



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

HOUSE BILL NO. **4130**

Introduced by Honorable Erico B. Aumentado

EXPLANATORY NOTE

This bill seeks to require the owners and operators of establishments, enterprises, public utilities and services, buildings, machineries and their accessories to secure public liability insurance to ensure that compensation, assistance or restitution shall be paid in case of death or personal injury to any customers or third persons or damage to property while within the business premises because of the business operations.

The growth of industries, commercial and business has increased the occurrence of risks from accidents not only to the employees of the industries or business establishments but also to the general public who may be within the premises. The people who suffer accidents in these establishments are very often ordinary citizens. They suffer because of delayed relief and compensation. While the workers and employees of these establishments are protected under separate laws, members of the public are not assured of any relief except through legal processes. To ameliorate the sufferings of the public due to these accidents, it is essential to provide for mandatory public liability insurance.

Public liability insurance is designed to compensate the victims. This compensation can cover loss of earnings or of future earnings and damages in addition to the legal cost in defending the claims and the legal costs that the establishments may incur if found guilty. Public liability insurance can also cover claims by the victims who have suffered injury or damage to property in connection with the operation of a particular business.

Today, there is no law that provides mandatory public liability insurance. Hence, the only remedy available to the victims is to go through prolonged litigations in a court of law. It is essential, therefore, to require mandatory public liability insurance from the owners and operators of industries, business or commercial establishments to provide not only minimum but also immediate relief to the victims.

The main features of this proposed measure are the following:

a) It provides for a public liability insurance to cover the payment of claims made by members of the public who have suffered injury or damage to property in connection with the operations of the business; and

b) The owners and operators of the business establishments have to compulsorily insure themselves to be able to pay compensation for death, injury, medical expenses and damage to property on a no-fault liability basis while preserving the right of the injured to claim additional compensation under other existing laws.

In view of the foregoing, approval of this bill is earnestly sought.


ERICO B. AUMENTADO



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AN ACT
PROVIDING FOR MANDATORY PUBLIC LIABILITY
INSURANCE TO GIVE IMMEDIATE RELIEF TO PERSONS
AFFECTED BY ACCIDENTS ARISING FROM OR INCIDENTAL
TO THE OPERATIONS OF BUSINESS OR COMMERCIAL
ESTABLISHMENTS, ENTERPRISES, PUBLIC UTILITIES AND
SERVICES, BUILDINGS, MACHINERIES AND THEIR
ACCESSORIES AND PROVIDING PENALTIES FOR VIOLATION
THEREOF

*Be it enacted by the Senate and House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. *Short Title.* – This Act shall be known as the “*Public
Liability Insurance Act.*”

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of
the State to promote the welfare and general well-being of the public by
providing ample and immediate compensation to all victims of accidents or
disasters occurring on account of or incidental to the operations of business
establishments or enterprises. Towards this end, the State shall require the
owners or operators of establishments, enterprises, public utilities and

services, buildings, machineries and their accessories to secure public liability insurance to ensure that compensation, assistance or restitution shall be paid in case of death or personal injury to any customers or third persons, or damage to property while within the business premises because of the business operations.

SEC. 3. *Definition of Terms.* – As used in this Act:

- a) *Commissioner* refers to the head of the Insurance Commission;
- b) *Owner* refers to the person who owns, operates or controls the business establishment, utility or service, building, machinery and their accessories, and includes:
 - i. in the case of a partnership, any of its partners;
 - ii. in the case of an association, any of its officers; and
 - iii. in the case of a corporation, any of its directors, managers, or other officers who is directly in charge of, and is responsible to the company for the conduct of the business of the company;
- c) *Public liability insurance* refers to the insurance that covers legal liability for death of, or injury to, any person or persons or damage to property of others while in the course of operating a business.

SEC. 4. *Public Liability.* – Where death or injury to any person or damage to any property has resulted from an accident arising from the operations or incidental to the operations of establishments, enterprises, public utilities and services, buildings, machineries and their accessories, the

owner shall be liable to give such relief as specified in the schedule of indemnities to be set forth by the Insurance Commissioner for such death, injury or damage.

In any claim for relief under this Act, the claimant shall not be required to plead and establish that the death, injury or damage to property in respect of which the claim has been made was due to any wrongful act, neglect or default of any person.

For purposes of this Act, injury shall include permanent total or permanent partial disability or sickness resulting out of an accident.

SEC. 5. *Liability Insurance.* – Before the start of any operation of a business, enterprise, establishment, public utility or service, building, machinery and their accessories, the owner shall take out one or more public liability insurance to ensure that compensation will be paid in case of death of, or personal injury to, any person or damage to property by reason of the operation of the business or enterprise.

The owner of any business which is already existing before the effectivity of this Act, shall take out such insurance policy or policies within one year from the effectivity of this Act.

The owner shall renew the insurance policy before the expiry of the period of validity thereof so that it shall remain in force throughout the period of business operations.

SEC. 6. *Liability Coverage.* – The insurance policy shall cover liability for death or bodily injury arising from the operations of the business in the amount of not less than Fifty thousand pesos (P50,000.00) per person. The liability insurance coverage for damaged property shall not exceed the value of the property.

The total liability of owners or operators shall not exceed the amount of the paid up capital of their undertaking or the market value of all assets and stocks of the undertaking on the date of the contract of insurance.

SEC. 7. *Prerequisite to Business Permit.* – Government regulatory agencies shall not issue the necessary business permit to operate, which includes the registration or renewal of registration, to the owner or operator of business establishment, enterprise, public utility or service, building, machinery and their accessories, without the policy of public liability insurance required by this Act.

