

# GUIDELINES ON THE APPROVAL OF NON-LIFE INSURANCE POLICY FORMS

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

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**CIRCULAR LETTER**

**TO : ALL LICENSED NON-LIFE INSURANCE COMPANIES IN THE PHILIPPINES**

**SUBJECT : GUIDELINES ON THE APPROVAL OF NON-LIFE INSURANCE POLICY FORMS**

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**WHEREAS**, there is a need to consolidate relevant provisions on product approval and to provide conditions and requirements acceptable to the Insurance Commission and considered consistent with the Insurance Code;

**WHEREAS**, the Insurance Commission recognizes the flexibility of the insurance company to design insurance products to support the needs of the clients in a manner that shall promote greater insurance protection;

**WHEREAS**, the insurance company has responsibility to adopt a clear, unambiguous, fair product that minimizes fraud and captures the intents of the parties;

**WHEREAS**, the Guidelines shall facilitate the expeditious evaluation of the non-life insurance product forms.

**NOW, WHEREFORE**, in accordance with the powers vested in me by Sections 232 and 438 of the Insurance Code, the following Guidelines on the Approval of Non-life Insurance Product Forms are hereby promulgated:

**1. LEGAL BASIS OF APPROVAL**

All policies issued by insurance companies are required to be approved by the Insurance Commission in accordance with 232 of the Insurance Code, as amended ("Ins. Code") which provides: "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.”

## **2. DOCUMENTARY REQUIREMENTS**

- 2.1 The insurer shall submit to the Commission the following documentary requirements:
- a) Cover letter requesting for approval of the policy form signed by the duly authorized representative of the company;
  - b) Policy forms in triplicate copies;
  - c) In case of changes in the previously approved policy form, a side-by-side presentation of the changes to the previously approved policy form with the proposed revised policy form.
- 2.2 Only those requests with complete documentary requirements will be accepted. In order for the Commission to conduct a proper compliance review or compliance audit of an insurance product, all items associated therewith must be included. A request for approval of a basic insurance policy form will be determined incomplete and will be disapproved if it does not contain all applicable items.
- 2.3 The policy forms must be in final format.
- 2.4 Filing fee must be paid upon submission of the request for approval.
- 2.5 The cover letter must include the following:
- a) A brief explanation of use and intent of the form;
  - b) The specific product category (casualty, fire, marine, surety); and
  - c) The name of person who is knowledgeable on the contents of the policy forms and the person's contact number and email address;
  - d) A statement of compliance.
- 2.6 Filing number shall be assigned to each letter request for approval.
- 2.7 Submission of request for approval of policy form for shall not include submission or filing for rates or rating plan.
- 2.8 The statement of compliance shall state that the policy form/s strictly complies with the pertinent requirements of Insurance Code pertinent circulars and guidelines issued by the Commission, that it was reviewed by the company's lawyer, and that the company is responsible for any willful misrepresentation and/or willful violation committed by any of its officers and/or authorized representatives in connection with the application for approval of the policy form.
- 2.9 All submissions for approval of non-life insurance policy forms, together with the required supporting documents, shall be directly submitted to the Regulation, Enforcement and Prosecution Division of the Insurance Commission.

### 3. STATEMENT OF EXPECTATIONS

- 3.1 The insurer shall take into consideration in its product design the protection of the customers.
- 3.2 The insurer shall see to it that insurance forms and their provisions are compliant with the requirements of the Insurance Code, as amended, and its rules and regulations and that it is primarily responsible in determining that the policy provisions are legal.
- 3.3 The policy forms must not be inequitable, unfairly discriminatory, misleading, deceptive, obscure or that encourage misrepresentation.

### 4. APPLICABILITY AND SCOPE

These Guidelines shall apply to the approval of non-life insurance product forms under the category of casualty, fire, marine and surety, including accident and health of non-life insurance companies authorized to engage in non-life insurance business in the Philippines.

