



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Legal Opinion No.:	LO-2017-02
Date:	MAY 23, 2017

ATTY. MARIA CRISTINA R. GIMENEZ
12F Robinsons Summit Center
6783 Ayala Ave., Makati City

SUBJECT: Request for Legal Opinion Regarding Certain Insurance Policies that may be Issued by a Non-Life Insurance Company

Dear Atty. Gimenez:

This refers to your request for opinion regarding certain policies which can be issued by a non-life insurance company.

Specifically, you raised the following issues for this Commission's consideration:

- I. Whether a Philippine Non-Life Insurance Company, authorized to underwrite casualty insurance, can issue an insurance policy that will indemnify the insured for expenses due to hospital confinement including medicine, laboratory and consultation fees as a result of accident and sickness (ex: dengue, flu due to Zika virus); and
- II. Whether a standard personal accident insurance policy of a Philippine Non-Life Insurance Company may include a cover that would entitle the insured to be indemnified for expenses as described above.

Our Opinion

I

On the first issue, the crux of the question is whether a non-life insurance company, authorized to underwrite a casualty insurance policy, may issue a personal accident and health insurance.

This Commission answers in the affirmative.

Section 176, Title 3, Chapter 2 of Republic Act No. 10607¹ expressly includes, as a category of casualty insurance, personal accident insurance and health insurance as written by non-life insurance companies, thus:

"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.

Applying the aforementioned legal definition of a casualty insurance, a non-life insurance company authorized to underwrite a casualty insurance may issue health insurance and personal accident insurance provided that prior approval from the Insurance Commission is obtained.

Personal accident and health insurance by non-life insurance companies are insurance against specified perils which may affect the person and/or property of the insured.² Specifically, accident insurance is a type of insurance which reimburses the insured for pecuniary loss suffered as a result of injuries sustained in an accident.³ Stated otherwise, it refers to insurance against death or injury by accident or accidental means.⁴ On the other hand, health insurance reimburses the insured for pecuniary loss arising out of disease-related illness.⁵

Personal accident and health insurance normally includes: (1) income coverage; (2) coverage for loss of life, sight, or limb; and (3) medical expenses coverage.⁶

In *Philippine Health Care Providers, Inc. v. Commissioner of Internal Revenue*,⁷ the Supreme Court held that health and accident insurance undertake to indemnify an insured for medical expenses up to, but not beyond, the schedule of rates contained in the policy.

Clearly, in both kinds of insurance, the insured is reimbursed for medical and hospital expense⁸ incurred for the medical management of the injuries/illness sustained from the risk insured against.

¹An Act Strengthening the Insurance Industry, Further Amending Presidential Decree No. 612. Otherwise known as "The Insurance Code", As Amended By Presidential Decree Nos. 1141, 1280, 1455, 1460, 1814 and 1981, And Batas Pambansa Blg. 874, And For Other Purposes.

² Aquino, T.B. (2009). *Essentials of Insurance Law*. Manila: Rex Book Store.

³ De Leon, H.S., & De Leon, H.M., Jr. (2014). *The Insurance Code of the Philippines Annotated*. Manila: Rex Book Store.

⁴ *Phil-Nippon Kyoei, Corp. v. Gudelosao*, G.R. No. 181375, July 13, 2016.

⁵ De Leon, H.S., & De Leon, H.M., Jr. (2014). *The Insurance Code of the Philippines Annotated*. Manila: Rex Book Store.

⁶ Aquino, T.B. (2009). *Essentials of Insurance Law*. Manila: Rex Book Store.

⁷ G.R. No. 167330, September 18, 2009.

⁸ De Leon, H.S., & De Leon, H.M., Jr. (2014). *The Insurance Code of the Philippines Annotated*. Manila: Rex

With respect to the extent and the benefits covered, in both kind of insurance, the medical expense reimbursement depends upon the limits stated in the policy. However, in health insurance, in addition to the limits stated in the policy, the coverage of benefits also vary depending upon its form, viz:

- a. Basic Hospital Expense Insurance – hospital coverage includes benefits for room and board and miscellaneous hospital expenses for a specified number of days during hospital confinement.⁹ Miscellaneous expenses included in the coverage are X-rays, drugs, bandages, operating room expenses, and ambulance services.¹⁰
- b. Basic Surgical Expense Insurance- helps cover medical fees involving operations. It specifies specific amounts available for certain surgical procedures.¹¹
- c. Physician's Attendance Benefit- covers attending physician's charge for daily hospital visit during hospital confinement.
- d. Major Medical Expense – generally covers all hospital, medical, surgical services and supplies necessary to treat an accident or illness.¹² This type of health insurance has benefits for medical expenses up to a high maximum benefit. Generally, this policies have internal limits and the insured must pay a deductible and coinsurance.¹³

From the foregoing, it is certain that a non-life insurance company, authorized to underwrite a casualty insurance, may issue a health and/or accident insurance which may indemnify the insured of medical expenses incurred as a result of the happening of a covered risk within the limits provided by the policy and the law.

II

With regard to the second issue, as abundantly explained, one of the benefits which may be covered by personal accident insurance is medical expenses coverage. Thus, a standard personal accident insurance may include a provision that would entitle the insured to be indemnified of expenses incurred in hospital confinement, laboratory, consultation and other expenses connected thereto.

Book Store.

⁹*Insurance Dictionary: What Means what when it Comes to Life, Health, Business, Home, Auto and Other Coverages (First ed.) (2002). Los Angeles California: Silver Lake Publishing.*

¹⁰(n.d.). Retrieved May 02, 2017, from https://www.allbusiness.com/barrons_dictionary/dictionary-miscellaneous-expenses-4953722-1.html

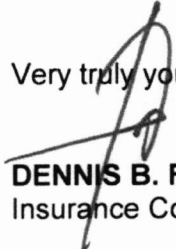
¹¹(n.d.). Retrieved May 02, 2017, from <https://www.insuranceopedia.com/definition/4444/surgical-expense-insurance>

¹²Kilpatrick A.O. & Johnson J.A. (1999). *Handbook of Health Administration and Policy*. New York: Marcel Dekker, Inc.

¹³Fordney M. T. (2010). *Fordney's Medical Insurance Dictionary for Billers and Coders - E-Book*. St. Louis, Missouri: Saunders Elsevier.

Please note that the opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

Very truly yours,


DENNIS B. FUNA
Insurance Commissioner

