

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
NINETEENTH CONGRESS
First Regular Session



HOUSE BILL NO. 6856

Introduced by HON. GUS S. TAMBUNTING

**AN ACT SAFEGUARDING THE WELFARE OF MOTORISTS AND ROAD USERS
BY REQUIRING AFFORDABLE COMPREHENSIVE MOTOR VEHICLE GENERAL
LIABILITY INSURANCE AND AMENDING REPUBLIC ACT NO. 10607 FOR THIS
PURPOSE**

EXPLANATORY NOTE

Under the current Insurance Code, as amended, only compulsory motor vehicle insurance on third party liability is required. Thus, there is a need to require motor vehicle owners and registrants to obtain and maintain comprehensive general liability insurance for their vehicles. This type of insurance provides coverage for liability, collision, and comprehensive damage to the insured vehicle, as well as any injuries or property damage caused by the insured vehicle in the event of an accident. The proposed measure also includes provisions for medical payments.

Instead of fixing a schedule of coverage amounts, this measure provides flexibility in determining such amounts in accordance with the principles of adequacy, affordability, industry standards, risk factors, and inflation. This ensures that comprehensive general liability insurance is both practical and effective in ameliorating force majeure events involving motor vehicles.


REP. GUS S. TAMBUNTING
2nd District, Parañaque City

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INSURANCE AND AMENDING REPUBLIC ACT NO. 10607 FOR THIS PURPOSE**

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

SECTION 1. The following provision shall be added after the last paragraph of Section 386 of Republic Act No. 10607:

“(g) Comprehensive general liability insurance policy refers to a type of insurance that provides coverage to indemnify the death, bodily injury, and/or damage to property of a third party or passenger, as well as any damage to the insured vehicle and medical payments for injuries sustained by the policyholder or passengers in the event of an accident arising from the use thereof.”

SEC. 2. Section 387 of Republic Act No. 10607 is hereby amended to read as follows:

“SECTION 387. It shall be unlawful for any land transportation operator or owner of a motor vehicle to operate the same in the public highways unless there is in force in relation thereto a comprehensive general liability insurance policy issued in accordance with the provisions of this chapter to indemnify the death, bodily injury, and/or damage to property of a third party or passenger, as well as any damage to the insured vehicle and medical payments for injuries sustained by the policyholder or passengers in the event of an accident arising from the use thereof.”

SEC. 3. Section 390 of Republic Act No. 10607 is hereby amended to read as follows:

“SECTION 390. Every land transportation operator and every owner of a motor vehicle shall, before applying for the registration or renewal of registration of any motor vehicle, at his option, either secure a comprehensive general liability insurance policy issued by any insurance company authorized by the Commissioner or make a cash deposit in such amount as herein required as limit of liability for purposes specified in Section 387. The comprehensive general liability insurance policy shall cover liability for death or bodily injuries

of third parties and passengers, as well as any damage to the insured vehicle and medical payments for injuries sustained by the policyholder or passengers in the event of an accident arising from the use of such vehicle, in the coverage amounts to be determined by the Commissioner in accordance with the following principles:

(a) *Adequacy*. – The coverage amount should be sufficient to provide for the potential financial losses that may result from an accident involving the insured vehicle.

(b) *Affordability*. – The coverage amount should be reasonably priced, so that it is affordable for the majority of vehicle owners and operators.

(c) *Industry Standards*. – The coverage amount should be in line with industry standards and comparable to what is offered by insurance providers in the market.

(d) *Risk Factors*. – The coverage amount should take into account the risk factors associated with different types of vehicles, such as the size and capacity of the vehicle, as well as the intended use of the vehicle.

(e) *Inflation*. – The coverage amount should be adjusted accordingly to inflation, to ensure that it remains adequate over time.

(f) *Reassessment*. – The coverage amount should be reassessed regularly and adjusted as necessary, taking into account changes in the vehicle population and accident statistics.

The Commissioner shall issue the implementing regulation for this section within six (6) months from the effectivity of this provision.”

SEC. 4. A new provision shall be inserted after Section 390 of Republic Act No. 10607, as follows:

“Section 390-A. *Affordability Requirement*. – (a) Every insurance company that offers mandatory comprehensive motor vehicle insurance in accordance with Section 390 shall make every reasonable effort to ensure that its motor vehicle insurance policies are affordable for all individuals and families, taking into consideration their income level and other factors provided in this provision.

(b) In order to be considered affordable, an insurance policy shall not exceed a specified percentage of an individual or family’s annual income, as determined by the Commissioner, in consultation with the Insurance Commission. In order to determine what percentage of an individual or family’s annual income an insurance policy should not exceed, the Commissioner shall consider factors such as the median income level, the cost of living, and the average cost of motor vehicle insurance in the region.

(c) In order to ensure affordability for all motor vehicle owners, the Commissioner may also consider the following factors when setting insurance rates:

- i. Age, driving record, and occupation of the vehicle owner;

- ii. Type of vehicle;
- iii. Geographic location;
- iv. Credit score or credit behavior of the vehicle owner; and
- v. Any other relevant factors determined by the Commissioner.

(e) The Commissioner shall have the authority to establish a program to assist low-income individuals in obtaining and maintaining insurance coverage.

(f) Insurance companies providing mandatory comprehensive motor vehicle insurance in accordance with Section 390 shall explore practical and financially feasible insurance offerings for low-end vehicles, depreciated vehicles, and such other vehicles that are normally excluded from motor vehicle insurance offerings in the market. Such companies are encouraged to bundle their offerings with credit arrangements from accredited lending companies, financing companies, and other consumer credit institutions.”

SEC. 5. *Separability Clause*. — If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall continue to be in full force and effect.

SEC. 6. *Repealing Clause*. — All laws, decrees, executive orders, rules and regulations and other issuances or part thereof, which are inconsistent with this Act, are hereby repealed, amended, or modified accordingly.

SEC. 7. *Effectivity Clause*. — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

Approved,