

I. INSURANCE

A. Concept of Insurance

1. What is an 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.¹

2. Is a surety agreement signed by a person undertaking to guarantee the performance of another party, called the principal debtor, considered an insurance contract?

A contract of suretyship shall be deemed an insurance contract only if made by a surety who or which, as such is doing an insurance business as defined by the Insurance Code.²

A guaranty agreement signed by a person not engaged in the business of insurance is, therefore, not an insurance contract. There is no premium required for such undertaking. The assumption of risk made by the surety in case the principal debtor does not perform his obligation is not part of a general scheme to distribute actual losses among a large group or substantial number of persons bearing a similar risk.

3. In return for the 20 years of faithful service of X as a househelper to Y, the latter promised to pay P100,000.00 to X's heirs if he (X) dies in an accident by fire. X agreed. Is this an insurance contract?

No, all the elements of insurance contract are not present. It is a conditional donation of Y in X's favor.

¹Section 2, Insurance Code.

²Section 2(a) of R.A. No. 10607.