of life and non-life insurance concurrently, unless specifically authorized to do so by the Commissioner.

- Sec. 193, par. 8, Insurance Code (RA 10607)

Except as provided in Section 289, no new domestic life or non-life insurance company shall, in a stock corporation, engage in business in the Philippines unless possessed of a paid-up capital equal to at least One billion pesos (P1,000,000,000.00): Provided, That a domestic insurance company already doing business in the Philippines shall have a net worth by June 30, 2013 of Two hundred fifty million pesos (P250,000,000.00). Furthermore, said company must have by December 31, 2016, an additional Three hundred million pesos (P300,000,000.00) in net worth; by December 31, 2019, an additional Three hundred fifty million pesos (P350,000,000.00) in net worth; and by December 31, 2022, an additional Four hundred million pesos (P400,000,000.00) in net worth.

- Sec. 194, par. 1, Insurance Code (RA 10607)

No insurance company other than life, whether foreign or domestic, shall retain any risk on any one subject of insurance in an amount exceeding twenty percent (20%) of its net worth.

- Sec. 221, par. 1, Insurance Code (RA 10607)

No insurance company doing business in the Philippines shall refuse, without just cause, to pay or settle claims arising under coverages provided by its policies, nor shall any such company engage in unfair claim settlement practices.

- Sec. 247(a), Insurance Code (RA 10607)

If the Commissioner is of the opinion upon examination of other evidence that any domestic or foreign insurance company is in an unsound condition, or that it has failed to comply with the provisions of law or regulations obligatory upon it, or that its condition or method of business is such as to render its proceedings hazardous to the public or to its policyholders, or that its net worth requirement, in the case of a domestic stock company, or its available cash assets, in the case of a domestic mutual company, or its security deposits, in the case of a foreign company, is impaired or deficient, or that the margin of solvency required of such company is deficient, the Commissioner is

> authorized to suspend or revoke all certificates of authority granted to such insurance company, its officers and agents, and no new business shall thereafter be done by such company or for such company by its agent in the Philippines while such suspension, revocation or disability continues or until its authority to do business is restored by the Commissioner.
>
> - Sec. 254, par. 1, Insurance Code (RA 10607)

Element/Requisite	Content
Sources (2.01)	Insurance Code Secs. 190-256 as amended by RA 10607; Corporation Code suppletory under Sec. 191; Commissioner rules, circulars, instructions, rulings, decisions under Sec. 437; Sec. 189 statutory financial reporting framework
Reasons and bases (2.02)	Protect policyholders and the public; assure safety of their interests in licensing (Sec. 193); keep proceedings non-hazardous (Sec. 254); maintain solvency and liquidity (Secs. 200, 254-256); raise management quality (Sec. 193)
Areas (2.03)	Organization and authorization; capitalization and net worth; governance and fitness; investments; assets and valuation; reserves; single-risk retention and reinsurance; examinations and reports; claims settlement; suspension, conservation, receivership and liquidation; policy-form approval
Licensing gate (2.04)	Sec. 192: no transaction except as agent of an authorized insurer, or with required capital and assets, plus Commissioner's compliance certificate; every certificate holder subject to the Code and Commissioner jurisdiction. Sec. 193: application plus prescribed fees; Commissioner refusal where it best promotes the people's interest; four satisfaction requisites - Philippine-law qualification, local economic justification, sound direction and administration with integrity, financial organization and capital assuring policyholder and public safety
Refusal and conditions (2.04)	Name clearance (no identical or misleading name; Commissioner name rules); life-plus-non-life concurrency only on specific authorization; no insurer-adjuster cross-equity either way; LGU or similar ordinance cannot bar a certificated insurer anywhere in the Philippines (void ab initio); certificate expires Dec. 31 three (3) years after issuance, renewable every three (3) years on continuing compliance

Element/Requisite	Content
Pre-licensing papers (2.04)	Sec. 195 file-before-business checklist: last annual or verified financial statement; domestic: SEC-certified articles and bylaws; foreign: SEC mercantile-registry certificate plus certified charter documents and home-supervisor certificate of organization, capital and legal reserve; unincorporated foreign: nature, office, persons, capital, managers, verified by chief officer, with written articles attached. Sec. 196 foreign power of attorney to a resident general agent plus stipulation for substituted service on the Commissioner, copy mailed within ten (10) days, mailing a necessary part of service
Suspension and cancellation (2.04)	Sec. 247(c): each unexcused unfair-claim-settlement instance suffices for suspension or revocation. Sec. 253: refusal of examination suspends Philippine authority until compliance. Sec. 254: unsound condition, legal noncompliance, hazardous method, impaired net worth, cash assets, deposits, or solvency margin - suspend or revoke all certificates of company, officers and agents; no new business until restored; restoration needs a three (3)-year receipts-and-disbursements business plan. Sec. 255: conservator on continuing inability or unwillingness to stay solvent or liquid; Sec. 256: cease-and-desist plus receivership and liquidation on insolvency or hazardous continuance
Organization (2.05)	Sec. 191: Corporation Code applies to insurance corporations unless conflicting with the insurance chapter; Sec. 190 defines insurer, domestic and foreign company, with professional reinsurers under Sec. 288
Directors and officers (2.06)	Sec. 193: any person of good moral character, unquestioned integrity and recognized competence may be elected or appointed under governance circulars; Commissioner prescribes qualifications of directors, executive officers and key officials; no person concurrently Director or Officer of both an insurance company and an adjustment company
Governance and reporting (2.07)	Sec. 189: Commission-prescribed statutory financial reporting framework governs statutory statements and annual submissions, distinct from SEC framework; purpose is risk and solvency disclosure; international solvency and reporting standards plus Actuarial Society of the Philippines principles guide it; Secs. 204-215 assets and Title 5 reserves accounted under it. Sec. 193 governance circulars control fitness and properness

Element/Requisite	Content
Capital and net worth (2.08-2.09)	Sec. 194: new domestic stock life or non-life needs paid-up capital of at least P1,000,000,000.00. Existing domestic: net worth of P250,000,000.00 by June 30, 2013, plus P300,000,000.00 by Dec. 31, 2016, plus P350,000,000.00 by Dec. 31, 2019, plus P400,000,000.00 by Dec. 31, 2022. Pre-licensing extras for new companies: contributed surplus of at least P100,000,000.00 in cash pro rata, plus a three (3)-year receipts-and-disbursements business plan. Mutual in lieu of net worth: members equity as determined by the Commission above listed liabilities plus required surplus. Secretary of Finance may raise minimums on Commissioner recommendation; minimums must remain unimpaired; risk-based capital may be required. Net worth is paid-up capital, retained earnings, unimpaired surplus, and approved asset revaluation; capital notes or debentures subordinate to all credits and senior only to common stock may count. Presidential biennial ASEAN-integration review by DOF, IC, NEDA, SEC and designees
Maintenance (2.08-2.09)	Sec. 200: maintain minimum paid-up capital and Commissioner-set net worth at all times on internationally accepted solvency frameworks after industry consultation. Deficiency: Commissioner orders cash makeup by all stockholders pro rata within fifteen (15) days; no new risk meanwhile; paying stockholder gets a lien on the defaulter's certificates plus accrued interests and dividends until reimbursed
Margin of solvency (2.10)	Terminology point: the Code file uses "margin of solvency" only as a Sec. 254 suspension trigger and Sec. 200 Commissioner-set solvency requirements; no formula appears in the file, so no number is stated - flagged gap

Element/Requisite	Content
Admitted assets (2.11)	Sec. 202 allows only what the Commissioner determines as legally or beneficially owned: (a) cash and verified bank balances; (b) Code-compliant securities, money-market instruments, real property and income; (c) adequately secured non-speculative loans; (d) policy loans within legal reserves; (e) uncollected and deferred premiums on full mean tabular reserve (life); (f) reinsurance recoverable per authorization and control rules; (g) treaty-withheld funds with adequate reserves; (h) underwriting-association and suspended-bank recoverables as allowed; (i) authorized data-processing machines amortized in five (5) equal annual amounts; (j) mutual funds, REITs, salary loans, UITFs, special deposits as conditioned; (k) other Commissioner-approved realizable assets
Non-admitted assets (2.11)	Sec. 203 never admits: (a) goodwill, trade names and like intangibles; (b) prepaid or deferred charges for expenses and commissions; (c) inadequately secured or unauthorized advances to officers (other than policy loans) and personal-security advances to employees, agents and others; (d) own shares, equity therein, or loans secured thereby, including indirect proportionate interests; (e) furniture, furnishings, fixtures, safes, equipment, library, stationery, literature, supplies; (f) returned-check bank credits after statement date; (g) ledger-over-Code-or-Commissioner-rule excess investment value; plus Commissioner-determined others; doubtful values deducted from gross assets unless a liability reserve is permitted
Dividend policy (2.12)	Sec. 201: no declaration or distribution on outstanding stocks unless minimum paid-up capital and net worth under Sec. 194 are met, and only from sworn-attested profits remaining after retaining (a) entire paid-up capital, (b) Sec. 200 solvency requirements, (c) Sec. 217 life legal reserve, (d) Sec. 219 non-life legal reserve, (e) sums for reported or in-settlement net losses plus expense and tax liabilities. Report every dividend within thirty (30) days; violation empowers cease-and-desist until restoration. Commissioner sets solvency requirements for foreign-branch operations
Investments (2.13)	Secs. 204-213 ladder with caps below; violations are non-admitted assets (Sec. 213); Sec. 215 monthly investment report within first fifteen (15) days, Commissioner may order sale of injudicious items

Element/Requisite	Content
Reserves (2.14)	Sec. 216: yearly valuation of all life policies, additions, unpaid dividends and obligations as of Dec. 31, on Commissioner-prescribed internationally-aligned actuarial standard stated in the annual report; preliminary-term basis caps term insurance at first policy year; report to Commissioner by Apr. 30 with sworn officer statement of methods. Sec. 217: aggregate net value is the reserve liability in secure investments above other liabilities; variable-contract reserves per approved actuarial procedures. Sec. 218: deferred-surplus mutual or participating plans apportion surplus annually as a distinct liability never diverted. Sec. 219: non-life unearned-premium reserve by the twenty-fourth (24th) method, charged as liability. Sec. 220: charge estimated taxes, expenses, other accrued obligations and Commissioner-required special reserves
Examinations and reports (2.15)	Sec. 215: monthly investment report within first fifteen (15) days. Sec. 229: fiscal year ends Dec. 31; sworn annual statement by Apr. 30 in Commissioner-prescribed form under the Sec. 189 framework; false entry is a misdemeanor punishable under Sec. 442. Sec. 230: variable-contract separate-accounts statement under two (2) officers with the annual statement. Sec. 231: publish full synopsis in a newspaper of general circulation within thirty (30) days after Commissioner's approval; Commissioner accounting-rules power under international standards. Sec. 252: books kept verifiable for solvency and compliance. Sec. 253: examination at least once a year and whenever public interest demands, of the company and its managers, with books and sworn officer examination; refusal suspends authority
Single risk (2.16)	Sec. 221: non-life foreign or domestic retains at most twenty percent (20%) of net worth on any one subject of insurance - all properties or risks customarily treated by non-life underwriters as exposed to the same occurrence of the insured hazard. Commissioner may add catastrophe aggregate-retention caps. Deduct authorized reinsurance ceded; surety further deducts co-surety assumptions and controlled or pledged security

Element/Requisite	Content
Security deposit (2.17)	Sec. 197: foreign insurer needs unimpaired capital or assets and reserve of at least P1,000,000,000.00 and a prior deposit with the Commissioner of satisfactory Philippine securities, including registered-enterprise new issues, of at least that market value; at least fifty percent (50%) in Government debt instruments; single-registered-enterprise cap of twenty percent (20%) of the foreign company's net worth nor twenty percent (20%) of the enterprise capital without written approval; extra pre-licensing surplus fund as determined by the Commission; net worth means Philippine net worth only. Sec. 198: Commissioner holds for all policyholders and creditors; solvent company collects interest or dividends and substitutes like securities with assent; return only on written approval after proof of zero Philippine liability. Sec. 199: foreign legal reserves on Philippine policies kept and invested locally in Sec. 206 classes; single-entity cap of twenty percent (20%) of investor net worth or twenty percent (20%) of issuer capital, lesser governs, unless approved; no removal from the Philippines without written consent. Sec. 209 (domestic parallel): invest twenty-five percent (25%) of Sec. 194 minimum net worth in satisfactory Government debt, lien-free, deposited with the Commissioner for faithful performance; Sec. 198 applies as practicable; exempt from judgment-creditor levy

Distinction table: suspension vs conservation vs liquidation.

Point	Suspension or revocation (Sec. 254)	Conservation (Sec. 255)	Receivership and liquidation (Sec. 256)
Trigger	Unsound condition, legal noncompliance, hazardous method, impaired net worth, cash assets, deposits, or solvency margin	Continuing inability or unwillingness to stay solvent or liquid, before or after suspension	Examination or evidence of insolvency (failure to meet Sec. 200 solvency, hence cannot pay lawful obligations as due) or hazardous continuance
Who acts	Commissioner suspends or revokes all certificates of company, officers and agents	Commissioner-appointed conservator takes assets, liabilities and management	Commissioner orders cease-and-desist, designates receiver then liquidator

Point	Suspension or revocation (Sec. 254)	Conservation (Sec. 255)	Receivership and liquidation (Sec. 256)
Business effect	No new business until restored; restoration needs a three (3)-year business plan	Overrule prior management and board; preserve assets, reorganize, restore viability	Receiver gathers and administers; liquidator reinsures policies, converts assets, settles liabilities; ninety (90)-day Commissioner reorganization decision precedes liquidation
End state	Restored authority or escalation	Terminated on restored viability, or escalated to Title 15	Liquidated company, life, non-life or professional reinsurer, can never be rehabilitated or reauthorized

Distinction table: admitted vs non-admitted assets.

Point	Admitted (Sec. 202)	Non-admitted (Sec. 203)
Test	Legally or beneficially owned and Commissioner-allowed, realizable for losses and claims	Intangible, prepaid, unsecured-insider, own-share, office-furnishing, stale-check, or overvalued-ledger character
Examples	Cash, compliant securities and realty, secured loans, policy loans within reserves, controlled reinsurance recoverables, five (5)-year EDP amortization	Goodwill, deferred commissions, unsecured officer advances, own stock, furniture and supplies, returned checks, ledger excess
Cure	Keep within Code and circular limits	Deduct from gross assets unless a liability reserve is permitted

Case coverage for §2

Complements table for §2.

Item	Content
Certificate life	Expires Dec. 31 three (3) years after issuance; renewable every three (3) years
Service on foreigner	Resident general agent power of attorney; substituted service on Commissioner with mailed copy within ten (10) days

Item	Content
Capital build	P1,000,000,000.00 new paid-up; existing P250,000,000.00 by June 30, 2013, plus P300,000,000.00 by Dec. 31, 2016, plus P350,000,000.00 by Dec. 31, 2019, plus P400,000,000.00 by Dec. 31, 2022; P100,000,000.00 contributed surplus for new companies
Makeup and dividends	Fifteen (15) days cash makeup pro rata, no new risk meanwhile; dividends reported within thirty (30) days
Investment caps	Real-estate mortgage seventy percent (70%) non-agricultural, forty percent (40%) agricultural, twenty-five (25)-year max; listed-share loans fifty percent (50%) of 180-day WAMP, unlisted at adjusted book; chattel seventy percent (70%) on equipment up to three (3) years old; office lot and building twenty percent (20%) of net worth; government-debt deposit twenty-five percent (25%) of Sec. 194 minimum; single-name equity or loan caps twenty-five percent (25%) bonds, ten percent (10%) preferred or common (life); registered-enterprise caps twenty percent (20%)
Reserves and reports	Life valuation Dec. 31, report Apr. 30; non-life unearned premium on twenty-fourth (24th) method; monthly investment report within first fifteen (15) days; annual statement Apr. 30; publication within thirty (30) days of approval; examination at least once a year
Claims clocks	Life proceeds sixty (60) days after claim and death proof; non-life thirty (30) days after proof and ascertainment, ninety (90) days after proof if no ascertainment within sixty (60) days; interest at twice the Monetary Board ceiling; unreasonable denial adds attorney's fees and expenses under Sec. 250
Single risk	Twenty percent (20%) of net worth per subject of insurance (non-life)
Foreign deposit	At least P1,000,000,000.00; at least fifty percent (50%) Government debt; twenty percent (20%) single-enterprise caps
Penalty backstop	Sec. 442: fine up to P200,000.00 or six (6) months imprisonment or both for unpenalized violations; officers liable unless proven non-participating; Sec. 443: prescription three (3) years from discovery, ten (10) years absolute

Historic Bar question: gap. No 2016-2025 Bar question found on certificates of authority, paid-up capital, net worth phase-in, single risk, admitted assets, reserves, investments,

examinations, or suspension and liquidation. If examined, anchor on the Sec. 194 phase-in figures and the Sec. 221 twenty-percent rule, and state the Sec. 193 refusal ground in the Commissioner's own judgment language.

Q: A new domestic non-life insurer with P800,000,000.00 paid-up capital and facially complete papers applies for a certificate of authority, and the Commissioner considers refusing it. Decide whether the certificate may issue and state the refusal ground.

A: No certificate may issue on these papers, and the Commissioner may additionally refuse any application where refusal best promotes the interest of the people of the country.
The controlling rules are Sec. 194, which requires at least P1,000,000,000.00 in paid-up capital for a new stock life or non-life company, kept unimpaired for continuance. Sec. 193 bars issuance until the Commissioner is satisfied on the four requisites of Philippine-law qualification, local economic justification, sound direction and administration with integrity, and financial organization and capital reasonably assuring the safety of policyholders and the public.
Applied here, P800,000,000.00 falls short of the P1,000,000,000.00 floor regardless of papers. Even at full capital, economic justification, management integrity, and policyholder safety must each still be satisfied.
The application must therefore be denied on the capital floor alone, and refusal is likewise lawful on an adverse best-interest judgment under Sec. 193.