### 5. DEFINITION OF TERMS

- 5.1 As used in these Guidelines, the following terms shall have the meaning or definition as indicated herein:
  - a) **Accident insurance** - an insurance policy which provides coverage, singly or in combination, for death, dismemberment, disability, or hospital and medical care caused by accident or specified kinds of accidents.
  - b) **Affirmative approval** – approval of the Commission as a result of the evaluation or compliance review.
  - c) **Basic Insurance Policy Form** - an insurance contract delineating the terms, provisions and conditions of a particular insurance product and includes the application form where written application is required and is to be attached to the policy or be a part of the contract.
  - d) **Cancellation or cancelled** – means the termination of a policy by an insurer prior to the expiration date of the policy.
  - e) **Casualty insurance** - An 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, Ins. Code).

a) **Concealment** – a neglect to communicate that which a party knows and ought to communicate. (Sec. 26, Ins. Code).

b) **Commission** – means the Insurance Commission.

c) **Compliance Audit** - a retrospective review conducted by the Commission of previously approved basic insurance policy forms to determine compliance with applicable law.

d) **Contract of insurance** - an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event. A contract of suretyship shall be deemed to be an insurance contract if made by surety who or which, as such, is doing an insurance business.

e) **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.

f) **Endorsement** - is a written document attached to an insurance policy that modifies the policy by changing the coverage afforded under the policy. An endorsement can add or reduce coverage for acts or things that are not covered as a part of the original policy and can be added at the inception of the policy or later during the term of the policy.

g) **Fire insurance** - It includes 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.

h) **Insurance Product** - a basic insurance policy form delineating the terms, provisions and conditions of a specific type of contract, or a basic insurance policy form which combines more than one line of business within one policy form at a single premium.

i) **Insured** - the person, group, or organization whose property, health, life is covered by an insurance policy.

j) **Insurer** - every person or corporation engaged in the business of making contracts of insurance.

k) **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, transshipment, 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 which is an 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, Ins. Code).

l) **Microinsurance** - a financial product or service that meets the risk protection needs of the poor.

m) **Nonrenewal** – means the termination of a policy by an insurer at the expiration date of the policy.

n) **Open policy** - one in which the value of the thing insured is not agreed upon, and the amount of the insurance merely represents the insurer's maximum liability. The value of such thing insured shall be ascertained at the time of the loss.

o) **Policy or policy of insurance** – a written instrument in which the contract of insurance is set forth.

p) **Premium** – the cost of obtaining an insurance cover, paid as a lump sum or in installments during the duration of the policy.

q) **Renewal or to renew** - means the issuance and delivery by an insurer of a policy for the same or similar coverage superseding at the end of the policy period a policy previously issued and delivered by the same insurer or the issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term.

r) **Representation** - a statement as to past or present fact, made to the insurer by, or by the authority of, the applicant for insurance or the prospective insured, at or before the making of the insurance contract as an inducement to the making thereof.

s) **Termination or terminated** - means any practice or act by an insurer which has the effect of discontinuing an insurance policy including cancellation or nonrenewal.

t) **Running policy** - one which contemplates successive insurances, and which provides that the object of the policy may be from time to time defined, especially as to the subjects of insurance, by additional statements or endorsements.

u) **Valued policy** - one which expresses on its face an agreement that the thing insured shall be valued at a specific sum.

a) **Warranty** - a statement in a policy, which imparts that it is intended to do or not to do a thing which materially affects the risk. It means a guarantee or promise which provides assurance by one party to the other party that specific facts or conditions are true or will happen.

5.2 Definition provided by the law or under a case law shall be paramount to the definitions provided herein.

## 6. POLICY FORMS

6.1 The forms that shall be submitted for approval are the following:

- a) Basic non-life insurance policy
- b) Endorsement
- c) Clauses and warranties
- d) Application
- e) Certificate of insurance (group policy)
- f) Certificate of cover (mandatory insurance)
- g) Surety bond
- h) Renewal form or certificate

6.2 Only certificate of insurance to be issued to insured-member and certificate of cover for mandatory insurance policy are subject of approval. A certificate issued by the insurer which provides summary information about an insurance policy or evidence of the existence of the insurance coverage to be given to a third party shall not be submitted for approval.

## 7. POLICY PROVISIONS

### 7.1 Contents of the Policy

a) A policy of insurance must specify:

- 1) The parties between whom the contract is made;
  - 2) The amount to be insured except in the cases of open or running policies;
  - 3) The premium, or if the insurance is of a character where the exact premium is only determinable upon the termination of the contract, a statement of the basis and rates upon which the final premium is to be determined;
  - 4) The property or person insured;
  - 5) The interest of the insured in property insured, if he is not the absolute owner thereof;
  - 6) The risks insured against; and
  - 7) The period during which the insurance is to continue. (Sec. 51, Ins. Code)
- b) The policy form may contain blank spaces for specified contents of the policy; however, the blank spaces shall contain the information before its issuance.

## **7.2 Name of the Company and Company's Information**

Complete corporate or legal name of the insurance company must appear on the face page. The complete principal address must likewise be shown anywhere in the policy as well as its the email address and contact numbers.

