

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 8498



Introduced by Representative Wilbert T. Lee

AN ACT
INCREASING THE COMPULSORY THIRD PARTY LIABILITY INSURANCE
(CTPLI) FOR COMMERCIAL VEHICLES AND TOTAL INDEMNITY CLAIM
FOR DEATH OR INJURY OF ANY PASSENGER, THIRD PARTY, OR
PEDESTRIAN WITHOUT THE NECESSITY OF PROVING FAULT OF
NEGLIGENCE, AMENDING FOR THE PURPOSE SECTIONS 386, 387, AND
391 OF THE "INSURANCE CODE OF 2013"

EXPLANATORY NOTE

Despite a driver's skill and caution, accidents nevertheless occur. One method of reducing risk is through motor vehicle insurance. The Philippine Statistics Authority (PSA) accounted that 17-18 in every 1,000 deaths each year from 2011 to 2020 were caused by road traffic accidents. This number slightly increased from 2011-2019 with a noticeable decline in 2020 due to the COVID-19 pandemic. From 7,938 in 2011, to 8,234 in 2012, to 8,685 in 2013, to 8,943 in 2014, to 9,954 in 2015, to 11,214 in 2016, to 11,351 in 2017, to 12,471 in 2018, to 12,755 in 2019, to 8,746 accidents in 2020. Metro Manila Accident Reporting and Analysis System (MMARAS) Annual Report in 2021 likewise reported a total of 58,447 road crash statistics in Metro Manila (per district), accounting a total of 42,812 for damage to property, 385 for death, and 15,250 for non-fatal injury. The average road crash per day is 160.12 cases, reporting a total of 117.29 cases for damage to property, 1.05 cases for death, and 41.78 cases for non-fatal injury.

Motor vehicle insurance serves as a protection against any unforeseen expenditures that may arise in the course of business. This is vital especially for those involved in business or commercial purposes who oblige themselves to transport people or goods from one place to another. Commercial vehicle insurance is essential since it represents the industry to the general public, from the nature of their business and for the reason of public policy. As such, extreme measures of care and caution are required to be observed in securing safety to the person and/or goods it transports or those pedestrians walking on or near the roadway.

Republic Act No. 10607 or the Insurance Code of 2013 mandates all operators and owners of a motor vehicle, before applying for registration or renewal of registration of any motor vehicle, to first secure a policy of insurance or guaranty in cash or surety bond issued to indemnify the death, bodily injury, and/or damage to property of a third party or passenger, as the case may be, arising from the use thereof.

The most fundamental kind of motor vehicle insurance is Compulsory Third Party Liability Insurance (CTPLI), which covers costs paid when a vehicle owner negligently causes bodily injury or death to a third party or passenger in an accident resulting from the usage of the insured motor vehicle.

The Code likewise fixed the amount of any claim for death or injury to any passenger or third party without the necessity of proving fault or negligence of any kind at P15,000.00 pursuant to Section 391. This amended Section 378 of the Insurance Code of 1978 which fixed the amount of indemnity from P5,000.00 to P15,000.00.

Through this “No Fault Indemnity” provision, an insurer may be held liable without the necessity of proving fault or negligence of any kind given the following are present: (a) claim is for death or injury to any passenger or third party; (b) total indemnity in respect of any one person shall be P15,000; and (3) necessary proof of loss under oath to substantiate the claim must be submitted.

In the case of *Compania v. Ancheta*,¹ the Supreme Court provided that the “no fault indemnity” clause is part and parcel of the provisions on compulsory motor vehicle liability insurance and should be read together with the requirement of compulsory passenger and/or third party-liability insurance which was mandated in order to ensure ready compensation for victims of vehicular accidents. Likewise, the Court laid the rules on claim under the “no fault indemnity” provision where proof of fault or negligence is not necessary for payment of any claim for death or injury to a passenger or a third party provided the following are established: (1) a claim may be made against one motor vehicle only; (2) if the victim is an occupant of a vehicle, the claim shall lie against the insurer of the vehicle in which he is riding, mounting or dismounting from; (3) in any other case, (*i.e.*, if the victim is not an occupant of a vehicle), the claim shall lie against the insurer of the directly offending vehicle; and (4) in all cases, the right of the party paying the claim to recover against the owner of the vehicle responsible for the accident shall be maintained.