3. Regulation of Persons Involved in the Business

> A foreign insurance company doing business in the Philippines, upon payment of the fee hereinafter prescribed and surrender to the Commissioner of its certificate of authority, may apply to withdraw from the Philippines. Such application shall be duly executed in writing, accompanied by evidence of due authority for such execution, properly acknowledged.
>
> - Sec. 281, Insurance Code (RA 10607)
>
> Every foreign insurance company desiring to withdraw from the Philippines shall, prior to such withdrawal, discharge its liabilities to policyholders and creditors in this country. In case of its policies insuring residents of the Philippines, it shall cause the primary liabilities under such policies to be reinsured and assumed by another insurance company authorized to transact business in the Philippines. In the case of such policies as are subject to cancellation by the withdrawing company, it may cancel such policies pursuant to the terms thereof in lieu of such reinsurance and assumption of liabilities.
>
> - Sec. 283, Insurance Code (RA 10607)

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

- Sec. 286, Insurance Code (RA 10607)

No company shall act as a servicing insurance company until after it shall have obtained a special certificate of authority to act as such from the Commissioner upon application therefor and payment by the company of the fees hereinafter prescribed. Such certificate shall expire on the last day of December of the third year and shall be renewed, while the company continues to service its policyholders, and to comply with all the applicable provisions of law and regulations.

- Sec. 287, Insurance Code (RA 10607)

Except as otherwise provided in this Code, no partnership, association or corporation shall transact any business in the Philippines as a professional reinsurer until it shall have obtained a certificate of authority for that purpose from the Commissioner upon application therefor and payment by such entity of the fees hereinafter prescribed. As used in this Code, the term 'professional reinsurer' shall mean any entity that transacts solely and exclusively reinsurance business in the Philippines.

- Sec. 288, Insurance Code (RA 10607)

Such certificate of authority shall expire on the last day of December the third year following its issuance unless it is renewed.

- Sec. 288, Insurance Code (RA 10607)

Control, including the terms controlling, controlled by and under common control with, means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities by a contract other than a commercial contract for goods or non-management services or otherwise. Subject to Section 292, control shall be presumed to exist if any person directly or indirectly owns, controls or holds with the power to vote forty percent (40%) or more of the voting securities of any other person: Provided, That no person shall be deemed to control another person solely by reason of his being an officer or director of such other person.

- Sec. 290(b), Insurance Code (RA 10607)

Holding company means any person who directly or indirectly controls any authorized insurer. Controlled insurer means an authorized insurer controlled directly or indirectly by a holding company.

- Sec. 290(c)-(d), Insurance Code (RA 10607)

Every person who on the date this Code takes effect is a controlled insurer and every person who thereafter becomes a controlled insurer, shall, within sixty (60) days thereafter, or within thirty (30) days after becoming a controlled insurer, whichever is later, register with the Commissioner.

- Sec. 294(a), Insurance Code (RA 10607)

The prior written approval of the Commissioner shall be required for the following transactions between a controlled insurer and any person in its holding company system: sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer's admitted assets as of the thirty-first day of December next preceding.

- Sec. 299, Insurance Code (RA 10607)

The following transactions between a controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into any such transaction at least thirty (30) days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period: (a) Sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (1/2%) but less than five percent (5%) of the insurer's admitted assets as of the thirty-first day of December next preceding; (b) Reinsurance treaties or agreements; (c) Rendering of services on a regular or systematic basis; or (d) Any material transaction, specified by regulation, which the Commissioner determines may adversely affect the interest of the insurer's policyholders or stockholders.

- Sec. 300, Insurance Code (RA 10607)

No person, other than an authorized insurer, shall acquire control of any domestic insurer, whether by purchase of its securities or otherwise, except: (1) After twenty (20) days written notice to its insurer or such shorter period as the Commissioner may permit, of its intention to acquire control; and (2) With the prior written approval of the Commissioner.

- Sec. 302(a), Insurance Code (RA 10607)

No insurance company doing business in the Philippines, nor any agent thereof, shall pay any commission or other compensation to any person for services in obtaining insurance, unless such person shall have first procured from the Commissioner a license to act as an insurance agent of such company or as an insurance broker as hereinafter provided. No person shall act as an insurance agent or as an insurance broker in the solicitation or procurement of applications for insurance, or receive for services in obtaining insurance, any commission or other compensation from any insurance company doing business in the Philippines, or any agent thereof, without first procuring a license so to act from the Commissioner, which must be renewed every three (3) years thereafter.

- Sec. 307, Insurance Code (RA 10607)

The license shall expire after the thirty-first day of December of the third year following the date of issuance unless it is renewed.

- Sec. 307, Insurance Code (RA 10607)

Any person who for compensation solicits or obtains insurance on behalf of any insurance company or transmits for a person other than himself an application for a policy or contract of insurance to or from such company or offers or assumes to act in the negotiating of such insurance shall be an insurance agent within the intent of this section and shall thereby become liable to all the duties, requirements, liabilities and penalties to which an insurance agent is subject. An insurance agent is an independent contractor and not an employee of the company represented.

- Sec. 309, Insurance Code (RA 10607)

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

- Sec. 310, Insurance Code (RA 10607)

The bond shall be in such amount as may be fixed by the Commissioner, but in no case less than Five hundred thousand pesos (P500,000.00), and shall be conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions under license.

- Sec. 311, Insurance Code (RA 10607)

Except as otherwise provided by law or treaty, it shall be unlawful for any person, partnership, association or corporation in the Philippines, for himself or itself, or for some other person, partnership, association or corporation, either to procure, receive or forward applications of insurance in, or to issue or to deliver or accept policies or contracts of insurance of or for, any insurance company or companies not authorized to transact business in the Philippines, covering risks, life or non-life, situated in the Philippines.

- Sec. 318, Insurance Code (RA 10607)

A reinsurance broker is one who, for compensation, not being a duly authorized agent, employee or officer of an insurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts of reinsurance, or placing risks of effecting reinsurance, for any insurance company authorized to do business in the Philippines.

- Sec. 319, Insurance Code (RA 10607)

No person, partnership, association, or corporation shall act as an adjuster, as hereinafter defined, unless authorized so to act by virtue of a license issued or renewed by the Commissioner pursuant to the provisions of this Code: Provided, That in the case of a natural person, he must be a Filipino citizen and in the case of a partnership, association or corporation, at least sixty percent (60%) of its capital must be owned by citizens of the Philippines.

- Sec. 332, Insurance Code (RA 10607)

The term independent adjuster means any person, partnership, association or corporation which, for money, commission or any other thing of value, acts for or on behalf of an insurer in the adjusting of claims arising under insurance contracts or policies issued by such insurer. The term public adjuster means any person, partnership, association or corporation which, for money, commission or any other thing of value, acts on behalf of an insured in negotiating for, or effecting, the settlement of a claim or claims of the said insured arising under insurance contracts or policies.

- Sec. 333, Insurance Code (RA 10607)

No adjuster shall act on behalf of an insurer unless said adjuster is licensed as an independent adjuster; and no adjuster shall act on behalf of an insured unless said adjuster is licensed as a public adjuster: Provided, however, That when a firm or person has been licensed as a public adjuster, he shall not be granted another license as independent adjuster and vice versa. No license, however, shall be required of any

company adjuster who is a salaried employee of an insurance company for the adjustment of claims filed under policies issued by such insurance company.

- Sec. 334, Insurance Code (RA 10607)

No life insurance company shall be licensed to do business in the Philippines nor shall any life insurance company doing business in the Philippines be allowed to continue doing such business unless they shall engage the services of an actuary duly accredited with the Commissioner who shall, during his tenure of office, be directly responsible for the direction and supervision of all actuarial work connected with or that may be involved in the business of the insurance company.

- Sec. 344, Insurance Code (RA 10607)

No accredited actuary shall serve more than one client or employer at the same time.

- Sec. 347, Insurance Code (RA 10607)

A license issued to a partnership, association or corporation to act as an insurance agent, general agent, insurance broker, reinsurance broker, or adjuster shall authorize only the individual named in the license who shall qualify therefor as though an individual licensee.

- Sec. 373, Insurance Code (RA 10607)

Each self-regulatory organization shall submit to the Commissioner for prior approval any proposed rule or amendment thereto, together with a concise statement of the reason and effect of the proposed amendment. Within sixty (60) days after submission of a proposed amendment, the Commissioner shall, by order, approve the proposed amendment. Otherwise, the same may be made effective by the self-regulatory organization.

- Sec. 435, Insurance Code (RA 10607)

Element/Requisite	Content
Reinsurance business (Sec. 288)	No entity transacts solely and exclusively reinsurance business in the Philippines without a Commissioner certificate of authority; professional reinsurer defined as an entity transacting solely and exclusively reinsurance business

Element/Requisite	Content
Professional reinsurer capital (Sec. 289)	At least P3,000,000,000.00 paid in cash, at least 50 percent paid-up with contributed surplus of at least P400,000,000.00; 25 percent of paid-up capital in Republic securities deposited with the Commissioner; risk-based capital requirements may add
Foreign withdrawal (Secs. 281-284)	Written application with proof of authority plus surrender of certificate (Sec. 281); publication once a week for 3 consecutive weeks at company expense (Sec. 282); prior discharge of Philippine policyholder and creditor liabilities, with Philippine-resident policy liabilities reinsured and assumed by an authorized insurer or cancelled per policy terms (Sec. 283); Commissioner examination and cancellation of certificate only on a clean finding, examination cost per Sec. 440 (Sec. 284)
Servicing company (Secs. 286-287)	Withdrawing foreign life company confined to collecting premiums, granting policy loans, paying cash surrender values, reviving lapsed policies, and related services is a servicing insurance company; needs a special certificate of authority expiring Dec. 31 of the third year, renewable while servicing
Holding company (Sec. 290)	Control presumed at 40 percent or more of voting securities; holding company controls an authorized insurer; controlled insurer is so controlled; holding company system is the group
Registration and reporting (Secs. 294-295)	Controlled insurer registers within 60 days of effectivity or 30 days of becoming controlled, amended within 30 days of a holding-company change; files Commissioner-directed reports on system operations affecting it
Intra-system transactions (Secs. 298-301)	Terms fair and equitable, charges reasonable, expenses equitably allocated with books disclosing details (Sec. 298); 5 percent or more of admitted assets needs prior written approval (Sec. 299); over 1/2 of 1 percent but under 5 percent, reinsurance treaties, regular services, and specified material transactions need 30-day prior notice without disapproval (Sec. 300); review tests Sec. 298 compliance and policyholder effect (Sec. 301)
Acquisition of control (Sec. 302)	Non-insurer acquirer gives 20 days written notice plus secures prior written approval; Commissioner disapproves only on stated factors (financial condition, trustworthiness, operating plan, fund sources, exchange fairness, competition, policyholder hazard)

Element/Requisite	Content
Self-regulatory organizations (Secs. 435-436)	Rule or amendment needs prior Commissioner approval with reasons stated; deemed effective if unacted on in 60 days; emergency summary effect with immediate copy to Commissioner; Commissioner may alter or supplement rules after request, notice, and hearing; suspension up to 12 months, revocation, censure, expulsion, and officer removal powers; SRO disciplines members with charges, notice, defense opportunity, and record
Agents (Secs. 307-309)	No commission without a Commissioner license renewed every 3 years, expiring Dec. 31 of the third year; company-endorsed application, competence and trustworthiness test; agent defined by solicitation or negotiation for the insurer; independent contractor, not employee
Brokers (Secs. 310-311)	Broker acts for the insured for compensation; P500,000.00 surety bond for accounting plus two separate E and O policies of at least P500,000.00 each from authorized insurers, one-claim-one-policy filing bar
Other registrants	Reinsurance broker negotiates reinsurance for authorized insurers, needs Commissioner authorization (Sec. 319) with two E and O policies of at least P500,000.00 each (Sec. 320); resident agent receives notices and process for unauthorized foreign insurers or brokers under authenticated power of attorney (Secs. 322-324); non-life underwriter selects and prices risks, needs registration, 21 years old, Philippine resident, 2 years underwriting work, written exam (Secs. 327-329)
Adjusters (Secs. 332-334)	License required; natural person must be Filipino, entity at least 60 percent Filipino-owned; independent adjuster acts for the insurer, public adjuster for the insured; no dual license; salaried company adjusters exempt
Actuaries (Secs. 344-347)	Life companies must engage a Commissioner-accredited actuary directing all actuarial work; fellow of the Actuarial Society of the Philippines or its equivalent with government permission; certifies reserves, premiums, policies, statements, projections, annuity valuations; one client at a time absent written request, acquiescence, and Commissioner copies
Entity licenses (Sec. 373)	Partnership, association, or corporation license authorizes only the individual named, who must qualify as an individual licensee with a full additional fee per extra individual

Distinction table: agent vs broker vs adjuster.

Point	Agent (Secs. 307-309)	Broker (Secs. 310-311)	Adjuster (Secs. 332-334)
Whom served	The insurance company	The insured	Insurer (independent) or insured (public)
Defining act	Solicits or negotiates insurance for the company	Solicits, negotiates, or procures insurance for the insured	Adjusts claims under issued policies
Employment status	Independent contractor, not employee	Independent intermediary with P500,000.00 bond and two E and O policies	Licensed per claim line; Filipino citizenship or 60 percent Filipino capital
Dual role	Company-endorsed license	May not take commission from unauthorized placement (Sec. 318)	No simultaneous independent and public licenses

Distinction table: member vs subscriber of a rating organization (Sec. 350).

Point	Member	Subscriber
Relation	Insurer participating in or entitled to participate in management	Insurer furnished rates and manuals on request without membership
Service right	Rating service without discrimination	Same, plus right to be admitted as subscriber under reasonable rules reviewable by the Commissioner (Sec. 351)

Distinction table: rating-organization filing vs own-rate filing.

Point	Through rating organization	Own-rate filing
Who files	Organization files for members and subscribers	Company makes and files its own rates
Authorization	Company authorizes the Commissioner to accept the organization filing for it (Sec. 361)	Company files every manual, schedule, classification, plan, rule, and modification it will use (Sec. 361)
Standard	Same Sec. 358 standards and Sec. 363-364 review apply to both	Same Sec. 358 standards and Sec. 363-364 review apply to both

Case card: none assigned. Do not cite an unassigned case for §3 doctrine.

Historic Bar question: gap - the 2016-2025 file carries no verbatim question on foreign withdrawal, holding companies, SROs, agents, brokers, adjusters, or actuaries.

Q: A non-life insurer controlled by H Corp. proposes to sell to H Corp. an asset worth 6 percent of its admitted assets as of Dec. 31 last year without asking anyone. H Corp. separately buys 45 percent of the insurer's voting stock without notice. Decide whether either transaction may proceed under Secs. 290, 299, and 302.

A: Both transactions are barred as proposed because each crosses a control-line threshold that needs prior clearance.

The controlling rules are Sec. 290(b), which presumes control where a person holds forty percent (40%) or more of voting securities. Sec. 299 requires prior written approval for a controlled insurer's transactions with its holding-company system involving five percent (5%) or more of admitted assets. Sec. 302(a) requires twenty (20) days written notice plus prior written approval for a non-insurer's acquisition of control of a domestic insurer.

Applied here, the six-percent asset sale exceeds the five-percent line and falls outside the thirty-day notice band for smaller transactions, while the forty-five-percent stock purchase exceeds the forty-percent presumption and is an acquisition of control by a non-insurer.

Neither transaction may therefore proceed without the required approvals: prior written approval for the sale, and twenty-day notice plus prior written approval for the acquisition.

Complements table for §3.

Item	Content
Publication and cost (Secs. 282, 285)	Withdrawal application published 3 consecutive weeks at company expense; unpaid publication costs collected from the Sec. 197 deposit
Withdrawal examination (Sec. 284)	Certificate cancelled only on a finding of no outstanding liabilities or full reinsurance assumption; examination cost per Sec. 440
Holding-company exemptions (Sec. 293)	Authorized insurers, reinsurers, subsidiaries, and government-owned vehicles are not holding companies; Commissioner may conditionally exempt others
Agent and broker discipline (Sec. 314)	Refusal, suspension, or revocation for willful violation, material misstatement, fraud, breach of fiduciary duty, untrustworthiness, misrepresentation, or exam failure; no renewal without active engagement
Premium fiduciary duty (Sec. 315)	Premiums collected held in fiduciary capacity; delivery of policy deemed authorization to receive premium; Commissioner sets standard agency and broker agreement terms

Item	Content
Unauthorized placement penalty (Sec. 318)	Procuring for unauthorized foreign insurers punished by P250,000.00 fine, 6 months imprisonment, or both per offense; reinsurance excepted
Adjuster discipline (Sec. 339)	Suspension or revocation after notice and hearing for Code violation, misstatement, fraud, incompetence, patently unjust valuation, failure to report within 60 days of claim filing, or refusal of examination; quarterly reports within 1 month after quarter-end (Sec. 340)
Adjuster violations (Sec. 343)	Fine of at least P10,000.00 or imprisonment; entity liability falls on the responsible partner, officer, or manager

4. Insurers in Financial Distress

> If the Commissioner is of the opinion upon examination of other evidence that any domestic or foreign insurance company is in an unsound condition, or that it has failed to comply with the provisions of law or regulations obligatory upon it, or that its condition or method of business is such as to render its proceedings hazardous to the public or to its policyholders, or that its net worth requirement, in the case of a domestic stock company, or its available cash assets, in the case of a domestic mutual company, or its security deposits, in the case of a foreign company, is impaired or deficient, or that the margin of solvency required of such company is deficient, the Commissioner is authorized to suspend or revoke all certificates of authority granted to such insurance company, its officers and agents, and no new business shall thereafter be done by such company or for such company by its agent in the Philippines while such suspension, revocation or disability continues or until its authority to do business is restored by the Commissioner. Before restoring such authority, the Commissioner shall require the company concerned to submit to him a business plan showing the company's estimated receipts and disbursements, as well as the basis therefor, for the next succeeding three (3) years.
>
> - Sec. 254, Insurance Code (RA 10607)
>
> If at any time before, or after, the suspension or revocation of the certificate of authority of an insurance company as provided in the preceding title, the Commissioner finds that such company is in a state of continuing inability or unwillingness to maintain a condition of solvency or liquidity deemed adequate to protect the interest of policyholders and creditors, he may appoint a conservator to take charge of the assets,

liabilities, and the management of such company, collect all moneys and debts due to said company and exercise all powers necessary to preserve the assets of said company, reorganize the management thereof, and restore its viability. The said conservator shall have the power to overrule or revoke the actions of the previous management and board of directors of the said company, any provision of law, or of the articles of incorporation or bylaws of the company, to the contrary notwithstanding, and such other powers as the Commissioner shall deem necessary.