## **7.3 Acknowledgement of Payment**

An acknowledgment in a policy or contract of insurance or the receipt of premium is conclusive evidence of its payment, so far as to make the policy binding, notwithstanding any stipulation therein that it shall not be binding until the premium is actually paid. (Sec. 79, Ins. Code).

## **7.4 Right of Return of Premium**

- a) A person insured is entitled to a return of premium, as follows:
- 1) To the whole premium if no part of his interest in the thing insured be exposed to any of the perils insured against;
  - 2) Where the insurance is made for a definite period of time and the insured surrenders his policy, to such portion of the premium as corresponds with the unexpired time, at a pro rata rate, unless a short period rate has been agreed upon and appears on the face of the policy, after deducting from the whole premium any claim for loss or damage under the policy which has previously accrued. (Sec. 80, Ins. Code).
- b) If a peril insured against has existed, and the insurer has been liable for any period, however short, the insured is not entitled to return of premiums, so far as that particular risk is concerned. (Sec. 81, Ins. Code).



- c) A person insured is entitled to a return of the premium when the contract is voidable, and subsequently annulled under the provisions of the Civil Code; or on account of the fraud or misrepresentation of the insurer, or of his agent, or on account of facts, or the existence of which the insured was ignorant of without his fault; or when by any default of the insured other than actual fraud, the insurer never incurred any liability under the policy. (Sec. 82, Ins. Code)
- d) A person insured is not entitled to a return of premium if the policy is annulled, rescinded or if a claim is denied by reason of fraud. (Sec. 82, Ins. Code).
- e) In case of an over insurance by several insurers, the insured is entitled to a ratable return of the premium, proportioned to the amount by which the aggregate sum insured in all the policies exceeds the insurable value of the thing at risk. (Sect. 83, Ins. Code).

### **7.5 Cancellation**

- a) No policy of insurance shall be cancelled by the insurer except upon prior notice thereof to the insured, and no notice of cancellation shall be effective unless it is based on the occurrence, after the effective date of the policy, of one or more of the following:
  - 1) Nonpayment of premium;
  - 2) Conviction of a crime arising out of acts increasing the hazard insured against;
  - 3) Discovery of fraud or material misrepresentation;
  - 4) Discovery of willful or reckless acts or omissions increasing the hazard insured against;
  - 5) Physical changes in the property insured which result in the property becoming uninsurable;
  - 6) Discovery of other insurance coverage that makes the total insurance in excess of the value of the property insured; or
  - 7) A determination by the Commissioner that the continuation of the policy would violate or would place the insurer in violation of this Code. (Sec. 64, Ins. Code).
- b) The basic insurance policy form shall contain provision on cancellation of the policy enumerating the grounds provided under 7.5 (a) of these Guidelines or a reference to the provision of Section 64 of the Insurance Code. Microinsurance and surety bond form may or may not contain such provision on cancellation pursuant to Section 64 of the Insurance Code, and in the case

of the surety bond form, such cancellation must shall comply with the required consent by the obligee, court, or Insurance Commissioner.

- c) All notices of cancellation shall be in writing, mailed or delivered to the named insured at the address shown in the policy, or to his/her broker provided the broker is authorized in writing by the policy owner to receive the notice of cancellation on his behalf, and shall state:
  - 1) Which of the grounds set forth in Section 64 of the Insurance Code is relied upon; and
  - 2) That, upon written request of the named insured, the insurer will furnish the facts on which the cancellation is based. (Sec. 65, Ins. Code).
- d) Any automatic termination provision of insurance policy, except nonrenewal and expiration of the period, even if the same is based on the grounds set forth in Section 64 of the Insurance Code should be avoided. In case cancellation, the insurance company is required to send notice of cancellation to the insured.

## **7.6 Right of Rescission**

- a) Termination may include rescission or cancellation of policy. In case of termination other than the grounds under Section 64 of the Insurance Code, the violation of the provision of the policy or any breach must be consistent with grounds allowed by the law on concealment, representation and warranty.
- b) The insurer has the right to rescind the policy under the following grounds:
  - 1) When representation is false on material point whether affirmative or promissory. (Sec. 45, Ins. Code).
  - 2) Violation of material warranty on the part of either party or other material provisions of the policy. (Sec. 74, Ins. Code).
  - 3) Intentional or unintentional concealment. (Sec. 27, Ins. Code).
  - 4) A policy that declares a violation of a specified provisions shall avoid a policy. (Sec. 75, Ins. Code).
  - 5) Intentional or fraudulent omission, on the part of one insured, to communicate information of matters proving or tending to prove the falsity of a warranty. (Sec. 29, Ins. Code).
- c) The insurer is entitled to rescind a contract of fire insurance in case of 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. (Section 171)