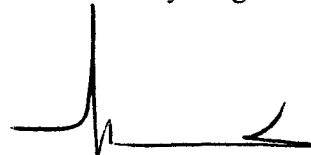
Years have passed since the effectivity of the Insurance Code of 2013, the insurance claim for death or injury to any passenger or third party should be sufficient for the circumstances met at hand. Although, there is no dispute that human life is worth more than it is worth in peso as human life is priceless and is not a commodity,² every injury or death must be justly compensated under the law.

¹ G.R. No. L-49699, August 8, 1988

² People v. Oandasan, Jr., G.R. No. 194605, June 14, 2016

This measure, therefore, centers on motor vehicles used for business or commercial purposes, such as transporting goods or passengers, as these vehicles hold themselves out to the public. Given the earning capacity of the industry, this measure seeks to increase the CPTLI from P100,000 to P6,700,000.00 to cover the death or bodily injury incurred per accident. The measure likewise seeks to increase the amount of insurance claim for death or injury per accident to any passenger, third party or pedestrian without the necessity of proving fault or negligence from P15,000.00 to at least P1,000,000.00 for any four (4) or more commercial motor vehicle designed to transport goods/cargoes and/or persons, with gross vehicle weight (GVW) of up to 4,500 kgs or P2,000,000.00 for any four (4) or more wheeled commercial motor vehicle designed to transport goods/cargoes and/or persons, with GVW of more than 4,500 kgs. There is a difference in the amount of insurance claim because the likelihood of an accident increases with the commercial motor vehicle size. Hence, the increase depends on the weight and nature of services offered by the commercial motor vehicle.

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



HON. WILBERT T. LEE
Representative
AGRI PARTYLIST

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FOR DEATH OR INJURY OF ANY PASSENGER, THIRD PARTY, OR
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NEGLIGENCE, AMENDING FOR THE PURPOSE SECTIONS 386, 387, AND
391 OF THE “INSURANCE CODE OF 2013”

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

1 **SECTION 1.** Section 386 of Republic Act No. 10607, otherwise known as the “Insurance
2 Code of 2013,” is hereby amended by inserting following provisions after letter (f) of the said
3 Act:

4 “(a) *Motor Vehicle* is any vehicle as defined in Section 3, paragraph (a) of Republic
5 Act No. 4136, otherwise known as the ‘Land Transportation and Traffic Code’.

6 “(b) *Passenger* is any (1) fare paying person being transported and conveyed in and by
7 a motor vehicle for transportation of passengers for compensation, including **THOSE**
8 **WHO HAD NOT YET PURCHASED OR HAS BOARDED THE MOTOR OR**
9 **MOTOR VEHICLE AND (2) NON PAYING** persons **WHO ARE** expressly
10 authorized by law or by the vehicle’s operator or his agents to ride without fare

11 “(c) *Third party* is any person other than a passenger as defined in this section and
12 shall also exclude a member of the household, or a member of the family within the
13 second degree of consanguinity or affinity, of a motor vehicle owner or land
14 transportation operator, as likewise defined herein, or his employee in respect of
15 death, bodily injury, or damage to property arising out of and in the course of
16 employment.

(d) *Owner or motor vehicle owner* means the actual legal owner of a motor vehicle, in whose name such vehicle is duly registered with the Land Transportation Office;

(e) *Land transportation operator* means the owner or owners of motor vehicles for transportation of passengers for compensation, including school buses.

(f) *Insurance policy or Policy* refers to a contract of insurance against passenger and third-party liability for death or bodily injuries and damage to property arising from motor vehicle accidents.

(G) COMMERCIAL VEHICLE REFERS TO ANY TYPE OF VEHICLE THAT IS USED FOR BUSINESS OR COMMERCIAL PURPOSES, SUCH AS TRANSPORTING GOODS OR PASSENGERS FOR HIRE.