- Sec. 255, par. 1, Insurance Code (RA 10607)

The conservator may be another insurance company doing business in the Philippines, any officer or officers of such company, or any other competent and qualified person, firm or corporation. The remuneration of the conservator and other expenses attendant to the conservation shall be borne by the insurance company concerned.

- Sec. 255, Insurance Code (RA 10607)

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

- Sec. 255, Insurance Code (RA 10607)

Whenever, upon examination or other evidence, it shall be disclosed that the condition of any insurance company doing business in the Philippines is one of insolvency, or that its continuance in business would be hazardous to its policyholders and creditors, the Commissioner shall forthwith order the company to cease and desist from transacting business in the Philippines and shall designate a receiver to immediately take charge of its assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its policyholders and creditors, and exercise all the powers necessary for these purposes including, but not limited to, bringing suits and foreclosing mortgages in the name of the insurance company.

- Sec. 256, par. 1, Insurance Code (RA 10607)

The Commissioner shall thereupon determine within ninety (90) days whether the insurance company may be reorganized or otherwise placed in such condition so that it may be permitted to resume business with safety to its policyholders and creditors and

shall prescribe the conditions under which such resumption of business shall take place as well as the time for fulfillment of such conditions.

- Sec. 256, Insurance Code (RA 10607)

If the Commissioner shall determine and confirm within the said period that the insurance company is insolvent, as defined hereunder, or cannot resume business with safety to its policyholders and creditors, he shall, if the public interest requires, order its liquidation, indicate the manner of its liquidation and approve a liquidation plan and implement it immediately. The Commissioner shall designate a competent and qualified person as liquidator who shall take over the functions of the receiver previously designated and, with all convenient speed, reinsure all its outstanding policies, convert the assets of the insurance company to cash, or sell, assign or otherwise dispose of the same to the policyholders, creditors and other parties for the purpose of settling the liabilities or paying the debts of such company.

- Sec. 256, Insurance Code (RA 10607)

The provisions of any law to the contrary notwithstanding, the actions of the Commissioner under this section shall be final and executory, and can be set aside by the court upon petition by the company and only if there is convincing proof that the action is plainly arbitrary and made in bad faith.

- Sec. 256, Insurance Code (RA 10607)

As used in this title, the term Insolvency shall mean the inability of an insurance company to pay its lawful obligations as they fall due in the usual and ordinary course of business as may be shown by its failure to maintain the solvency requirements under Section 200 of this Code.

- Sec. 256, Insurance Code (RA 10607)

The receiver or the liquidator, as the case may be, designated under the provisions of this title, shall not be subject to any action, claim or demand by, or liability to, any person in respect of anything done or omitted to be done in good faith in the exercise, or in connection with the exercise, of the powers conferred on such receiver or liquidator.

- Sec. 257, Insurance Code (RA 10607)

No insurance company, life or non-life, or any professional reinsurer, ordered to be liquidated by the Commissioner under the provisions hereunder may be rehabilitated or authorized to transact anew, insurance or reinsurance business, as the case may be.

- Sec. 255, Insurance Code (RA 10607)

Element/Requisite	Content
Suspension trigger (Sec. 254)	Unsound condition; legal or regulatory noncompliance; hazardous condition or method; impaired or deficient net worth (stock), cash assets (mutual), or deposits (foreign); deficient solvency margin - suspend or revoke all certificates of company, officers, and agents; no new business until restored; restoration needs a three (3)-year receipts-and-disbursements business plan
Conservatorship trigger (Sec. 255)	Continuing inability or unwillingness to maintain adequate solvency or liquidity, before or after suspension - conservator takes assets, liabilities, and management, collects moneys and debts, preserves assets, reorganizes management, restores viability, overruling prior management and board
Who may conserve	Another Philippine insurer, its officer or officers, or any other competent and qualified person, firm, or corporation; company bears remuneration and expenses; good-faith immunity; reports to the Commissioner
Conservatorship exit	Ends when the Commissioner is satisfied the company can operate on its own; escalates to Title 15 where continuance would be hazardous
Receivership trigger (Sec. 256)	Disclosed insolvency, or continuance hazardous to policyholders and creditors - forthwith cease-and-desist plus designated receiver takes charge, gathers and administers assets for policyholders and creditors, may sue and foreclose in the company name
Ninety-day determination	Within ninety (90) days the Commissioner decides whether reorganization can restore safe resumption, prescribing conditions and time; if insolvent or unsafe, and public interest requires, orders liquidation with manner, plan, and immediate implementation
Liquidator work	Takes over from the receiver, reinsures all outstanding policies, converts or disposes of assets to settle liabilities and pay debts, sues to collect in the company name
Finality and courts	Commissioner actions final and executory; set aside only on convincing proof of plain arbitrariness and bad faith; no restraining order or injunction without that proof plus a petitioner bond (Commissioner may dissolve it by posting double); Rule 58 governs; proceedings preferred; no filing fees for the Commissioner

Element/Requisite	Content
Insolvency defined	Inability to pay lawful obligations as they fall due in the usual and ordinary course, shown by failure to maintain Sec. 200 solvency requirements
No return	A liquidated life, non-life, or professional reinsurer may never be rehabilitated or reauthorized

Distinction table: conservatorship vs receivership vs liquidation.

Point	Conservatorship (Sec. 255)	Receivership (Sec. 256)	Liquidation (Sec. 256)
Purpose	Preserve assets, reorganize management, restore viability as a going concern	Take custody and administer where the company cannot safely continue	Wind up the unsalvageable company and pay claimants
Trigger	Continuing inability or unwillingness to stay solvent or liquid	Disclosed insolvency or hazardous continuance	Ninety (90)-day determination of insolvency or inability to resume safely, public interest requiring
Who acts	Commissioner-appointed conservator overruling prior management	Commissioner-designated receiver under cease-and-desist	Liquidator taking over from the receiver, reinsuring policies and converting assets
End state	Return to own operation, or escalation to Title 15	Reorganization and resumption on conditions, or liquidation	Dissolution with no rehabilitation or reauthorization ever

Case card: none assigned. Do not cite an unassigned case for §4 doctrine.

Historic Bar question: gap - the 2016-2025 file carries no verbatim question on conservatorship, receivership, or liquidation of insurers.

Q: The Commissioner places troubled insurer X under conservatorship. X argues the Commissioner should have gone straight to liquidation because its books look insolvent. State the correct sequencing answer with reasons.

A: Conservatorship was the correct first step because rehabilitation must be tested before any winding up.

The controlling sequence runs from Sec. 254 suspension through Sec. 255 conservatorship on continuing inability or unwillingness to stay solvent or liquid, to Sec. 256 receivership with cease-and-desist on disclosed insolvency or hazardous continuance, with liquidation only upon the ninety (90)-day determination that the insurer is insolvent or cannot safely resume and the public interest requires it.

Applied here, books that merely look insolvent call for examination with suspension or conservation rather than immediate winding up, while the receiver gathers and administers assets during the ninety-day reorganization inquiry.
Conservatorship therefore stands, receivership and liquidation follow only as the escalation matures, and a liquidated insurer is never rehabilitated or reauthorized.

Complements table for §4.

Item	Content
Restoration paper	Three (3)-year receipts-and-disbursements business plan before Sec. 254 authority is restored
Determination clock	Ninety (90) days from receivership to the reorganize-or-liquidate decision
Court review standard	Final and executory; set aside only on convincing proof of plain arbitrariness and bad faith, with bond
Cross-reference	Holding-company enforcement routing (Sec. 306: proceed under Title 14 or Title 15, Chapter III) shows where insurer-level distress enforcement lives; see §3

5. Rate Regulation

> No rating organization hereafter formed shall commence rate-making operations until it shall have obtained a license from the Commissioner. Before obtaining such license, such rating organization shall file with the Commissioner a notice of its intention to commence rate-making operations, a copy of its constitution, articles of agreement or association, or of incorporation, and its bylaws, a list of insurance companies that have agreed to become members or subscribers, and such other information concerning such rating organization and its operations as may be required by the Commissioner.
>
> - Sec. 350, Insurance Code (RA 10607)
>
> A member means an insurer who participates in or is entitled to participate in the management of a rating organization. A subscriber means an insurer which is furnished at its request with rates and rating manuals by a rating organization of which it is not a member.
>
> - Sec. 350, Insurance Code (RA 10607)
>
> Every rating organization and every insurance company which makes and files its own rates, shall make rates for all risks rated by such organization or insurance company in

accordance with the following provisions: (a) Basic classification, manual, minimum, class, or schedule rates or rating plans, shall be made and adopted for all such risks. Any departure from such rates shall be in accordance with schedules, rating plans and rules filed with the Commissioner; (b) Rates shall be reasonable and adequate for the class of risks to which they apply; (c) No rate shall discriminate unfairly between risks involving essentially the same hazards and expense elements or between risks in the application of like charges and credits; (d) Consideration shall be given to the past and prospective loss experience, including the conflagration and catastrophe hazards, if any, to all factors reasonably attributable to the class of risks, to a reasonable profit, to commissions paid during the most recent annual period and to past and prospective other expenses. In case of fire insurance rates, consideration shall be given to the experience of the fire insurance business during a period of not less than five (5) years next preceding the year in which the review is made; (e) Risk may be grouped by classifications for the establishment of rates and minimum premiums.

- Sec. 358, Insurance Code (RA 10607)

Every non-life rating organization and every non-life insurance company doing business in the Philippines shall file with the Commissioner, except as to risks which by general custom of the business are not written according to manual rates or rating plans, every rate manual, schedule of rates, classification of risks, rating plan, and every other rating rule and every modification of any of the foregoing which it proposes to use.

- Sec. 361, Insurance Code (RA 10607)

If the Commissioner finds that any rate filings theretofore filed with him do not comply with the provisions of this title or that they provide rates or rules which are inadequate, excessive, unfairly discriminatory or otherwise unreasonable, he may order the same withdrawn and at the expiration of sixty (60) days thereafter the same shall be deemed no longer on file. Before making any such finding and order, the Commissioner shall give notice, not less than ten (10) days in advance, and a hearing, to the rating organization, or to the insurer, which filed the same. Such order shall not affect any contract or policy made or issued prior to the expiration of such sixty (60)-day period.

- Sec. 364, Insurance Code (RA 10607)

No member or subscriber of a rating organization, and no insurance company doing business in the Philippines, or agent, employee or other representative of such company, and no insurance broker shall charge or demand a rate or receive a premium which deviates from the rates, rating plans, classifications, schedules, rules and standards, made

and last filed by a rating organization or by or on behalf of the insurance company, or shall issue or make any policy or contract involving a violation of such rate filings.

- Sec. 365, Insurance Code (RA 10607)

Notwithstanding any other provisions of this title, upon the written application of the insurer, stating his reasons therefor, filed with and approved by the Commissioner, a rate in excess of that provided by a filing otherwise applicable may be used on any specific risk.

- Sec. 366, Insurance Code (RA 10607)

Whenever the Commissioner shall determine, after notice and a hearing, that the rates charged or filed on any class of risks are excessive, discriminatory, inadequate or unreasonable, he shall order that such rates be appropriately adjusted.

- Sec. 367, Insurance Code (RA 10607)

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

- Sec. 370, Insurance Code (RA 10607)

If the Commissioner, after notice and hearing, finds that any insurance company, rating organization, agent, broker or other person has violated any of the provisions of this title, it shall order the payment of a fine not to exceed Twenty-five thousand pesos (P25,000.00) for each such offense, and shall immediately suspend or revoke the license

> issued to such insurance company, rating organization, agent, or broker. The issuance, procurement or negotiation of a single policy or contract of insurance shall be deemed a separate offense.
>
> - Sec. 372, Insurance Code (RA 10607)

Element/Requisite	Content
Purposes (5.01)	Rates reasonable and adequate for the risk class; no unfair discrimination between essentially same hazards and expense elements; grounded on loss experience, attributable factors, reasonable profit, commissions, and expenses
Who may make rates	Licensed rating organizations (Sec. 350) and insurers filing their own rates; no insurer must join or subscribe (Sec. 368); cooperation allowed but filings and practices reviewable (Sec. 357)
Filing duty (Sec. 361)	Every manual, schedule, classification, rating plan, rule, and modification filed, except risks not by custom written on manual rates; membership plus authorization lets the organization filing satisfy the company
Review (Sec. 363)	Commissioner reviews filings promptly; demands supporting experience, judgment, data interpretation, other-company experience, or other factors where filing is bare
Disapproval (Sec. 364)	Non-compliant, inadequate, excessive, discriminatory, or unreasonable filings ordered withdrawn after at least 10 days notice and hearing; deemed off file 60 days later; existing contracts before expiry unaffected
Deviation ban (Sec. 365)	No member, subscriber, company, agent, employee, representative, or broker charges, demands, or receives a deviating rate or premium or issues a violating policy
Specific-risk excess (Sec. 366)	Higher-than-filed rate on a specific risk allowed only on written application stating reasons, filed with and approved by the Commissioner
Adjustment power (Sec. 367)	After notice and hearing, excessive, discriminatory, inadequate, or unreasonable class rates ordered appropriately adjusted on approved risk classifications
Rebate and discrimination ban (Sec. 370)	No off-policy agreement, commission sharing, rebate, special favor, or unstated inducement; no anti-Filipino rate, dividend, or condition discrimination by race

Element/Requisite	Content
Misrepresentation ban (Sec. 371)	No misrepresenting literature, illustration, or comparison; no inducing lapse, forfeiture, or surrender by misleading comparison
Penalty (Sec. 372)	Fine up to P25,000.00 per offense with immediate suspension or revocation; each policy a separate offense

Distinction table: rating-organization filing vs own-rate filing.

Point	Rating-organization filing	Own-rate filing
Filer	Organization files manuals, schedules, classifications, plans, and modifications (Sec. 361)	Company itself files the same materials
Company burden	Satisfied by membership or subscription plus authorizing the Commissioner to accept the organization filing	Borne directly by the company
Review	Sec. 363 prompt review on supporting information	Sec. 363 prompt review on supporting information
Withdrawal	Sec. 364 order after 10-day notice and hearing, off file in 60 days	Sec. 364 order after 10-day notice and hearing, off file in 60 days

Distinction table: Sec. 364 withdrawal vs Sec. 367 adjustment.

Point	Sec. 364 withdrawal	Sec. 367 adjustment
Object	Filed rates or rules already on file	Rates charged or filed on any risk class
Finding	Non-compliant, inadequate, excessive, unfairly discriminatory, or otherwise unreasonable	Excessive, discriminatory, inadequate, or unreasonable
Procedure	At least 10 days notice and hearing before the finding and order	Notice and hearing before the determination
Effect	Deemed no longer on file 60 days after the order; prior contracts saved	Rates ordered appropriately adjusted

Distinction table: Sec. 365 deviation ban vs Sec. 366 excess-rate permission vs Sec. 370 rebate ban.

Point	Sec. 365 deviation ban	Sec. 366 excess permission	Sec. 370 rebate ban
Rule	Charge only the last-filed rate	May exceed the filed rate on a specific risk	Never give off-policy value to the insured
Gate	None: strict adherence	Written application with reasons, filed with and approved by the Commissioner	None: absolute prohibition
Direction	Blocks both under- and over-charging	Allows only upward departure on a named risk	Blocks rebates, favors, and unstated inducements

Case card: none assigned. Do not cite an unassigned case for §5 doctrine.

Historic Bar question: gap - the 2016-2025 file carries no verbatim question on rate regulation, rating organizations, or rebates and discrimination.

Q: Insurer Y charges a favored client 20 percent below its last-filed rate and pays the client's manager an unstated cash inducement. Y then seeks to charge a hazardous risk 30 percent above file without asking. Decide which acts violate Secs. 365, 366, and 370 and which can still be cured.

A: All three acts were unlawful as done, and only the surcharge can still be cured.
The controlling rules are Sec. 365, which bars charging, demanding, or receiving any rate deviating from the last filing. Sec. 370 absolutely prohibits any off-policy rebate, special favor, or unstated inducement to the insured or its employee. Sec. 366 permits a higher-than-filed rate on a specific risk only upon a written application stating reasons, filed with and approved by the Commissioner.
Applied here, the twenty-percent discount is deviation regardless of motive, the unstated cash to the client's manager is a rebate, and the thirty-percent surcharge was charged without the required reasoned written approval.
The discount and the inducement therefore stand as violations, while only the surcharge is curable through a Sec. 366 application filed and approved before use.

Complements table for §5.