## **7.7 Concealment**

- a) 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, Ins. Code).
- b) 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:
  - 1) Those which the other knows;
  - 2) 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;
  - 3) Those of which the other waives communication;
  - 4) Those which prove or tend to prove the existence of a risk excluded by a warranty, and which are not otherwise material; and
  - 5) Those which relate to a risk excepted from the policy and which are not otherwise material. (Sec. 30, Ins. Code).
- c) 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.
- d) 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. (Section 33)
- e) Information of the nature or amount of the interest of one insured need not be communicated unless in answer to an inquiry. (Sec. 34, Ins. Code).
- f) 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, Ins. Code).

### **7.8 Representation**

- a) A representation may be made at the time of, or before, issuance of the policy.
- b) 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.
- c) A representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty.

- d) A representation is to be deemed false when the facts fail to correspond with its assertions or stipulations.
- e) If a representation is false in a material point, whether affirmative or promissory, the injured party is entitled to rescind the contract
- f) Whenever a right to rescind a contract of insurance is given to the insurer by any provision of the Insurance Code, such right must be exercised previous to the commencement of an action on the contract.

### **7.9 Warranty**

- a) A warranty may relate to the past, the present, the future, or to any or all of these. No particular form of words is necessary to create a warranty. (Section 69)
- b) Without prejudice to Section 51 of the Insurance Code, 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. 70, Ins. Code).
- c) 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. 71, Ins. Code).
- d) 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.
- e) When, before the time arrives for the performance of a warranty relating to the future, a loss insured against happens, or performance becomes unlawful at the place of the contract, or impossible, the omission to fulfill the warranty does not avoid the policy. (Sec. 73, Ins. Code).
- f) 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. 74, Ins. Code).
- g) 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. 75, Ins. Code).
- h) 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. (Sec. 76, Ins. Code).

### **7.10 Willful Act of Insured**

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. (Sec. 89, Ins. Code).

### **7.11 Notice of Loss**

- a) 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. (Sec. 90, Ins. Code).
- b) When a preliminary proof of loss is required by a policy, the insured is not bound to give such proof as would be necessary in a court of justice; but it is sufficient for the insured to give the best evidence which he has in his power at the time. (Sec. 91, Ins. Code).
- c) All defects in a notice of loss, or in preliminary proof thereof, which the insured might remedy, and which the insurer omits to specify to him, without unnecessary delay, as grounds of objection, are waived. (Sec. 92, Ins. Code).
- d) Delay in the presentation to an insurer of notice or proof of loss is waived if caused by any act of it, or if it omits to take objection promptly and specifically upon that ground. (Sec. 93, Ins. Code).
- e) If the policy requires, by way of preliminary proof of loss, the certificate or testimony of a person other than the insured, it is sufficient for the insured to use reasonable diligence to procure it, and in case of the refusal of such person to give it, then to furnish reasonable evidence to the insurer that such refusal was not induced by any just grounds of disbelief in the facts necessary to be certified or testified. (Sec. 94, Ins. Code).

### **7.12 Timely payment of claims**

The policy should read that claims will be paid within 30 days or a shorter period after reaching an agreement.

### **7.13 Claims Settlement**

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, Ins. Code).

#### **7.14 Accident and Health Policy Provisions**

- a) Benefits under an accident and/or health policies shall not include death benefit due to illness or natural causes.
- b) Provision in the policy providing for funeral/burial cash benefit in case of death by natural causes or illness shall be considered as life insurance, and shall not be covered by the non-life insurer.
- c) Assumption of repatriation cost or provision of repatriation service regardless of cause of death may be offered by the non-life insurer.
- d) A pre-existing condition as an exclusion in the accident and health policy must be defined and look-back period shall be provided.
- e) Accidental death and dismemberment benefits shall be payable even if the loss occurs One Hundred Eighty (180) days from the date of the accident.
- f) All accident and health insurance policy with an annual coverage shall contain a free-look period of not less than five (5) days and a provision on return of full premium.

#### **7.15 Mortgagor and Mortgagee**

- a) 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, Ins. Code).
- b) 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, Ins. Code).

#### **7.16 Owner and Beneficiary**

- a) The insurance proceeds shall be applied exclusively to the proper interest of the person in whose name or for whose benefit it is made unless otherwise