



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



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INSURANCE COMMISSION ISSUES LEGAL OPINION ON EXEMPTION FROM EXECUTION OF PROCEEDS FROM VULS

The Insurance Commission has issued an opinion stating that proceeds from variable life insurance contracts are exempt from execution and garnishment.

This stemmed from a request from the National Labor Relations Commission (NLRC) seeking clarification whether proceeds from variable life insurance contracts are exempt from garnishment and/or execution.

According to the NLRC, the insurance company that issued the subject policies claimed that the policies should be exempt from execution under Rule 39, Section 13(k) of the 1997 Rules of Court in relation to Rule XI, Section 9 of the 2011 NLRC Rules of Procedure.

Commissioner Dennis B. Funa said, "Since a variable life insurance is a life insurance contract within the meaning of law, it is therefore within the coverage of exemption under the Rules of Court. Thus, it is our opinion that all proceeds of variable life contracts, including its investment proceeds, are protected from creditors' claim since the same are monies, benefits, privileges or annuities accruing or in any manner growing out of any life insurance."

The IC opined that the principle exempting proceeds of any life insurance from execution under the Rules of Court does not omit variable life insurance as properties exempt from execution, but, instead, expressly covers any life insurance.

Commissioner Funa emphasized that "The investment component of a variable life insurance contract does not alter the fact that the same is primarily contingent upon the insured's life since its investment component only determines the potential benefits of the policy and not the risk insured against, which is the loss of life."

"Despite the existence of the insurance component and investment component, a variable life insurance should be taken as a single life insurance contract and not a bundling of two independent contracts since both components are indivisible from one another", Commission Funa added.

Similar to a traditional life insurance contract, all prospective policyholders of a variable life insurance contract have to strictly comply with the established underwriting requirements such as disclosure of physical condition, age, profession, and health history, among others. These underwriting requirements are sought to make sure that

each prospective policyholder has insurable interest since the same is an essential element of a variable life insurance contract.

According to Commissioner Funa, "A variable life insurance contract positively conforms with the definition of a life insurance contract, that is, an insurance on human lives and insurance appertaining thereto or connected therewith made payable on the death of the insured, or on his surviving a specified period, or otherwise contingently on the continuance or cessation of his life."

In addition, the Insurance Commission cited the liberal interpretation accorded to the rules on exemption from execution.

"In a case decided by the Supreme Court, it held that exemption statutes or rules should be liberally construed with a view of giving effect to their beneficent and humane purpose, that is, to enable an individual to provide a fund after his death for his family which will be free from the claims of creditors. Thus, every reasonable doubt as to whether a given property is or is not exempt should be resolved in favor of exemption."

The Insurance Commission issues legal opinions upon formal requests relating to the interpretation and application of laws, rules and regulations being enforced and implemented by the IC under Circular Letter No. 2017-13.


ATTY. JOANNE FRANCES D.C. CASTRO
Media Relations Officer
jfdc.castro@insurance.gov.ph