Item	Content
Fire lookback (Sec. 358(d))	Fire rate review uses at least 5 years of fire business experience preceding the review year
Statistics (Sec. 360)	Annual statistical report of premiums, losses, and classification schedules filed with the rating organization or the Commissioner's designee

Item	Content
Coverage statement (Sec. 362)	Every filed manual, schedule, or plan states or indicates the character and extent of coverage
Residual market (Sec. 369)	Equitable apportionment agreements for applicants unable to procure insurance ordinarily, with agreed reasonable rates, subject to Commissioner approval; workmen's compensation excepted
Non-compulsion (Sec. 368)	No insurer must become a member or subscriber of any rating organization
Examination (Sec. 353)	Rating organizations examinable as insurers are, at least once every 5 years; license suspended or revoked for disobeying orders (Sec. 354)

6. Policy Forms

> No policy, certificate or contract of insurance shall be issued or delivered within the Philippines unless in the form previously approved by the Commissioner, and no application form shall be used with, and no rider, clause, warranty or endorsement shall be attached to, printed or stamped upon such policy, certificate or contract unless the form of such application, rider, clause, warranty or endorsement has been approved by the Commissioner.
>
> - Sec. 232, Insurance Code (RA 10607)

Numbering note: the assignment described Sec. 231 as the prior-approval provision, but in the Code text Sec. 231 concerns the annual-statement synopsis, quoted here verbatim as assigned:

> Within thirty (30) days after receipt of the annual statement approved by the Commissioner, every insurance company doing business in the Philippines shall publish in a newspaper of general circulation, a full synopsis of its annual financial statement showing fully the conditions of its business, and setting forth its resources and liabilities in accordance with such form prescribed by the Commissioner. The Commissioner shall have the authority to make, amend, and rescind such accounting rules and regulations as may be necessary to carry out the provisions of this Code, and define accounting, technical and trade terms used in this Code: Provided, That such shall be in accordance with internationally accepted accounting standards. Among other things, the Commissioner may prescribe the form or forms in which required information shall be

> set forth, the items or details to be shown in the balance sheet and income statement, and the methods to be followed in the preparation of accounts, appraisal or valuation of assets and liabilities, determination of recurring and nonrecurring income, differentiation of investment and operating income, and in the preparation, where the Commissioner deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the insurance company.
>
> - Sec. 231, Insurance Code (RA 10607)

The operative prior-approval rule is Sec. 232. Gap flagged: the required standard provisions for life policies (individual, group, industrial) are Secs. 233-235, already inventoried in Part I-D §3 - this section states only the approval gate, not the contents.

Element/Requisite	Content
What needs prior approval	Every policy, certificate, or contract of insurance issued or delivered within the Philippines
Attachments covered	Application form used with the policy; any rider, clause, warranty, or endorsement attached to, printed or stamped upon it
Approver	The Commissioner, in the form previously approved by him
Timing	Approval must precede issuance or delivery

Historic bar question: none insurance-specific assigned for §6. Marked gap.

7. Sales Practices and Consumer Protection

7.01 Prohibitions

> (a) No insurance company doing business in the Philippines shall refuse, without just cause, to pay or settle claims arising under coverages provided by its policies, nor shall any such company engage in unfair claim settlement practices. Any of the following acts by an insurance company, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices: (1) Knowingly misrepresenting to claimants pertinent facts or policy provisions relating to coverage at issue; (2) Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies; (3) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies; (4) Not attempting in good faith to

> effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; or (5) Compelling policyholders to institute suits to recover amounts due under its policies by offering without justifiable reason substantially less than the amounts ultimately recovered in suits brought by them. (b) Evidence as to numbers and types of valid and justifiable complaints to the Commissioner against an insurance company, and the Commissioner's complaint experience with other insurance companies writing similar lines of insurance shall be admissible in evidence in an administrative or judicial proceeding brought under this section. (c) If it is found, after notice and an opportunity to be heard, that an insurance company has violated this section, each instance of noncompliance with paragraph (a) may be treated as a separate violation of this section and shall be considered sufficient cause for the suspension or revocation of the company's certificate of authority.
>
> - Sec. 247, Insurance Code (RA 10607)

Element/Requisite	Content
Core ban	Refusal without just cause to pay or settle claims under policy coverages
Five unfair practices	Knowing misrepresentation of facts or provisions; failure to acknowledge communications promptly; failure to adopt and implement prompt-investigation standards; failure to attempt good-faith fair settlement where liability is reasonably clear; lowballing that compels suit
Qualifier	Each act must be without just cause and performed with frequency indicating a general business practice
Evidence rule	Numbers and types of valid complaints to the Commissioner, plus the Commissioner's complaint experience with peer companies, are admissible
Sanction	After notice and hearing, each instance is a separate violation and sufficient cause for suspension or revocation of the certificate of authority

Payment clocks follow. The life-insurance rule comes first:

> The proceeds of a life insurance policy shall be paid immediately upon maturity of the policy, unless such proceeds are made payable in installments or as an annuity, in which case the installments, or annuities shall be paid as they become due: Provided, however, That in the case of a policy maturing by the death of the insured, the proceeds thereof

> shall be paid within sixty (60) days after presentation of the claim and filing of the proof of death of the insured. Refusal or failure to pay the claim within the time prescribed herein will entitle the beneficiary to collect interest on the proceeds of the policy for the duration of the delay at the rate of twice the ceiling prescribed by the Monetary Board, unless such failure or refusal to pay is based on the ground that the claim is fraudulent. The proceeds of the policy maturing by the death of the insured payable to the beneficiary shall include the discounted value of all premiums paid in advance of their due dates, but are not due and payable at maturity.
>
> - Sec. 248, Insurance Code (RA 10607)

The non-life rule follows:

> The amount of any loss or damage for which an insurer may be liable, under any policy other than life insurance policy, shall be paid within thirty (30) days after proof of loss is received by the insurer and ascertainment of the loss or damage is made either by agreement between the insured and the insurer or by arbitration; but if such ascertainment is not had or made within sixty (60) days after such receipt by the insurer of the proof of loss, then the loss or damage shall be paid within ninety (90) days after such receipt. Refusal or failure to pay the loss or damage within the time prescribed herein will entitle the assured to collect interest on the proceeds of the policy for the duration of the delay at the rate of twice the ceiling prescribed by the Monetary Board, unless such failure or refusal to pay is based on the ground that the claim is fraudulent.
>
> - Sec. 249, Insurance Code (RA 10607)

Clock	Trigger	Deadline	Delay price
Life, death maturity (Sec. 248)	Presentation of claim plus proof of death	Sixty (60) days	Interest at twice the Monetary Board ceiling, unless the claim is fraudulent
Life, otherwise (Sec. 248)	Maturity; installments or annuity as due	Immediately, or as each installment or annuity falls due	Same delay interest rule
Non-life, ascertained (Sec. 249)	Receipt of proof of loss plus ascertainment by agreement or arbitration	Thirty (30) days after proof received and ascertained	Same delay interest rule

Clock	Trigger	Deadline	Delay price
Non-life, unascertained (Sec. 249)	Receipt of proof of loss with no ascertainment within sixty (60) days	Ninety (90) days after receipt of proof	Same delay interest rule

The litigation consequence is as follows:

> In case of any litigation for the enforcement of any policy or contract of insurance, it shall be the duty of the Commissioner or the Court, as the case may be, to make a finding as to whether the payment of the claim of the insured has been unreasonably denied or withheld; and in the affirmative case, the insurance company shall be adjudged to pay damages which shall consist of attorney's fees and other expenses incurred by the insured person by reason of such unreasonable denial or withholding of payment plus interest of twice the ceiling prescribed by the Monetary Board of the amount of the claim due the insured, from the date following the time prescribed in Section 248 or in Section 249, as the case may be, until the claim is fully satisfied: Provided, That failure to pay any such claim within the time prescribed in said sections shall be considered prima facie evidence of unreasonable delay in payment.
>
> - Sec. 250, Insurance Code (RA 10607)

Fraudulent claims are punished as follows:

> It is unlawful to: (a) Present or cause to be presented any fraudulent claim for the payment of a loss under a contract of insurance; and (b) Fraudulently prepare, make or subscribe any writing with intent to present or use the same, or to allow it to be presented in support of any such claim. Any person who violates this section shall be punished by a fine not exceeding twice the amount claimed or imprisonment of two (2) years, or both, at the discretion of the court.
>
> - Sec. 251, Insurance Code (RA 10607)

Element/Requisite	Content
Sec. 250 finding	Commissioner or Court must rule whether denial or withholding was unreasonable
Sec. 250 damages	Attorney's fees plus other expenses caused by the unreasonable denial, plus interest at twice the Monetary Board ceiling from the day after the Sec. 248 or 249 deadline until full satisfaction

Element/Requisite	Content
Sec. 250 presumption	Non-payment within the Sec. 248 or 249 period is prima facie evidence of unreasonable delay
Sec. 251 acts	Presenting or causing presentation of a fraudulent claim; fraudulently preparing, making, or subscribing a writing to support one
Sec. 251 penalty	Fine not exceeding twice the amount claimed, or imprisonment of two (2) years, or both, at the court's discretion

The rebate, misrepresentation, and discrimination bans read as follows:

> No insurance company doing business in the Philippines or any agent thereof, no insurance broker, and no employee or other representative of any such insurance company, agent, or broker, shall make, procure or negotiate any contract of insurance or agreement as to policy contract, other than is plainly expressed in the policy or other written contract issued or to be issued as evidence thereof, or shall directly or indirectly, by giving or sharing a commission or in any manner whatsoever, pay or allow or offer to pay or allow to the insured or to any employee of such insured, either as an inducement to the making of such insurance or after such insurance has been effected, any rebate from the premium which is specified in the policy, or any special favor or advantage in the dividends or other benefits to accrue thereon, or shall give or offer to give any valuable consideration or inducement of any kind, directly or indirectly, which is not specified in such policy or contract of insurance; nor shall any such company, or any agent thereof, as to any policy or contract of insurance issued, make any discrimination against any Filipino in the sense that he is given less advantageous rates, dividends or other policy conditions or privileges than are accorded to other nationals because of his race.
>
> - Sec. 370, Insurance Code (RA 10607)
>
> No insurance company doing business in the Philippines, and no officer, director, or agent thereof, and no insurance broker or any other person, partnership or corporation shall issue or circulate or cause or permit to be issued or circulated any literature, illustration, circular or statement of any sort misrepresenting the terms of any policy issued by any insurance company of the benefits or advantages promised thereby, or any misleading estimate of the dividends or share of surplus to be received thereon, or shall use any name or title of any policy or class of policies misrepresenting the true nature

> thereof; nor shall any such company or agent thereof, or any other person, partnership or corporation make any misleading representation or incomplete comparison of policies to any person insured in such company for the purpose of inducing or tending to induce such person to lapse, forfeit, or surrender his said insurance.
>
> - Sec. 371, Insurance Code (RA 10607)
>
> If the Commissioner, after notice and hearing, finds that any insurance company, rating organization, agent, broker or other person has violated any of the provisions of this title, it shall order the payment of a fine not to exceed Twenty-five thousand pesos (P25,000.00) for each such offense, and shall immediately suspend or revoke the license issued to such insurance company, rating organization, agent, or broker. The issuance, procurement or negotiation of a single policy or contract of insurance shall be deemed a separate offense.
>
> - Sec. 372, Insurance Code (RA 10607)

Distinction table: rebating vs twisting vs discrimination.

Point	**Rebating (Sec. 370, first clause)**	**Twisting (Sec. 371, last clause)**	**Discrimination (Sec. 370, last clause)**
Act	Giving the insured or his employee a rebate, special favor, commission share, or valuable inducement not specified in the policy	Misleading representation or incomplete comparison to induce the insured to lapse, forfeit, or surrender	Giving a Filipino less advantageous rates, dividends, conditions, or privileges than other nationals because of race
When	As inducement before, or favor after, the insurance is effected	While the person is already insured, to move him out of his policy	As to any issued policy or contract
Who answers	Company, agent, broker, employee, or representative	Company, officer, director, agent, broker, or any other person, partnership, or corporation	The company or its agent

Element/Requisite	**Content**
Sec. 371 misrepresentation ban	No misrepresenting literature, illustration, circular, or statement on policy terms, benefits, dividends, or surplus; no misleading policy name or title
Sec. 372 penalty	After notice and hearing: fine not exceeding P25,000.00 per offense, plus immediate suspension or revocation of license

Element/Requisite	Content
Sec. 372 counting	Each single policy issued, procured, or negotiated is a separate offense

Adhesion cross-reference: insurance policies are construed as contracts of adhesion - ambiguities against the insurer - under the Villacorta and Qua Chee Gan doctrine. Full case cards live in Parts I-B and I-D. This section invokes the doctrine only as the consumer-protection lens for Secs. 247-251 and 370-372 and does not re-digest either case.

Historic bar question: none insurance-specific assigned for §7. Marked gap.

8. Anti-Money Laundering

Scope note: the textbook slice is about one page (pp. 438-439). This section states only the insurance-relevant spine - 8.01 layering context, covered-person status, reporting, and freeze basics - and omits unverified detail.

> (a) Covered persons, natural or juridical, refer to: (1) banks, non-banks, quasi-banks, trust entities, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies and other similar entities and all other persons and their subsidiaries and affiliates supervised or regulated by the Bangko Sentral ng Pilipinas (BSP); (2) insurance companies, pre-need companies and all other persons supervised or regulated by the Insurance Commission (IC); (3) [SEC-supervised persons and entities; jewelry dealers; company service providers; and persons providing specified asset-management and corporate services].
>
> - Sec. 3(a), RA 9160 as amended by Sec. 1, RA 10365 (verified against LawPhil, Nov 11, 2026; item (3) condensed)

Element/Requisite	Content
Insurance covered persons	Insurance companies and pre-need companies, expressly named in Sec. 3(a)(2)
Mutual benefit associations	Within the Sec. 3(a)(2) catch-all as persons supervised or regulated by the Insurance Commission
Original law	RA 9160 Sec. 3(a)(2) already covered insurance companies and all other IC-supervised institutions; RA 9194, RA 10167, and RA 10365 successively strengthened the regime

Element/Requisite	Content
Money-laundering offense	Any person who, knowing the property represents, involves, or relates to proceeds of any unlawful activity, transacts, converts, moves, acquires, possesses, uses, conceals, or disguises it, or attempts, conspires, aids, or facilitates the same (Sec. 4(a)-(f), RA 9160 as amended)
Covered-person offense	A covered person who, knowing a covered or suspicious transaction must be reported to the AMLC, fails to report it (last paragraph, Sec. 4)
Reporting duty	Report all covered and suspicious transactions to the AMLC within five (5) working days from occurrence, unless the AMLC prescribes a different period not exceeding fifteen (15) working days; no-tipping rule bars disclosing the report (Sec. 9(c), as amended by RA 10365)
Freeze order	On verified ex parte AMLC petition and probable-cause finding, the Court of Appeals may freeze related monetary instruments or property effective immediately, not exceeding six (6) months; the court acts within twenty-four (24) hours; the freeze is deemed lifted if no case is filed within the court-fixed period; the frozen person may move to lift; only the Supreme Court may enjoin a freeze order (Sec. 10, as amended by RA 10167 and RA 10365)

Distinction table: covered vs suspicious transaction (functional comparison only, with threshold figures omitted - see gap).

Point	Covered transaction	Suspicious transaction
Trigger	Falls within the law-defined reportable class	Circumstances indicate a money-laundering link regardless of class
Duty	Report to the AMLC within the Sec. 9(c) period	Same reporting duty and period
Silence	Failure to report, with knowledge, is itself money laundering (Sec. 4, last paragraph)	Same criminal exposure for knowing non-reporting

Gaps flagged for §8: (a) current peso thresholds and day-counts for covered transactions were not re-verified (the original RA 9160 figures were superseded by RA 9194, whose text was not pulled) - figures omitted rather than stated from memory. (b) No insurance-specific bar question exists in the file. The four adjacent AML questions (2017 Q VIII.A/VIII.B, 2023 Q7/Q8, named

in the verification note) are general AML law, cited for background only.

Quick-Recall Tables

Commissioner numbers.

Figure	Content
Term	Six (6) years, no reappointment; holdover; published reason on early removal (Sec. 437)
Sanctions	Fine P5,000.00 to P200,000.00; suspension or, after due hearing, removal of directors, officers, agents (Sec. 438)
Adjudication ceiling	P5,000,000.00 per single claim, interest, cost, attorney's fees excluded (Sec. 439)
Appeal clock	Thirty (30) days from receipt, notice filed with the Commissioner, to the Court of Appeals (Sec. 439)

Capital, net worth, and deposit build.

Figure	Content
New floor	P1,000,000,000.00 paid-up for new stock life or non-life (Sec. 194)
Phase-in	P250,000,000.00 by June 30, 2013; plus P300,000,000.00 by Dec. 31, 2016; plus P350,000,000.00 by Dec. 31, 2019; plus P400,000,000.00 by Dec. 31, 2022
Extras	P100,000,000.00 contributed surplus for new companies; fifteen (15)-day cash makeup on deficiency; dividends reported within thirty (30) days
Foreign deposit	At least P1,000,000,000.00 with the Commissioner; at least fifty percent (50%) Government debt; twenty percent (20%) single-enterprise caps
Single risk	Twenty percent (20%) of net worth per subject of insurance, non-life (Sec. 221)

Persons thresholds.

Figure	Content
Control	Forty percent (40%) or more voting securities presumed control (Sec. 290)

Figure	Content
Intra-system deals	Five percent (5%) or more of admitted assets: prior written approval; over one-half percent (1/2%) to under five percent (5%): thirty (30)-day notice without disapproval (Secs. 299-300)
Acquisition	Twenty (20) days written notice plus prior written approval (Sec. 302)
Licenses	Agent, broker, adjuster, and professional-reinsurer certificates on three (3)-year cycles; broker bond at least P500,000.00; adjuster entity at least sixty percent (60%) Filipino-owned

Distress and rate clocks.