SEC. 8. *Guidelines for Insurance Coverage.* – The insurance companies shall be bound by the following guidelines:

- a) The liability of the insurer under an insurance policy shall not exceed the amount specified in the terms of the contract of insurance;
- b) No owner or operator shall be unreasonably denied the policy of public utility insurance as required by Section 5 of this Act by the insurance companies authorized to issue the same;

c) In case of denial of insurance coverage, the Commissioner shall require from the owner or operator, in lieu of the insurance policy, a certificate that a cash deposit has been made with the Insurance Commission in such amount to be required by the Commissioner as limits of indemnity for the legal liabilities of the owner pursuant to this Act;

d) The insurance company may not issue the policy of public liability insurance under this section unless so authorized under existing laws; and

e) The authority to engage in the casualty line of business of an insurance company that refuses to issue or renew, without just cause, the insurance policy therein required shall be withdrawn immediately.

SEC. 9. *Government Agencies Exempted.* – The National Government, the local government units, or any subdivisions, agency or instrumentality thereof, including government-owned or controlled corporations or their subsidiaries shall be exempted from the coverage of this Act.

SEC. 10. *Application for Claim for Relief.* – In the settlement and payment of relief under this Act, the indemnity shall not be availed of by any accident victim or claimant as an instrument of enrichment by reason of an accident, but as an assistance or restitution insofar as can fairly be ascertained.

An application for claim for relief may be made:

- a) by the person who has sustained the injury;
- b) by the owner of the property to which the damage has been caused;
- c) where death has resulted from the accident, by all or any of the legal representatives of the deceased; or
- d) by any agent duly authorized by such person or owner of such property or all or any of the legal representatives of the deceased: *Provided*, That where all the legal representatives of the deceased have not joined in any such application for relief, the application shall be made on behalf of or for the benefit of all legal representatives of the deceased and the legal representatives who have not so joined shall be impleaded as respondents to the application.

SEC. 11. *Procedures Governing the Applications for Claim for Relief.* – In the application for claim for relief, the claimant shall be guided by the following:

- a) Every application under Section 10 shall be made to the insurer and shall be in such form, contain such particulars and shall be accompanied by such documents as may be prescribed: *Provided, however*, That no application for relief shall be entertained unless it is made within five (5) years from the occurrence of the accident;
- b) A claim for relief in respect of death of, or injury to, any person or damage to any property shall be disposed of as expeditiously as possible

and every endeavour shall be made to dispose of such claim within three (3) months from the receipt of the application for relief under the second paragraph of Section 10 herein;

c) The right to claim relief under Section 4 of this Act in respect to death of, or injury to, any person or damage to any property shall be in addition to any other right to claim compensation in respect thereof under any other law for the time being in force;

d) Notwithstanding anything contained in the immediately preceding subsection (c), where in respect to death of, or injury to, any person or damage to any property, the owner, liable to give claim for relief, is also liable to pay compensation under any other law, the amount of such compensation shall be reduced by the amount of relief paid under this Act; and

e) Action or suit for recovery of damage due to loss or injury must be brought in proper cases, before the Commissioner or the courts within one year from denial of the claim, otherwise the claimant's right of action shall prescribe.

SEC. 12. *Award of Relief.* – On receipt of an application under Section 10 of this Act the insurer shall, after giving notice of the application to the owner and after giving the parties an opportunity to be heard, hold an inquiry into the claim or each of the claims, and may make an award

determining the amount of relief which appears to be just and specifying the person or persons to whom such amount of relief shall be paid.

The insurer shall arrange to deliver copies of the award to the parties concerned expeditiously and in any case within a period of fifteen (15) days from the date of the award.

In case of any dispute in the enforcement of the provisions of any policy issued pursuant to this Act, the adjudication of such dispute shall be within the original and exclusive jurisdiction of the Insurance Commission subject to the limitations provided in Section 416 of the Insurance Code of the Philippines.

In holding any inquiry under the preceding paragraph, the Commission may, subject to any rules made on its behalf, follow such summary procedure as it may deem fit and proper. The Insurance Commission shall have all the powers of a civil court for the purpose of taking evidence on oath and of enforcing the attendance of witnesses and of compelling the discovery and production of documents and material objects and for such other purposes as may be prescribed.

SEC. 13. *Implementing Rules and Regulations.* – The Commissioner of the Insurance Commission shall, in coordination with the Secretaries of Trade and Industry, issue rules and regulations necessary for the effective implementation of this Act.

SEC. 14. *Penalties.* – Any owner of business and commercial establishment, enterprises, public utilities and services, buildings, machineries and their accessories, who shall fail to take out public liability insurance in violation of this Act shall be punished with imprisonment of not less than two (2) years but not more than five (5) years, or a fine of not less than Ten thousand pesos (P10,000.00) but not more than Fifteen thousand pesos (P15,000.00), or both, at the discretion of the court.

Any insurer who violates any provision of this Act shall be punished with imprisonment of not less than three (3) years but not more than six (6) years, or a fine of not less than (P15,000.00) but not more than Twenty thousand pesos (P20,000.00), or both, at the discretion of the court.

If the offender is a corporation, partnership or juridical person, the penalty shall be imposed on the officer or officers responsible for permitting or causing a violation by the corporation, partnership or juridical person of the provisions of this Act.

SEC. 15. *Separability Clause.* – If for any reason, any provision of this Act is declared unconstitutional or invalid, parts of provisions of this Act which are not affected shall continue to be in full force and effect

SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,