(H) PEDESTRIAN MEANS ANY PERSON TRAVELING BY FOOT AND ANY MOBILITY-IMPAIRED PERSON USING A WHEELCHAIR ON OR NEAR A ROADWAY.

SEC. 2. Section 387 of Republic Act No. 10607 is hereby amended 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 policy of insurance or guaranty in cash or surety bond 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 the case may be, arising from the use thereof. **PROVIDED, THOSE LAND TRANSPORTATION OPERATOR OR OWNER OF A COMMERCIAL VEHICLE SHALL SECURE AN INSURANCE POLICY OF AT LEAST SIX MILLION SEVEN HUNDRED PESOS (P6,700,000.00) TO COVER THE NO FAULT INDEMNITY CLAUSE PER ACCIDENT.**"

SEC. 3. Section 391 of Republic Act No. 10607 is hereby amended as follows:

"Section 391. Any claim for death or injury to any passenger or third party **OR PEDESTRIAN** pursuant to the provisions of this chapter shall be paid without the necessity of proving fault or negligence of any kind: *Provided*, that for purposes of this section:

(a) The total indemnity **PER ACCIDENT** in respect of any person shall not be less than ~~Fifteen thousand pesos (P15,000.00)~~:

(1) ONE MILLION PESOS (P1,000,000.00) FOR ANY FOUR (4) OR MORE WHEELED COMMERCIAL VEHICLE, WHICH IS PROPELLED BY GASOLINE, DIESEL, ELECTRICITY AND ANY OTHER MOTIVE POWER AND PRINCIPALLY DESIGNED TO TRANSPORT GOODS/CARGOES AND/OR PERSONS, WITH GROSS VEHICLE WEIGHT (GVW) OF UP TO 4,500 KGS.;

1 (2) TWO MILLION PESOS (P2,000,000.00) FOR ANY FOUR (4)
2 OR MORE WHEELED COMMERCIAL VEHICLE, WHICH
3 IS PROPELLED BY GASOLINE, DIESEL, ELECTRICITY
4 AND ANY OTHER MOTIVE POWER AND PRINCIPALLY
5 DESIGNED TO TRANSPORT GOODS/CARGOES AND/OR
6 PERSONS, WITH GROSS VEHICLE WEIGHT (GVW) OF
7 MORE THAN 4,500 KGS.

8 (b) The following proofs of loss, when submitted under oath, shall be
9 sufficient evidence to substantiate the claim:

10 (1) Police report of accident; and

11 (2) Death certificate and evidence sufficient to establish the proper
12 payee; or

13 (3) Medical report and evidence of medical or hospital disbursement in
14 respect of which refund is claimed;

15 (c) Claim may be made against one motor vehicle only. In the case of an
16 occupant of a vehicle, claim shall lie against the insurer of the vehicle in
17 which the occupant is riding, mounting or dismounting from. In any other
18 case, claim shall lie against the insurer of the directly offending vehicle. In all
19 cases, the right of the party paying the claim to recover against the owner of
20 the vehicle responsible for the accident shall be maintained.”

21
22 **SEC. 4. *Implementing Rules and Regulations.*** – Within Ninety (90) days from the
23 effectivity of this Act, the Land Transportation (LTO), Insurance Commission (IC), and other
24 government agencies concerned, shall coordinate with government agencies concerned to
25 formulate the rules and regulations for the proper implementation of this Act.

26
27 **SEC. 5. *Separability Clause.*** Should any provisions of this Act be declared invalid, the
28 remaining provisions shall continue to be valid and subsisting.

29
30 **SEC. 6. *Repealing Clause.*** All laws, executive orders, administrative orders, rules and
31 regulations or parts thereof, which are inconsistent with this Act are hereby amended,
32 repealed, or modified accordingly.

33
34 **SEC. 7. *Effectivity.*** This Act shall take effect after fifteen (15) days following its publication
35 in the Official Gazette and one (1) newspaper of general circulation.

Approved,