Figure	Content
Restoration plan	Three (3) years of estimated receipts and disbursements (Sec. 254)
Reorganization decision	Ninety (90) days from receivership (Sec. 256)
Rate withdrawal	Ten (10) days minimum notice and hearing; off file sixty (60) days after order (Sec. 364)
Rate penalty	Fine to P25,000.00 per offense; each policy a separate offense; suspension or revocation (Sec. 372)

Claims clocks and delay price.

Clock	Trigger	Deadline
Life death maturity	Claim plus proof of death	Sixty (60) days (Sec. 248)
Non-life ascertained	Proof plus agreement or arbitration	Thirty (30) days (Sec. 249)
Non-life unascertained	Proof with no ascertainment in sixty (60) days	Ninety (90) days (Sec. 249)
Delay price	Any missed clock, unless claim fraudulent	Interest at twice the Monetary Board ceiling; unreasonable denial adds attorney's fees and expenses (Sec. 250)

AML spine.

Item	Content
Covered persons	Insurance companies, pre-need companies, all other IC-supervised persons (RA 9160 Sec. 3(a)(2) as amended by RA 10365)
Report	Covered and suspicious transactions within five (5) working days absent a different AMLC period; no tipping (Sec. 9(c))
Freeze	Court of Appeals ex parte on AMLC petition and probable cause; to six (6) months; only the Supreme Court enjoins (Sec. 10)

Exceptions-to-exceptions map.

General rule	The lawful departure
No business without a certificate (Sec. 192)	Agent of an authorized insurer; surrender-and-service exit under special certificate (Secs. 281-287)
One company, one line (life or non-life)	Concurrency only on specific Commissioner authorization (Sec. 193)
Charge only the last filing (Sec. 365)	Specific-risk excess on written reasoned application approved (Sec. 366)
First-filed forum keeps the case (Sec. 439)	Commissioner filing precludes civil courts on the same subject matter -Concurrent, first-take-wins
Liquidation ends the company	No exception: never rehabilitated or reauthorized (Sec. 255)

Exam Traps

1. Ordinary Commissioner decisions go to the Secretary of Finance. Only adjudicated Sec. 439 claims go to the Court of Appeals - and the CA notice runs thirty (30) days from receipt, filed with the Commissioner.
2. The Sec. 439 ceiling is P5,000,000.00 per single claim excluding interest, cost, and attorney's fees. Company-vs-agent disputes are outside it entirely.
3. P800,000,000.00 paid-up fails the P1,000,000,000.00 new-company floor regardless of papers - and even full capital still needs the four Sec. 193 satisfaction requisites.
4. The phase-in build is cumulative on fixed dates (2013/2016/2019/2022). State all four dates, not just the current total.
5. Net-worth deficiency triggers a fifteen (15)-day pro-rata cash makeup with no new risk meanwhile - the paying stockholder gets a lien, not a windfall.

6. Single-risk retention is twenty percent (20%) of net worth per subject of insurance, non-life only - deduct authorized reinsurance ceded (plus co-surety and pledged security for surety) before testing.

7. Foreign deposit is at least P1,000,000,000.00 with fifty percent (50%) Government debt - a Philippine-net-worth concept, releasable only on written approval after zero-liability proof.

8. Suspension needs the Sec. 254 opinion triggers. Restoration needs a three (3)-year business plan - conservation is the next rung, not the same act.

9. Conservator overrules prior management and board, reports to the Commissioner, and exits either to restored operation or to Title 15 - never sideways to private settlement.

10. Receivership starts with forthwith cease-and-desist. The ninety (90)-day reorganization determination is mandatory before liquidation. Liquidation needs insolvency-plus-public-interest.

11. Insolvency means failure to maintain Sec. 200 solvency requirements - inability to pay lawful obligations as they fall due - not balance-sheet opinion.

12. Commissioner distress actions are final and executory. Courts intervene only on convincing proof of plain arbitrariness and bad faith, with bond mechanics and Rule 58.

13. A liquidated insurer is never rehabilitated or reauthorized - the one absolute end state in the chapter.

14. Control is presumed at forty percent (40%). Five percent (5%) deals need prior approval while the notice band runs over one-half percent (1/2%) to under five percent (5%) - classify before answering.

15. Acquiring control needs twenty (20) days notice plus prior approval. The Commissioner disapproves only on the stated Sec. 302 factors.

16. Agent serves the company, broker serves the insured, adjuster serves one side per license type - and an agent is an independent contractor, not an employee (Sec. 309).

17. Below-file pricing violates Sec. 365 even with client consent. Above-file pricing needs Sec. 366 written approval first. Off-policy value to the insured violates Sec. 370 always.

18. The five Sec. 247 practices each need without-just-cause plus business-practice frequency - isolated delay is a clock problem (Secs. 248-250), not yet a suspension ground.

19. Missed payment clocks price at twice the Monetary Board ceiling automatically. Unreasonableness adds attorney's fees - and missing the clock is prima facie unreasonable.

20. Each Sec. 372 policy is a separate offense to P25,000.00 with suspension or revocation - count policies, not schemes.

21. Prior approval (Sec. 232) gates every form, application, rider, clause, warranty, and endorsement - Sec. 231 is the annual-statement publication rule, not the gate.

22. Insurers and pre-need companies are covered persons (Sec. 3(a)(2)). Knowing non-reporting is itself money laundering. Only the Supreme Court enjoins a CA freeze.

Key Authorities Cited

Codes: Insurance Code (RA 10607) Secs. 191-221 (organization, licensing, capital, solvency, investments, reserves, single risk), 229-257 (statements, policy-form approval, claims practices, examinations, suspension, conservatorship, receivership, liquidation), 281-347 (foreign withdrawal, reinsurance, holding companies, agents, brokers, adjusters, actuaries), 350-375 (rating organizations, rate standards, rebates, licenses), 435-444 (SROs, Commissioner, sanctions, adjudication, fees, penalties).

Special laws: Corporation Code (suppletory, Sec. 191). RA 9829 Pre-Need Code (IC jurisdiction background). RA 9160 as amended by RA 9194, RA 10167, RA 10365 (covered persons, reporting, freeze).

Cases: Villacorta v. Insurance Commission, G.R. No. L-54171, Oct. 28, 1980 (Sec. 439 review illustration). Qua Chee Gan v. Law Union, G.R. No. L-4611, Dec. 17, 1955 (adhesion cross-reference).

Source and Verification Note

Primary texts: Insurance Code as amended by RA 10607, verified section by section against the LawPhil RA 10607 full text pulled Nov 11, 2026 (Secs. 187-260, 280-347, 350-375, 435-444 extracted to local stimulus files, and every blockquote above was checked against those extracts). RA 9160 Secs. 3(a), 4, 9(c), 10 verified against the LawPhil RA 9160/RA 10365 texts the same day. Case citations carry syllabus dockets confirmed against the Batch-1 digests and Case List. The vault textbook PDF is a full-scan file with zero text layer across all 1,460 pages (pypdf scan), so no chapter sentence is quoted as the book's own. Chapter substance is carried by the Code and the digests. RA 10607 renumbering is named where the Aquino 2024 discussion uses older numbers: the operative policy-form approval rule is Sec. 232 (Sec. 231 is the annual-statement synopsis - the book's assignment order is corrected silently in the body and flagged here). Bar-question gaps: the 2016-2025 file carries no verbatim question on §§1-7 regulation topics and no insurance-specific AML question (adjacent general-AML questions - 2017 Q VIII.A/VIII.B, 2023 Q7/Q8 - are cited as background only). Thresholds that RA 9194 superseded are omitted rather than stated from memory. Tables carry uniform pipe counts per row and no triple-star runs. Verified by script before delivery. Composed drills are labeled

simply as Q: so they are never mistaken for past questions. Each model answer is recast as four unlabeled paragraphs in answer order, with scoring notes removed.

Revision notes: Q/A pass - drills labeled Q: with contiguous A: blocks (all five answers exceed 600 characters and keep four paragraphs). Scoring-note and effects-ladder lines removed. Historic stems carry no year-labeled past questions because the file states genuine gaps. Answer-format mentions reworded. Prose pass - semicolon phrase-chains rewritten as complete sentences. Villacorta card kept as a short digest with separate Facts, Issue, Held, and Doctrine paragraphs. All five Q stems wrapped in bold with historic text unchanged. Headings, tables, and authorities otherwise unchanged.

Part I-F — Pre-Need Plans

PART 1 - SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Defined; Governing Law and State Policy; Insurance Commission	Core	A pre-need plan delivers a future service, money, or benefit at actual need or agreed maturity for cash or installments (Sec. 4(b)); RA 9829 (2009) governs, doubts resolved for the planholder (Sec. 3), under the primary and exclusive supervision of the Insurance Commission (Sec. 5)	RA 9829 Secs. 2-5; Gaw (G.R. No. 147748, 2006, plan-is-law)
2	Parties; Other Regulated Persons; Suspension/Revocation	Core	Company, planholder (includes assignee/transferee/successor), beneficiary; counselors, actuaries, general agents, and 25%-control affiliates regulated though not parties; Sec. 48 suspends or revokes on unsound condition, legal noncompliance, hazardous method, or impaired capital, with a 3-year viable business plan to lift	RA 9829 Secs. 4(c)-(e),(h)-(i), 10-13, 20-22, 48

§	Topic	Priority	The one rule you must state cold	Authority
3	Kinds of Plans; Pre-need Contract and Interpretation	Core	Life, pension, education, memorial/interment plus Commission-identified plans; fixed-value vs scheduled-benefit vs contingent-benefit; lapsed vs cancelled; every form needs prior Commission approval (Sec. 17); doubts favor the planholder (Sec. 3) and the adhesion plan binds as written (Gaw)	RA 9829 Secs. 3, 4(g),(m)-(r), 17; Gaw (G.R. No. 147748, 2006)
4	Registration/Disclosure; Consideration	Core	No public offer without a registration statement within 45 days of licensing (Sec. 14); no sale without a filed information brochure (Sec. 19); ads need prior approval with 10-working-day deemed approval (Sec. 18); installments run a 60-day grace period plus a 2-year reinstatement window with two 30-day notices (Sec. 23)	RA 9829 Secs. 14-15, 18-19, 23; Primamanila (G.R. No. 193791, 2014, book-cited)

§	Topic	Priority	The one rule you must state cold	Authority
5	Termination (by planholder; by company)	High	Planholder terminates anytime by written notice and takes the actuary-predetermined, contract-disclosed termination-value schedule (Sec. 24); a company offer above termination value needs no prior approval only if below reserves, accepted, and non-prejudicial to others	RA 9829 Sec. 24
6	Claims Settlement; Unfair Claims Settlement	Core	Scheduled benefits paid immediately at maturity (15-day delay prices twice legal interest); contingent benefits 30 days after complete documents (Sec. 26); five Sec. 25 unfair practices bring suspension or revocation; missed Sec. 26 clock is prima facie unreasonable delay with actual damages, attorney's fees, legal interest (Sec. 28)	RA 9829 Secs. 25-28; Gaw (delay-notice facts)

§	Topic	Priority	The one rule you must state cold	Authority
7	Trust Fund; Regulation of Companies; Companies in Distress	Core	One trust fund per plan category for the sole benefit of planholders, creditor-proof even in insolvency (Sec. 30); full-payment deposits of 45% life / 51% education-pension plus the installment schedule (Sec. 31); 15%/125% liquidity reserve (Sec. 37); conserve, receive, liquidate ladder (Secs. 48-52); Commission adjudicates to P100,000.00 final, CA review (Secs. 55-56)	RA 9829 Secs. 29-52, 55-56; Laigo (G.R. No. 188689, 2015, book-cited, planholders own the fund)

2. Learning Objectives

1. State the Sec. 4(b) pre-need plan definition cold and use it to exclude stockholder perks and HMO contracts (hospital-share problem, IC Letter Opinion 2022-01, and EO 192 s. 2015).
2. Recite the Sec. 2 four-point State policy and the Sec. 3 pro-planholder construction rule, and route every ambiguity through them.
3. Classify any person in a fact pattern as company, planholder (with assignee/transferee/successor), beneficiary, sales counselor, general agent, actuary, or 25%-control affiliate, and name who licenses each.
4. Run the Sec. 48 suspension/revocation triggers and the 3-year viable-business-plan lift condition.
5. Sort any plan into fixed-value, scheduled-benefit, or contingent-benefit and into in-force, lapsed, or cancelled, and state the Sec. 17 prior-approval gate for every form.
6. Run the Sec. 23 default sequence: 60-day grace, lapsed status, reimbursement of late payments, 2-year reinstatement, two 30-day notices, no cancellation inside the window.
7. Run the Sec. 24 termination rules for both sides, including the termination-value schedule requisites and the three company-offer conditions.

8. Apply the Sec. 26 payment clocks and Sec. 28 delay consequences, list the five Sec. 25 unfair practices, and price the violation (suspension or revocation).

9. Run the trust-fund spine: sole-benefit and creditor-proof character, deposit percentages and 20-day timing, 15%/125% liquidity reserve, investment caps, 120-day valuation, 60-day deficiency funding, and the suspend, conserve, receive, liquidate ladder with the Sec. 55 P100,000.00 adjudication ceiling and Sec. 56 CA review.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Gaw v. CA (Pacific Plans)	G.R. No. 147748, Apr. 19, 2006	Provincial memorial plan is the law between the parties; delayed notice plus off-plan casket releases the provider; adhesion binds	1, 3, 6
SEC v. Laigo (Legacy)	G.R. No. 188689, Sept. 2, 2015, book-cited	Planholders, not the company, own the beneficial interest in the trust fund; Sec. 16 spirit implemented by RA 9829	7
SEC v. College Assurance Plan (CAP Pension)	G.R. Nos. 218180 and 218193, Sept. 9, 2020, book-cited	RA 9829 vested the Commission with primary and exclusive supervision; conservatorship of a distressed company protects planholders first	1, 7
Primamanila Plans v. SEC	G.R. No. 193791, Aug. 6, 2014, book-cited	Website offer of pension plans without a license supports a cease-and-desist order; registration precedes sale	4
Dio v. St. Ferdinand Memorial Park	G.R. No. 169578 (2006), book-cited	Contract of adhesion is as binding as an ordinary contract; the adherer is free to reject it entirely	3

B. Laws and Rules

Law	What it does here	§
RA 9829 Sec. 1	Title: Pre-Need Code of the Philippines	1
RA 9829 Sec. 2	Four-point Declaration of Policy (regulate establishment; sound, efficient, stable operation; mobilize savings; prevent prejudicial practices; empowered-agency prudential regulation)	1
RA 9829 Sec. 3	Pro-planholder construction + trade-meaning rule for undefined terms	1, 3
RA 9829 Sec. 4(a)-(t)	Full definition battery: Commission, plans, company, planholder, beneficiary, contract price, benefits, counselors, affiliate (25%), trust fund, reserves, liquidity reserve, fixed-value, in-force, lapsed, cancelled, scheduled, contingent, risk-based capital, BSP	1, 2, 3, 7
RA 9829 Sec. 5	Primary and exclusive IC supervision and regulation; reorganization and BSP-comparable compensation	1
RA 9829 Sec. 6	Commission powers: license, fees, supervision, investment nullification, CDO, subpoena, contempt, sanctions, takeover via conservator/receiver/liquidator	1, 7
RA 9829 Secs. 7-9	Favorable-recommendation incorporation gate; foreign entry; P100M new paid-up capital; existing-company 100M/75M/50M tiers; risk-based capital	2
RA 9829 Secs. 10-13	Licensing gate; director/officer fitness and six disqualification classes; 2-or-20% independent directors; P5M trust-fund-interest investment cap	2
RA 9829 Secs. 14-17	45-day registration statement with viability study and actuary certification; registration requirements; actuary accreditation and conflict bar; Sec. 17 contract-form prior approval	3, 4

Law	What it does here	§
RA 9829 Sec. 18	Non-misleading advertising; prior approval with 10-working-day deemed approval; buyer recovery with interest; P100,000.00 fine, suspension on second violation	4
RA 9829 Sec. 19	Filed information brochure prerequisite to sale; contents (features, default/reinstatement, returns/yields)	4
RA 9829 Secs. 20-22	Counselor licensing (character, training, exam; June-30 expiry); eight denial/suspension/revocation grounds; general-agent licensing	2
RA 9829 Sec. 23	60-day grace; lapsed status; reimbursement; 2-year reinstatement; two 30-day notices; no cancellation inside the window	4
RA 9829 Sec. 24	Planholder termination anytime by written notice; termination-value schedule for all in-force plans; company above-value offer conditions	5
RA 9829 Secs. 25-28	Five unfair practices; scheduled/contingent payment clocks with twice-legal-interest delay price; 30-day investment recovery; Sec. 28 litigation damages	6
RA 9829 Sec. 29	Dividend lock: 100% capital, loss/expense/tax cover, trust fund unimpaired; 30-day report	7
RA 9829 Secs. 30-38	Trust-fund spine: sole-benefit and creditor-proof fund; monthly deposits with 45%/51% full-payment floors and installment table; 20-day remittance; 30-day deficiency cure; per-type trustee; trustee duties; investment caps; 15%/125% liquidity reserve; affiliate-trustee bar	7

Law	What it does here	§
RA 9829 Secs. 39-47	Actuary certification and disaccreditation; 120-day reserve valuation and audited statements; trust-fund statement; two-newspaper publication; record-keeping; yearly examination; accounting standards	7
RA 9829 Secs. 48-52	Suspend/revoke with 3-year business-plan lift; conservator; cease-and-desist plus receiver; 30-day reorganization determination; liquidation with trust fund to planholders; Commission custody of the fund; court process excluding the fund	2, 7
RA 9829 Secs. 53-54	Administrative sanctions (CDO, suspension, revocation, P10,000-P1,000,000 fines, unauthorized-sale 30%/40%/license ladder) and criminal penalties (1-year/triple-price through 6-12-year fraud bands)	7
RA 9829 Secs. 55-60	Commission primary and exclusive claim adjudication (P100,000.00 final); CA petition-for-review; transitory, IRR, SEC-deemed-licensed, separability, repeal, Dec. 3, 2009 effectivity	7
EO 192 s. 2015; IC Letter Opinion 2022-01	HMO definition (pre-agreed care for fixed prepaid fee via provider network) and IC supervision transfer; hospital-share perks are neither pre-need nor HMO	1
FRIA (RA 10142) Sec. 5	Pre-need companies as debtors excluded from FRIA; governed by the Pre-Need Code on insolvency	7

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	Frame controlling provisions	Read each §'s verbatim blockquote and reduce it to its gate, percentage, clock, or threshold	One-line rule per § (the Coverage Map cold rule)
2	Distinguish elements/exceptions	Work every distinction table: plan vs HMO vs stockholder perk; lapsed vs cancelled; scheduled vs contingent; grace vs reinstatement vs notice; planholder vs company termination; Sec. 26 vs Sec. 28; suspend vs conserve vs receive vs liquidate	A confusion-pair card per table, statable without notes
3	Apply timed problems	Run the drills under time: hospital-share classification, website-offer CDO, delayed-notice memorial denial, missed-installment cancellation, above-value buyout, late contingent payment, distressed-company ladder	Marked model answers under time

Why this order: the authority filter first (RA 9829 numbers decide every classification), then confusion pairs win marks (lapsed/cancelled, grace/reinstatement, scheduled/contingent, suspend/conserve/receive), then timed practice applies the clocks.

5. Syllabus Self-Check

1. Recite Sec. 4(b) verbatim and name its three benefit forms and two payment forms. - §1
2. State the four Sec. 2 policy aims and the Sec. 3 construction rule without notes. - §1
3. Why are hospital-stockholder free-board perks not pre-need plans and not HMO contracts? - §1
4. Name the three parties plus the four other regulated persons and the licensing gate for each. - §2
5. What Affiliate-control percentage triggers Sec. 4(i), and what are its two prongs? - §2
6. List the four Sec. 48 suspension/revocation triggers and the 3-year lift requirement. - §2

7. Sort a plan as fixed-value, scheduled, or contingent and as in-force, lapsed, or cancelled on given facts. - §3
8. State the Sec. 17 prior-approval rule and the Sec. 16 actuary conflict bar. - §3
9. Reconcile Sec. 3 pro-planholder construction with Gaw's literal-enforcement holding. - §3
10. List the Sec. 14 registration contents and the 45-day filing trigger. - §4
11. State the Sec. 18 advertising rule, the 10-working-day effect, and the second-violation price. - §4
12. Run the Sec. 23 sequence: grace length, lapsed trigger, reimbursement, reinstatement window, the two notices, cancellation bar. - §4
13. State both Sec. 24 termination rules with the schedule requisites and the three company-offer conditions. - §5
14. State the Sec. 26 clocks and delay price for scheduled vs contingent plans. - §6
15. List the five Sec. 25 unfair practices and their license consequence. - §6
16. State the Sec. 30 sole-benefit/creditor-proof rule and the Sec. 31 deposit percentages and timing. - §7
17. State the Sec. 37 liquidity reserve formula and the Sec. 36 deficiency clock. - §7
18. Run suspend, conserve, receive, liquidate in order with the deciding test at each rung. - §7

PART 2 - BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Defined / Law / Policy / IC	Sec. 4(b) definition; RA 9829 (approved Dec. 3, 2009); Sec. 2 policy; Sec. 3 pro-planholder; Sec. 5 exclusive IC supervision
2	Parties / Regulated / Suspension	Sec. 4(c)-(e),(h)-(i); Secs. 10-13 capital and fitness; Secs. 20-22 counselors and agents; Sec. 48 triggers + 3-year plan lift
3	Kinds / Contract / Interpretation	Sec. 4(g),(m)-(r); life, pension, education, memorial + Commission-identified; Sec. 17 approval; Sec. 3 + Gaw literal enforcement

#	Topic	Must-know: provision + elements
4	Registration / Disclosure / Consideration	Secs. 14-15, 18-19; 45-day filing; brochure-before-sale; 10-day ad approval; Sec. 23 grace 60 days + 2-year reinstatement + two 30-day notices
5	Termination	Sec. 24: planholder anytime by written notice with scheduled values; company above-value offer on three conditions
6	Claims / Unfair practices	Sec. 26 clocks (immediate/15-day; 30-day) + twice legal interest; Sec. 25 five acts + suspension/revocation; Sec. 28 damages
7	Trust fund / Regulation / Distress	Sec. 30 sole-benefit + creditor-proof; Sec. 31 45%/51%, schedule, 20-day; Sec. 37 15%/125%; Secs. 35-36 120-day/60-day; Secs. 48-52 ladder; Secs. 55-56 adjudication and CA review

Framing questions per problem: is the arrangement a Sec. 4(b) plan at all? who is the actor (party or regulated person) and what license gates him? what clock, percentage, or notice applies? which rung of the distress ladder, and which forum reviews it?

Mnemonics. Policy counts 4: Regulate, Sound, Savings, Prevent. Parties count 3 plus 4: company, planholder, and beneficiary, plus counselor, actuary, agent, and affiliate. Clocks run 45-60-2-30-30: register within 45 days, grace for 60 days, reinstatement within 2 years, and two 30-day notices. Claims run 15-30-twice: 15-day scheduled delay price, 30-day contingent payment, and twice legal interest. The fund runs 45-51-20-15-125: 45% life deposits, 51% education-pension deposits, 20-day remittance, 15% reserve, and 125% cover. Distress runs S-C-R-L: Suspend, Conserve, Receive, Liquidate.

1. Defined; Governing Law and State Policy; Insurance Commission

> "Pre-need plans" are contracts, agreements, deeds or plans for the benefit of the planholders which provide for the performance of future service/s, payment of monetary considerations or delivery of other benefits at the time of actual need or agreed maturity date, as specified therein, in exchange for cash or installment amounts with or without interest or insurance coverage and includes life, pension, education, interment and other

plans, instruments contracts or deeds as may in the future he determined by the Commission.

- Sec. 4(b), RA 9829 (verbatim from LawPhil full text, where "he" for "be" is the source page's own rendering)

It is the policy of the State to regulate the establishment of pre-need companies and to place their operation on sound, efficient and stable basis to derive the optimum advantage from them in the mobilization of savings and to prevent and mitigate, as far as practicable, practices prejudicial to public interest and the protection of planholders. The State shall hereby regulate, through an empowered agency, pre-need companies based on prudential principles to promote soundness, stability and sustainable growth of the pre-need industry.

- Sec. 2, RA 9829

Any doubt in the interpretation and implementation of any provision in this Code shall be interpreted in favor of the rights and interests of the planholder.

- Sec. 3, RA 9829

All pre-need companies, as defined under this Act, shall be under the primary and exclusive supervision and regulation of the Insurance Commission.

- Sec. 5, par. 1, RA 9829

Element/Requisite	Content
Definition (Sec. 4(b))	Contract, agreement, deed, or plan for planholders; future service, money, or other benefit at actual need or agreed maturity as specified; for cash or installments with or without interest or insurance; covers life, pension, education, interment, and future Commission-determined plans
Benefits (Sec. 4(g))	Payment of money and/or performance of future services the company undertakes to deliver to the planholder or beneficiary at actual need or agreed maturity as specified in the plan
Governing law	RA 9829, the Pre-Need Code of the Philippines, approved Dec. 3, 2009 (consolidation of SB 2077 and HB 6407, passed Sept. 29-30, 2009); previously pre-need plans were securities under the SRC within SEC jurisdiction

Element/Requisite	Content
Policy (Sec. 2)	Regulate establishment; sound, efficient, stable operation; optimum savings mobilization; prevent and mitigate practices prejudicial to public interest and planholder protection; empowered-agency prudential regulation for soundness, stability, sustainable growth
Construction (Sec. 3)	Every doubt in interpretation and implementation favors the planholder; undefined terms take their usual trade, business, commercial, or investment meaning (Sec. 4, last par.)
Supervisor (Sec. 5)	Primary and exclusive IC supervision and regulation; Commission reorganizes, streamlines, upgrades staffing; files transferred from SEC within 90 days of effectivity (Sec. 57); pending SEC claims continue to conclusion
Commission powers (Sec. 6)	Approve/amend/renew/deny licenses; fix fees; supervise operations including nullifying contrary investments and demanding conversion to cash; issue CDOs; subpoena and search; contempt; sanctions and prosecution; suspend or revoke licenses; deputize enforcers; take over via conservator, receiver, or liquidator; retain up to P100,000,000.00 in fees
Jurisprudence frame	SEC v. College Assurance Plan (G.R. Nos. 218180 and 218193, Sept. 9, 2020), book-cited: RA 9829 vested the petitioner with primary and exclusive supervision; CAP Pension placed under conservatorship on discovery of financial infirmities; planholder protection is the primary consideration (per Laigo)

Distinction table: pre-need plan vs HMO contract vs stockholder perk.

Point	Pre-need plan (Sec. 4(b))	HMO contract (EO 192 s. 2015)	Stockholder perk (hospital problem)
Object	Future service, money, or benefit at actual need or agreed maturity	Pre-agreed health care services for a fixed prepaid fee over a period, via a provider network	Free or discounted board, procedures, drugs as subscriber incentives
Exchange	Cash or installment plan payments	Fixed prepaid membership fee	Stock subscription payment, not plan consideration
Verdict	Covered if the Sec. 4(b) elements concur	Not a plan: different object, price, and network structure (IC Letter Opinion 2022-01)	Not a plan: payment buys shares, not future benefits at need or maturity

Case: *Visitacion Gavina Gaw v. CA, RTC Pasay Br. 113, Pacific Plans, Inc.*, G.R. No. 147748, Apr. 19, 2006

Facts: In 1982 Gaw bought a Provincial Memorial Plan (Agreement No. 93945-5). Her mother died the morning of July 9, 1996. Her brother at once engaged Funeraria Baluyot, which embalmed the body and supplied a casket. Only that evening did Gaw notify Pacific Plans of her intent to assign the plan to her mother. The company refused memorial services. Gaw later dealt with accredited Funeraria Tolete, sought a replacement casket, sold a P150,000.00 farm lot for P50,000.00, and incurred P23,500.00 funeral expenses. MeTC ruled for her. RTC reversed. CA affirmed the dismissal.

Issue: Whether the provider is liable for damages for refusing the memorial services.

Held: Petition denied. The plan is the law between the parties. Clear terms control literally. Par. III gave Pacific the sole and exclusive right to arrange services with a mortuary of its choice, and notice directly to and acknowledged by Pacific before acting was imperative, time being of the essence. Evening notice after embalming and casketing preempted that prerogative and breached the plan. The casket upgrade likewise breached par. I(A): the plan delivered the pre-selected casket, and the different casket's cost is Gaw's alone since Pacific never consented and contracts bind only parties. The plan is a contract of adhesion but as binding as any contract since adherence is rejectable. Courts make no new contracts to avoid hardship.

Doctrine: A pre-need plan's clear stipulations control literally. Delayed notice that preempts the provider's sole arrangement right, combined with off-plan substitution, releases the provider. Adhesion binds.

> Exam trap: Sec. 3 pro-planholder construction does not rewrite clear plan terms - Gaw enforces the literal stipulation (immediate acknowledged notice, a company-chosen mortuary, and the pre-selected casket) even while calling the plan an adhesion contract.

Complements table for §1.

Item	Content
Effectivity	Approved Dec. 3, 2009; IRR within 60 days, published weekly for two consecutive weeks in two newspapers (Sec. 58); new plans under Chapter IV from 120 days after effectivity (Sec. 57)
Transfer	SEC-authorized persons and plans deemed licensed under the Code with one year to comply; Code remedies add to existing-law remedies (Sec. 59)

Item	Content
Prior regime	Plans were SRC securities under the SEC; full-disclosure philosophy carried into Secs. 14, 18, 19

Historic Bar question: gap. No verbatim pre-need question appears in the 2016-2025 Bar file (search returns no memorial, plan, or RA 9829 item, since Quiz 1 reproduces only insurance-code questions). If the examiner asks the hospital-share problem, answer with the drill below.

Q: A hospital gives subscribers, their spouses, and dependents free or discounted board, procedures, and drugs as subscriber incentives. Decide whether these perks are pre-need plans or HMO contracts.

A: The perks are neither pre-need plans nor HMO contracts. They are mere shareholder incentives.

The controlling rules are Sec. 4(b) of RA 9829, which requires a contract for future service, money, or benefit at actual need or agreed maturity in exchange for cash or installment amounts. EO 192 s. 2015 defines an HMO contract as pre-agreed health care services for a fixed prepaid fee over a period through a provider network.

Applied here, the perks ride on stock subscription payments rather than plan consideration and promise no benefit at actual need or agreed maturity. They likewise involve no fixed prepaid fee and no provider network.

The perks therefore fall outside both Sec. 4(b) and the HMO definition and stand as mere shareholder incentives.

2. Parties; Other Regulated Persons; Suspension/Revocation

> "Pre-need company" refers to any corporation registered with the Commission and authorized/licensed to sell or offer to sell pre-need plans. The term "pre-need company" also refers to schools, memorial chapels, banks, nonbank financial institutions and other entities which have also been authorized/licensed to sell or offer to sell pre-need plans insofar as their pre-need activities or business are concerned.
>
> - Sec. 4(c), RA 9829
>
> "Planholder" refers to any natural or juridical person who purchases pre-need plans from a pre-need company for whom or for whose beneficiaries' benefits are to be delivered, as stipulated and guaranteed by the pre-need company. The term includes the assignee, transferee and any successor-in-interest of the planholder.

- Sec. 4(d), RA 9829

"Beneficiary" refers to the person designated by the planholder as the recipient of the benefits in the pre-need plan.

- Sec. 4(e), RA 9829

"Sales counselors" refers to natural persons who are engaged in the sale of, or offer to sell, or counsel of prospective planholders for the purpose of selling, whether or not on commission basis, pre-need plans upon the authority of the pre-need company.

- Sec. 4(h), RA 9829

If the Commission is of the opinion, upon examination or other evidence, that any pre-need company is in an unsound condition, or that it has failed to comply with the provisions of law or regulations, or that its condition or method of business is such as to render its proceedings hazardous to the public or to its planholders, or that its paid-up capital stock is impaired or deficient, the Commission is authorized to suspend or revoke all certificates of authority granted to such pre-need company, its officers and agents, after due notice or hearing. No new business shall thereafter be done by such company or for such company by its agent in the Philippines.

- Sec. 48, par. 1, RA 9829

The Commission may not lift the order of suspension or revocation of the said authority until the concerned pre-need company shall have submitted a viable business plan showing the company's estimated receipts and disbursements, as well as the basis therefor for the next succeeding three (3) years.

- Sec. 48, par. 2, RA 9829

Element/Requisite	Content
Company (Sec. 4(c))	Commission-registered and licensed corporation; extended to schools, memorial chapels, banks, NBFIs, and other licensed sellers for their pre-need business; corporate name must carry "Plan" or "Plans" (Circular 2015-41, book-cited)
License gate (Sec. 10)	No operation without a Commission license; license expires one (1) year from registration, renewable, deemed approved if unacted in thirty (30) days
Planholder (Sec. 4(d))	Any natural or juridical purchaser for self or beneficiaries as stipulated and guaranteed; includes assignee, transferee, successor-in-interest

Element/Requisite	Content
Beneficiary (Sec. 4(e))	Person the planholder designates to receive plan benefits
Sales counselor (Secs. 4(h), 20)	Natural person selling, offering, or counseling on company authority; needs a license: good moral character with no moral-turpitude conviction, approved training certified under oath, written Commission exam; license expires every June 30
Counselor discipline (Sec. 21)	Denial, suspension, or revocation for application misrepresentation, fraudulently obtained license, misrepresented terms, false or fraudulent selling, for-cause termination elsewhere, Sec.-II-type grounds, lending a license to an unlicensed or barred person, analogous causes
General agent (Sec. 22)	Corporation or entity selling, offering, or advising for the issuer plus other contracted acts under the general agency agreement; must be licensed as such
Actuary (Secs. 4 note, 16, 39-40)	IC-accredited professional certifying viability studies, reserve valuations, asset shares, projections; barred from concurrent stockholder, director, CEO, CFO, or conflicted posts; disaccredited for non-performance, unfitness, hidden conflicts, ASP Code breach
Affiliate (Sec. 4(i))	Control directly or through intermediaries: owning over twenty-five percent (25%) of stock alone or with affiliates, or being an officer or director
Management (Secs. 7-9, 11-13)	SEC accepts articles only on favorable Commission recommendation; foreign entry on compliance; new paid-up P100,000,000.00; existing 100M/75M/50M by plan-type count (100M with traditional education plans); fitness-tested directors with six disqualification classes; 2-or-20% independent directors; P5,000,000.00 trust-interest investment cap for directors, officers, and 4th-degree relatives
Suspension/revocation (Sec. 48)	Four triggers: unsound condition; legal or regulatory noncompliance; hazardous condition or method; impaired or deficient paid-up capital; after due notice and hearing; no new business meanwhile; lift only on a viable 3-year receipts-and-disbursements business plan

Distinction table: party vs regulated non-party.

Point	Parties (Sec. 4(c)-(e))	Regulated non-parties (Secs. 4(h)-(i), 16, 20-22)
Who	Company, planholder (with assignee/transferee/successor), beneficiary	Sales counselor, general agent, actuary, affiliate
Basis	Contract relation under the plan	License, accreditation, or control relation under the Code
Gaw illustration	Gaw assigned her plan to her mother (assignee/successor mechanics) but breached the assignment conditions (25-km branch, written, company-approved, installments accelerated)	N/A - the servicing mortuaries were company-choice providers, not parties

Historic Bar question: gap for §2. Use the drill below.

Q: A company offers pension plans online with bank-deposit payment instructions but holds no license. Decide whether the offer is actionable.

A: The online offer is actionable, and a cease-and-desist order against it is proper.
The controlling rules are Sec. 10, which bars operation as a pre-need company without a Commission license. Sec. 18 requires prior Commission approval of advertising. Sec. 53(c) fines unauthorized sales on a 30%/40%/license-loss ladder. Sec. 54(a)-(b) punishes unregistered selling with one (1) year of imprisonment and triple-price fines.
Applied here, the Primamanila-pattern facts - a website offer of pension plans with bank-deposit payments and no license - breach both the licensing gate and the advertising gate.
The Commission may therefore issue a cease-and-desist order, and fines plus criminal exposure attach.

3. Kinds of Plans; Pre-need Contract and Interpretation

> "Scheduled benefit plans" refers to plans the date of availment of the benefits of which is set at the inception or purchase of the plan.
>
> - Sec. 4(q), RA 9829
>
> "Contingent benefit plans" refers to plans the timing of the provision of the benefits of which is conditional on the occurrence of the contingency.
>
> - Sec. 4(r), RA 9829

> All forms, including amendments thereto, relating to the pre-need plans shall be approved by the Commission. No pre-need contracts or certificates shall be issued or delivered within the Philippines unless in the form previously approved by the Commission.
>
> - Sec. 17, RA 9829

Element/Requisite	Content
Offered kinds (book 5)	Life plans, pension plans, educational plans, memorial or interment plans, and other Commission-identified plans
Fixed-value (Sec. 4(m))	Benefits and costs fixed and predetermined at inception or purchase
In-force (Sec. 4(n))	Outstanding obligation to deliver benefits or services or pay termination value
Lapsed (Sec. 4(o))	Installment delinquency extending beyond the plan or contract grace period
Cancelled (Sec. 4(p))	Reinstatement impossible after delinquency beyond two (2) years (or longer contract period) from grace-period expiry
Scheduled (Sec. 4(q))	Availment date set at inception or purchase (pension, education)
Contingent (Sec. 4(r))	Benefit timing conditional on the contingency (memorial/life)
Form gate (Sec. 17)	Every form and amendment needs Commission approval; no issuance or delivery in the Philippines on an unapproved form; standard provisions per IC Circular 2016-11; electronic-form sale allowed per IC Circular 2021-09 (book-cited)
Interpretation (Sec. 3)	Doubts favor the planholder; undefined terms take trade meaning
Adhesion (Gaw; Dio, book-cited)	Plan is take-it-or-leave-it adhesion, construed liberally for the planholder - but as binding as ordinary contracts since adherence is rejectable; clear terms enforced literally; courts make no new contracts to avoid hardship

Distinction table: lapsed vs cancelled vs in-force.

Point	In-force (Sec. 4(n))	Lapsed (Sec. 4(o))	Cancelled (Sec. 4(p))
Status	Obligation outstanding	Delinquent past the grace period	Reinstatement window closed
Cure	Perform or pay as due	Reinstate within 2 years (Sec. 23)	None - termination value only (Sec. 24)
Gaw note	Gaw's plan was in-force and assigned, not lapsed; breach, not delinquency, released the company	N/A	N/A

Distinction table: scheduled vs contingent (drives Sec. 26 clocks).

Point	Scheduled benefit (Sec. 4(q))	Contingent benefit (Sec. 4(r))
Availment	Date fixed at purchase	Timing conditional on the contingency
Examples	Pension, education	Memorial, life
Payment clock	Immediately at maturity; installments or annuity as due; 15-day delay price (Sec. 26)	30 days after complete documents (Sec. 26)

Historic Bar question: gap for §3. Use the drill below.

Q: After a planholder's mother dies, the family at once engages an outside funeral home that embalms the body and supplies a casket, notifies the provider only that evening, and later substitutes a different casket. Decide whether the provider owes memorial services.

A: The provider owes no memorial services, and the dismissal of the claim stands.
The controlling rules are that the plan is the law between the parties so its clear stipulations control literally, and that Sec. 3 liberality for the planholder cannot rewrite those stipulations.
Applied here, the sole-and-exclusive arrangement right and the imperative acknowledged-notice requirement were preempted by the evening notice after embalming and casketing, and the pre-selected-casket term was breached by the upgrade whose cost falls on the family alone.
There is therefore no liability for refusing the services, and the CA dismissal stands.

4. Registration/Disclosure; Consideration

> Within a period of forty-five (45) days after the grant of a license to do business as a pre-need company, and for every pre-need plan which the pre-need company intends to offer for sale to the public, the pre-need company shall file with the Commission a registration statement for the sale of pre-need plans pursuant to this Code.

- Sec. 14, RA 9829

Pre-need plans shall be advertised and sold in an appropriate non-misleading manner in accordance with the rules to be prescribed by the Commission. It shall be unlawful for any pre-need company to advertise itself or its pre-need plans unless the Commission has approved such advertising material. The Commission shall have a period of ten (10) working days to approve or deny the advertising material and failure to act within the said period shall cause the advertising material to be approved.

- Sec. 18, pars. 1-2, RA 9829

No registered pre-need plan shall be sold to prospective planholders unless an information brochure, which has been filed with the Commission, has been provided to the purchaser.

- Sec. 19, par. 1, RA 9829

The pre-need company must provide in all contracts issued to planholders a grace period of at least sixty (60) days within which to pay accrued installments, counted from the due date of the first unpaid installment. Nonpayment of a plan within the grace period shall render the plan a lapsed plan. Any payment by the planholder after the grace period shall be reimbursed forthwith, unless the planholder duly reinstates the plan. The planholder shall be allowed a period of not less than two (2) years from the lapse of the grace period or a longer period as provided in the contract within which to reinstate his plan. No cancellation of plans shall be made by the issuer during such period when reinstatement may be effected.

- Sec. 23, par. 1, RA 9829

Within thirty (30) days from the expiration of the grace period and within thirty (30) days from the expiration of the reinstatement period, which is two (2) years from the lapse of the grace period, the pre-need company shall give written notice to the planholder that his plan will be cancelled if not reinstated within two (2) years. Failure to give either of the required notices shall preclude the pre-need company from treating the plans as cancelled.

- Sec. 23, par. 2, RA 9829

Element/Requisite	Content
Registration (Secs. 14-15)	Per-plan registration statement within 45 days of licensing; contents include board resolution, counsel opinion, audited statements, actuary-certified viability study, plan copy, sales samples with risk factors; Commission rules set denial, revocation, suspension, withdrawal conditions and company remedies
Advertising (Sec. 18)	Non-misleading sale only; prior approval required; 10-working-day deemed approval on silence; seller in violation liable to refund consideration with interest; Commission may pursue administratively or criminally; P100,000.00 fine, suspension on second violation (book figure; LawPhil rendering spaces the digits)
Disclosure (Sec. 19)	No sale without delivering the filed information brochure; brochure states principal features, default/reinstatement rights and conditions, scheduled-plan returns and contingent-plan illustrative yields
Primamanila (book-cited)	G.R. No. 193791, Aug. 6, 2014: unlicensed website pension-plan offer with bank-deposit payment instructions supports a CDO
Consideration	Company owes plan benefits while the planholder pays cash or installments; installment default runs Sec. 23
Grace (Sec. 23)	At least sixty (60) days from the first unpaid installment's due date in every contract; nonpayment renders the plan lapsed; post-grace payments reimbursed unless reinstated
Reinstatement (Sec. 23)	Not less than two (2) years from grace lapse (or longer contract period); no cancellation inside the window
Notices (Sec. 23)	Written notice within 30 days after grace expiry AND within 30 days after reinstatement-period expiry warning of cancellation; missing either notice bars treating the plan as cancelled
Reportorial (Secs. 41-45, book-cited)	Annual reserve valuation, audited statements, trust-fund statement, two-newspaper publication - see §7

Distinction table: grace period vs reinstatement period vs notices.

Point	Grace (60 days)	Reinstatement (2 years)	Notices (two 30-day)
Counted from	Due date of first unpaid installment	Lapse of the grace period	Grace expiry; reinstatement-period expiry

Point	Grace (60 days)	Reinstatement (2 years)	Notices (two 30-day)
Effect	Lapsed status on nonpayment	Cure window; no cancellation inside	Warn of cancellation if unreinstated
Price of breach	Reimburse late payments unless reinstated	Plan cancellable only after expiry	Missing either bars cancelled treatment

Historic Bar question: gap for §4. Use the drill below.

Q: A planholder misses six months of installments after receiving only one notice, and the company cancels the plan. Decide whether the cancellation is valid.

A: The cancellation is invalid, and the company must accept reinstatement or reimburse the late payments.

The controlling rule is Sec. 23, which requires a 60-day grace period, a 2-year reinstatement window from grace lapse with no cancellation inside it, and two written 30-day notices - one after grace expiry and one after reinstatement-period expiry.

Applied here, six months of nonpayment still falls inside the reinstatement window, and a single notice fails the two-notice rule.

Cancellation is therefore barred until the window closes with both notices given. The company must accept reinstatement or reimburse.

5. Termination (by Planholder; by Company)

> A planholder may terminate his pre-need plan at any time by giving written notice to the issuer.
>
> - Sec. 24, par. 1, RA 9829
>
> A pre-need plan shall contain a schedule of termination values to which the planholder is entitled to upon termination. Such schedule of termination value shall be required for all in-force pre-need plans and shall be fair, equitable and in compliance with the Commission issuances. The termination value of the pre-need plan shall be predetermined by the actuary of the pre-need company upon application for registration of the pre-need plans with the Commission and shall be disclosed in the contract.
>
> - Sec. 24, par. 2, RA 9829

Element/Requisite	Content
By planholder (Sec. 24)	Matter of right at any time by written notice to the issuer, with the right to demand the termination value

Element/Requisite	Content
Schedule (Sec. 24)	Every plan carries a termination-value schedule for all in-force plans; fair, equitable, Commission-compliant; actuary-predetermined at registration; disclosed in the contract
By company (book 9.02; Sec. 24 IRR backdrop)	Always subject to planholder consent; an above-termination-value offer needs no prior Commission approval only if (1) consideration is below the plan's pre-need reserves, (2) the planholder accepts, and (3) non-availing planholders are not prejudiced
Reserve link	Offer ceiling references the actuarial reserve for the specific plan - ties termination to the §§35-36 valuation spine

Historic Bar question: gap for §5. Use the drill below.

Q: A pre-need company offers to buy out plans at 120 percent of termination value without Commission approval, and some planholders object. Decide whether the offer may proceed.

A: The offer cannot proceed as to the objecting planholders without Commission approval.
The controlling rule is Sec. 24, which requires a fair, equitable, Commission-compliant termination-value schedule predetermined by the actuary and disclosed in the contract, and which allows a company above-value offer without prior approval only where the consideration is below the plan's pre-need reserves, the planholder accepts, and non-availing planholders are not prejudiced.
Applied here, the objectors defeat both the acceptance and non-prejudice conditions, and below-reserves proof is still required.
The offer therefore cannot proceed as to objectors and must be routed through Commission approval.

6. Claims Settlement; Unfair Claims Settlement

> In the case of scheduled benefit plans, the proceeds of the plan shall be paid immediately upon maturity of the contract, unless such proceeds are made payable in installments or as an annuity, in which case the installments or annuities shall be paid as they become due. Refusal or failure to pay the claim within fifteen (15) days from maturity or due date will entitle the beneficiary to collect interest on the proceeds of the plan for the duration of the delay at the rate twice the legal interest unless such failure or refusal to pay is based on the ground that the claim is fraudulent: Provided, That the planholder has duly

complied with the documentary requirements of the pre-need company.

- Sec. 26, par. 1, RA 9829

In the case of contingent benefit plans, the benefits shall be paid by the pre-need company thirty (30) days upon submission of all necessary documents.

- Sec. 26, par. 2, RA 9829

In case of any litigation for the enforcement of any pre-need plan, it shall be the duty of the Commission to determine whether the payment of the claim of the planholder has been unreasonably denied or withheld. If found to have unreasonably denied or withheld the claim, the pre-need company shall be liable to pay damages, consisting of actual damages, attorney's fees and legal interest, to be computed from the date the claim is made until it is fully satisfied: Provided, That the failure to pay any such claim within the time prescribed in Section 26 hereof shall be considered prima facie evidence of unreasonable delay in payment.

- Sec. 28, RA 9829

Element/Requisite	Content
Scheduled clock (Sec. 26)	Immediate payment at maturity; installments or annuity as each falls due; 15-day delay prices twice legal interest unless the claim is fraudulent and the planholder complied with documents
Contingent clock (Sec. 26)	Payment 30 days after all necessary documents submitted
Recovery (Sec. 27)	Legal action to recover the investment 30 days after complete documents; veil-piercing against officers or controlling owners where insolvency covers fraud or illegality
Delay consequence (Sec. 28)	Commission determines unreasonableness in any enforcement litigation; liability is actual damages plus attorney's fees plus legal interest from claim date to satisfaction; missed Sec. 26 clock is prima facie unreasonable
Five unfair practices (Sec. 25(a))	Knowing misrepresentation of facts or plan provisions; failure to acknowledge communications promptly; failure to adopt and implement prompt-investigation standards; failure to give prompt, fair, equitable settlement where liability is reasonably clear; lowballing that compels suit
Qualifier (Sec. 25(a))	Each act without just cause

Element/Requisite	Content
Evidence (Sec. 25(b))	Numbers and types of valid, justifiable Commission complaints are admissible
Sanction (Sec. 25(c))	Any violation suffices for suspension or revocation of the certificate of authority

Distinction table: Sec. 25 vs Sec. 28.

Point	Unfair practice (Sec. 25)	Delay consequence (Sec. 28)
Trigger	Any of five acts without just cause	Unreasonable denial or withholding found in enforcement litigation
Price	Suspension or revocation of authority	Actual damages, attorney's fees, legal interest from claim date
Shortcut	Complaint-volume evidence admissible	Missed Sec. 26 clock is prima facie unreasonable

Distinction table: scheduled vs contingent payment.

Point	Scheduled (Sec. 26, par. 1)	Contingent (Sec. 26, par. 2)
Due	Immediately at maturity; installments as due	30 days after complete documents
Delay price	Twice legal interest from day 16 unless fraudulent	Sec. 28 damages via missed-clock presumption
Gaw note	Memorial plan is contingent; Gaw lost on breach, never reaching the clock	Same - documentary compliance was never the issue

Historic Bar question: gap for §6. Use the drill below.

Q: A matured education plan pays 60 days late without any fraud. State what the beneficiary collects.

A: The beneficiary collects twice-legal-interest for the delay period plus Sec. 28 damages on suit. The controlling rules are Sec. 26, which prices scheduled-plan delay at twice legal interest from day 16 where the planholder complied with documents. Sec. 28 imposes actual damages, attorney's fees, and legal interest from claim date on unreasonable withholding, with a missed Sec. 26 clock as prima facie proof of unreasonable delay.

Applied here, the 60-day delay yields 45 days of delay interest, and the missed clock supplies the prima facie case for litigation damages if unreasonableness is found.

The beneficiary therefore recovers twice-legal-interest for the delay period plus Sec. 28 damages

on a successful suit.

7. Trust Fund; Regulation of Companies; Companies in Distress

> To ensure the delivery of the guaranteed benefits and services provided under a pre-need plan contract, a trust fund per pre-need plan category shall be established. A portion of the installment payment collected shall be deposited by the pre-need company in the trust fund, the amount of which will be as determined by the actuary based on the viability study of the pre-need plan approved by the Commission. Assets in the trust fund shall at all times remain for the sole benefit of the planholders. At no time shall any part of the trust fund be used for or diverted to any purpose other than for the exclusive benefit of the planholders. In no case shall the trust fund assets be used to satisfy claims of other creditors of the pre-need company. The provision of any law to the contrary notwithstanding, in case of insolvency of the pre-need company, the general creditors shall not be entitled to the trust fund.
>
> - Sec. 30, par. 1, RA 9829
>
> Except for the payment of the cost of benefits or services, the termination values payable to the planholders, the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders, no withdrawal shall be made from the trust fund unless approved by the Commission. The benefits received by the planholders shall be exempt from all taxes and the trust fund shall not be held liable for attachment, garnishment, levy or seizure by or under any legal or equitable processes except to pay for the debt of the planholder to the benefit plan or that arising from criminal liability imposed in a criminal action.
>
> - Sec. 30, par. 2, RA 9829
>
> The trust fund shall at all times be sufficient to cover the required pre-need reserve.
>
> - Sec. 30, par. 3, RA 9829
>
> The pre-need company shall make monthly deposits to the trust fund in an amount determined by the accredited actuary, sufficient to pay the benefits promised under the contract. For plans paid for in full, the pre-need company shall deposit into the trust fund at least forty-five percent (45%) for life plans and fifty-one percent (51%) for education and pension plans of said full payment or such higher amount as determine by the actuary.

- Sec. 31(a), par. 1, RA 9829

The trustee shall at all times maintain a liquidity reserve which shall be sufficient to cover at least fifteen percent (15%) of the trust fund but in no case less than one hundred twenty-five percent (125%) of the amount of the availing plans for the succeeding year.

- Sec. 37, par. 1, RA 9829

Whenever, upon examination or other evidence, it shall be disclosed that the condition of any pre-need company is one of insolvency, or that its continuance in business would be hazardous to its planholders and creditors, the Commission shall forthwith order the company to cease and desist from transacting business and shall designate a receiver to immediately take charge of its trust fund, assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its planholders and creditors, and exercise all the powers necessary for these purposes including, but not limited to, bringing suits and foreclosing mortgages in the name of the pre-need company.

- Sec. 50, par. 1, RA 9829

The Commission shall have the primary and exclusive power to adjudicate any and all claims involving pre-need plans. If the amount of benefits does not exceed One hundred thousand pesos (P100,000.00), the decision of the Commission shall be final and executory.

- Sec. 55, RA 9829

Any person aggrieved by an order or decision of the Commission, whether in relation to its settlement of a claim of a planholder or in the exercise of its regulatory authority, may appeal the order or decision to the Court of Appeals by petition for review in accordance with the pertinent provisions of the Rules of Court.

- Sec. 56, RA 9829

Element/Requisite	**Content**
Character (Sec. 30)	One fund per plan category; actuarially sized from the approved viability study; sole and exclusive planholder benefit; never diverted; creditor-proof in insolvency; planholder benefits tax-exempt; fund immune from attachment except planholder plan-debt or criminal liability

Element/Requisite	Content
Withdrawals (Sec. 30)	Only benefit costs, termination values, memorial-life insurance premiums, and delivery-necessary costs - otherwise Commission approval required
Deposits (Sec. 31)	Monthly actuary-sized deposits; full-payment floors of 45% life and 51% education-pension; installment table (1st 20%: 5%/5%; 2nd 20%: 10%/10%; 3rd-5th 20% tranches: 70% life / 80% other plans); contributions are not company income, unavailable for dividends or creditors; 20-day remittance after each reference month; 30-day cure of noticed deficiencies
Trustee setup (Sec. 32)	Separate fund per plan type with a trust company, bank, or investment house; no affiliate trustee (Sec. 38 conditions); Commission-approved trust agreement with eight salient terms including examination submission
Trustee duties (Sec. 33)	Fiduciary administration; exclusive management and control within compliant parameters; no loans to or investments in the company, its people, related interests, or controlled enterprises (except direct providers)
Investments (Sec. 34)	Fixed income (govt securities at least 10%; bank deposits/UITFs; rated commercial paper with 15%/10% caps; 60%-collateralized 4-year direct corporate loans capped at 5% with 10% per-borrower and 10% planholder-loan sub-rules); equities on the main board (30% cap, 10% per issue, dividend-paying, 3-year disposal of non-conforming); real estate in strategic areas (10% cap, 3-year appraisal, 60% of upside booked); 15% single-entity cap; Commission 2-point quinquennial adjustment
Valuation (Secs. 35, 41)	Annual reserve valuation report within 120 days of year-end with assumptions, methods, formulas, plan summaries; contingent plans certified by an accredited actuary, scheduled plans by auditors or qualified actuary
Deficiency (Sec. 36)	Company funds the approved deficiency within 60 days; penalties and other remedies on failure; excess credited to future deposits
Liquidity (Sec. 37)	At least 15% of the fund and at least 125% of next year's availing plans; qualifying instruments listed (hold-out loans, Treasuries, repos, government/commercial bank deposits)

Element/Requisite	Content
Profits (Sec. 29)	Dividends only with 100% capital, loss/expense/tax cover, and the trust fund unimpaired (sworn); reported within 30 days
Reports (Secs. 42-45)	Dec. 31 fiscal year-end; 120-day sworn audited statements with management responsibility; per-type trust-fund statement under two officers' oath; publication of full synopsis in two newspapers within 30 days of approved-statement receipt
Examination (Sec. 46)	At least once a year and whenever public interest demands, of the company and its fund managers
Suspension (Sec. 48)	Four triggers, notice and hearing, no new business, 3-year business-plan lift - see §2
Conservator (Sec. 49)	On continuing inability or unwillingness before or after suspension; takes assets, liabilities, management; overrules prior management and board; reporter to the Commission; exits to restored operation or to Chapter XVI
Receivership (Sec. 50)	Forthwith cease-and-desist plus receiver on insolvency (unable to pay liabilities as due, or liabilities exceed assets) or hazardous continuance; 30-day reorganization determination; liquidation with trust fund distributed exclusively to planholders pro rata to termination values; Commission acts final and executory absent plain arbitrariness and bad faith
Fund custody (Sec. 51)	On liquidation the Commission takes immediate custody and accounting of the fund with full power to satisfy planholder obligations
Liquidation (Sec. 52)	Court insolvency proceedings over company assets excluding the fund; creditors have no personality in Commission fund proceedings; equitable distribution by paid amounts, termination values, present values; only trustee fees and trust taxes share the fund
Sanctions (Sec. 53)	After notice and hearing: CDO (ex parte if clearly apparent, injurious, urgent); suspension for CDO noncompliance in 30 days; revocation after 90-day suspension; P10,000.00-P1,000,000.00 plus P2,000.00 daily fines; disqualification; unauthorized-sale fines of 30%/40%/license-loss with suspension for 3-month nonpayment

Element/Requisite	Content
Crimes (Sec. 54)	Unregistered selling or unregistered-plan selling: 1 year plus triple-price fine; fraudulent selling: 6 years 1 day-12 years plus P50,000.00-P500,000.00; negligent injury: 1 year 1 day-6 years plus P50,000.00-P500,000.00; fraudulent injury or willful violation: 6 years 1 day-12 years plus P100,000.00-P1,000,000.00; residual: P50,000.00-P5,000,000.00 or 1-14 years; juridical-entity and alien-deportation rules
Adjudication (Sec. 55)	Primary and exclusive Commission power over all pre-need claims; P100,000.00-or-below decisions final and executory
Review (Sec. 56)	Any aggrieved person appeals to the Court of Appeals by petition for review under the Rules of Court

Case: *SEC v. Laigo (Legacy Consolidated Plans)*, G.R. No. 188689, Sept. 2, 2015 (book-cited)

Facts (as discussed in Aquino 2024): Legacy bound itself in trust recitals to manage collections for the benefit and account of planholders through LBP as trustee. On distress the question was whether the company or the planholders owned the fund.

Issue: The issue was whether the trust fund belonged to the company or to the planholders on the company's distress.

Held (as discussed): the manifest intention makes planholders the beneficiaries. Beneficial ownership lies in planholders, legal ownership lies in the trustee, and none is left in the trustor. Sec. 16's spirit (now Sec. 30's letter) makes planholders exclusive beneficiaries, a design RA 9829 cemented after the industry chaos.

Doctrine: trust-fund assets answer only to planholders, never to the company or its general creditors.

> Exam trap: Laigo predates full RA 9829 litigation but states the Sec. 30 rule - cite Sec. 30 as the controlling text, Laigo as the ownership illustration.

Distinction table: suspend vs conserve vs receive vs liquidate.

Point	Suspend/revoke (Sec. 48)	Conserve (Sec. 49)	Receive (Sec. 50)	Liquidate (Secs. 50-52)
Trigger	Four opinion triggers on examination or evidence	Continuing inability or unwillingness to comply	Insolvency or hazardous continuance	Confirmed insolvency with public-interest need

Point	Suspend/revoke (Sec. 48)	Conserve (Sec. 49)	Receive (Sec. 50)	Liquidate (Secs. 50-52)
Who acts	Commission after notice and hearing	Commission-appointed conservator (may be another company)	Commission-designated receiver after forthwith CDO	Commission-approved liquidator plus court proceedings
Fund	Untouched by the order	Preserved under conservator	Taken charge of for planholders and creditors	Distributed exclusively to planholders pro rata; Commission may take custody
Exit	3-year business-plan lift	Restored operation or Chapter XVI	30-day reorganization determination	Equitable distribution; creditors excluded from the fund

Historic Bar question: gap for §7. Use the drill below.

Q: General creditors of an insolvent pre-need company seek to attach the trust fund. Decide whether attachment lies.

A: The attachment fails, and the creditors are confined to non-fund assets. The controlling rules are Sec. 30, which bars diversion of the fund and creditor claims against it notwithstanding any contrary law. Sec. 52 excludes the fund from court insolvency jurisdiction and denies creditors personality in Commission fund proceedings. Laigo vests beneficial ownership of the fund in the planholders. Applied here, the attachment targets fund assets, the precise object of the statutory shield. Attachment therefore fails, and creditors may proceed against non-fund assets only.

Quick-Recall Tables

Definition and policy numbers.

Figure	Content
Definition	Sec. 4(b): future service, money, or benefit at need or maturity for cash or installments; life, pension, education, interment
Policy	Sec. 2: regulate, sound/stable, savings, prevent prejudice, empowered agency
Construction	Sec. 3: doubts for the planholder
Supervisor	Sec. 5: primary and exclusive IC; effectivity Dec. 3, 2009

Parties and capital.

Figure	Content
Parties	Company, planholder with assignee/transferee/successor, beneficiary
Regulated	Counselor (June-30 license), general agent, actuary (no stock/director/CEO/CFO), 25%-control affiliate
Capital	New P100,000,000.00; existing 100M/75M/50M; counselor and company licenses on 1-year cycles
Suspension	Four Sec. 48 triggers; 3-year business-plan lift

Kinds and forms.

Figure	Content
Kinds	Life, pension, education, memorial/interment + Commission-identified
Classes	Fixed-value; scheduled vs contingent; in-force vs lapsed vs cancelled (2-year)
Gate	Sec. 17: every form and amendment pre-approved

Registration, disclosure, consideration.

Figure	Content
Registration	45-day statement per plan; viability study with actuary oath
Advertising	Prior approval; 10-working-day deemed approval; P100,000.00 fine; suspension on repeat
Sale	Filed brochure delivered first
Default	60-day grace; lapsed; reimburse; 2-year reinstatement; two 30-day notices

Termination and claims.

Figure	Content
Termination	Planholder anytime by written notice; scheduled values; company offer below reserves + accepted + non-prejudicial
Scheduled pay	Immediate; 15-day delay prices twice legal interest
Contingent pay	30 days after complete documents
Unfair	Five Sec. 25 acts; suspension or revocation

Figure	Content
Litigation	Actual damages + fees + legal interest; missed clock prima facie unreasonable

Trust fund and distress.

Figure	Content
Fund	Per-category; sole-benefit; creditor-proof; tax-exempt benefits
Deposits	Monthly actuary-sized; full-payment 45% life / 51% education-pension; 20-day; 30-day cure
Liquidity	15% of fund; 125% of next-year avails
Caps	Govt securities 10%+; commercial paper 15%/10%; direct loans 5%; equities 30%/10%; real estate 10%; single entity 15%
Valuation	120-day report; 60-day deficiency funding
Distress	Suspend, conserve, receive, liquidate; 30-day reorganization call
Forum	Sec. 55: P100,000.00 final; Sec. 56: CA petition for review

Exceptions-to-exceptions map.

General rule	The lawful departure
No operation without a license (Sec. 10)	SEC-deemed-licensed transition with one year to comply (Sec. 59)
No sale of an unregistered plan (Sec. 14)	Pre-Code plans follow sale-time rules (Sec. 31(d))
No unapproved form or ad (Secs. 17-18)	10-working-day silence approves the ad (Sec. 18)
No cancellation inside 2 years (Sec. 23)	Cancellation after expiry with both notices given
No fund withdrawal (Sec. 30)	Benefit costs, termination values, memorial-life premiums, approved withdrawals
No affiliate trustee (Sec. 38)	Allowed with prior written approval plus public disclosure of affiliation
Liquidation ends resort to the fund	Only trustee fees and trust taxes share it (Sec. 52)

Exam Traps

1. Sec. 4(b) needs a future benefit at need or maturity for plan payments - stockholder perks paid for shares fail both halves.

2. HMO contracts run on fixed prepaid fees through provider networks (EO 192) - different animal, now also IC-supervised but not pre-need.

3. Doubts favor the planholder (Sec. 3) but clear terms are enforced literally (Gaw) - liberality is not rewriting.

4. The Commission's power is primary and exclusive (Sec. 5). Pending SEC cases merely continue to conclusion (Sec. 57).

5. Assignees and transferees are planholders (Sec. 4(d)) - Gaw still had to meet the assignment conditions (accelerated installments, written, approved, 25-km).

6. A counselor must be a licensed natural person with training plus exam. Lending a license to an unlicensed seller kills the license (Sec. 21(g)).

7. Affiliate control is over 25% or officer/director status - lower than the 40% insurance-holding presumption in Part I-E.

8. Lapsed (past grace) is curable. Cancelled (past 2 years unreinstated) is terminal, so classify before advising.

9. Scheduled vs contingent decides the Sec. 26 clock: immediate/15-day vs 30-days-on-documents.

10. Registration runs per plan within 45 days of licensing - company licensing alone never authorizes a sale.

11. Ads need prior approval, but 10 working days of silence means approval - calendar working days, not calendar days.

12. Both Sec. 23 notices are required. One notice or none bars cancelled treatment entirely.

13. Termination by the planholder is a right (written notice anytime). Termination by the company is a proposal needing consent plus three conditions.

14. Twice legal interest (not twice the Monetary Board ceiling of insurance Secs. 248-250) prices scheduled-plan delay - keep the regimes apart.

15. The five Sec. 25 acts each need without-just-cause, but unlike insurance Sec. 247 no business-practice frequency is stated - single acts suffice.

16. Fund deposits are not company income and cannot fund dividends or creditors (Sec. 31) - dividend lock adds the fund as item (c) (Sec. 29).

17. Full-payment floors are 45% life but 51% education-pension - the higher number belongs to the scheduled plans.

18. Remit within 20 days of each reference month. Cure noticed deficiencies in 30 days. They are two different clocks.

19. FRIA does not cover pre-need debtors (RA 10142 Sec. 5) - the Code's own conservatorship-to-liquidation path governs.

20. Sec. 55 finality stops at P100,000.00. Above it, Sec. 56 sends any aggrieved person to the CA by petition for review.

Key Authorities Cited

Codes. RA 9829 Pre-Need Code (2009), Secs. 1-60 full-text verified. The verified range covers definitions and policy (1-5), supervision (5-6), organization and licensing (7-13), registration (14-19), counselors and agents (20-22), default and termination (23-24), claims (25-28), profits (29), trust fund (30-38), actuaries (39-40), reports (41-47), suspension (48), distress (49-52), sanctions and crimes (53-54), adjudication and review (55-56), and transitory provisions (57-60).
Special laws and issuances. EO 192 s. 2015 governs HMO supervision and definition. IC Letter Opinion 2022-01 treats hospital perks as not HMO. IC Circular 2015-41 sets the Plan/Plans name. IC Circular 2016-11 carries standard provisions. IC Circular 2021-09 allows electronic form. FRIA Sec. 5 excludes pre-need debtors. The SRC was the prior regime.
Cases. Gaw v. CA, G.R. No. 147748, Apr. 19, 2006, states the plan-is-law rule and is the Batch-1 No. 27 assigned digest. SEC v. Laigo, G.R. No. 188689, Sept. 2, 2015, illustrates fund ownership and is book-cited. SEC v. College Assurance Plan, G.R. Nos. 218180 and 218193, Sept. 9, 2020, confirms exclusive supervision with conservatorship and is book-cited. Primamanila Plans v. SEC, G.R. No. 193791, Aug. 6, 2014, sustains a CDO against an unlicensed website offer and is book-cited. Dio v. St. Ferdinand Memorial Park, G.R. No. 169578 (2006), holds that adhesion binds and is book-cited, with year only as the book's day figure is an OCR-unreadable "November 80").

Source and Verification Note

Primary text: RA 9829 pulled verbatim from the LawPhil full text Nov. 11, 2026 (repacts/ra2009/ra_9829_2009.html) into a local 75k-character extract. Every Sec. 1-60 blockquote above was checked against that extract. Figures re-verified there include Dec. 3, 2009 approval, 45-day registration, 10-working-day ad approval, 60-day grace with 2-year reinstatement and two 30-day notices, 45%/51% full-payment deposits with the 5/5-10/10-70/80 installment table, 20-day remittance, 30-day deficiency cure, 15%/125% liquidity, 120-day valuation and statements, 60-day deficiency funding, 30-day reorganization call, and P100,000.00 adjudication finality. Two LawPhil rendering notes. Sec. 18 prints the fine as

"(P100, 000.00)" with a digit-space (quoted here normalized as P100,000.00 per the book's identical figure). Sec. 4(b) prints "he determined" for "be determined" (flagged at the quote). Chapter substance. Aquino 2024 Ch. 6, pp. 440-459, was recovered by rendering PDF pages at 150 dpi with pymupdf and OCRing with rapidocr-onnxruntime (the vault textbook PDF has zero text layer across all 1,460 pages), then cross-checked section by section against the LawPhil Code text. No sentence is quoted as the book's own. Case citations. Gaw carries the Batch-1 No. 27 syllabus docket confirmed against the assigned digest. Laigo, SEC v. CAP, Primamanila, and Dio are book-discussed supporting authorities as cited in Aquino 2024, not syllabus-assigned digests, and are labeled so in the inventory. Bar-question gap. The 2016-2025 file carries no verbatim pre-need question (Quiz 1 reproduces insurance-code questions only). Each section carries an examiner-style drill instead, labeled Q: and never as a past question. Tables carry uniform pipe counts per row with no triple-star runs, verified by script before delivery.

Revision note (prose pass). Prose cleared of semicolon phrase-chains outside tables, verbatim blockquotes, and structural headings. Gaw kept as a short digest with complete-sentence Facts, Issue, Held, and Doctrine paragraphs. Laigo kept as a short digest with an Issue sentence drawn from its Facts line and complete-sentence Facts and Held paragraphs. All seven drafted Q stems wrapped in bold. No historic year-labeled questions in the file so no year was invented. No doctrine, dates, dockets, or holdings were changed.