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IMPLEMENTATION OF THE 3-YEAR COMPULSORY THIRD PARTY LIABILITY (CTPL) INSURANCE

IC CIRCULAR LETTER NO. 10-2005, April 11, 2005

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I. Administrative Order No. 010-2005 of the Department of Transportation and Communications dated January 3, 2005 (copy attached[*]) mandates that a 3-Year CTPL policy shall be taken in connection with the initial registration of all brand new motor vehicles in place of the traditional 1-Year CTPL previously required.

II. Consistent with the strict statutory requirements of the Insurance Code, as amended,

> "SEC. 376. The Bureau of Land Transportation (now Land Transportation Office or LTO) shall not allow the registration or renewal of registration of any motor vehicle without first requiring from the land transportation operator or motor vehicle owner concerned the presentation and filing of a substantiating documentation in a form approved by the Commissioner evidencing that the policy of insurance or guaranty in cash or surety bond required by this chapter is in effect."

> "SEC. 226. No policy, certificate or contract of insurance shall be issued or delivered within the Philippines unless in a 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."

> "SEC. 375. The Commissioner shall furnish the Bureau of Land Transportation (now LTO) with a list of insurance companies authorized to issue the policy of insurance or surety bond required by this chapter."

and pursuant to the reforms being implemented by the Insurance Commission in the Philippine insurance sector:

A. All non-life insurance companies are hereby directed to commence the issuance of 3-Year CTPL policies not earlier than May 2, 2005;

B. All forms for 3-Year CTPL coverage which shall be separate and distinct from comprehensive motor vehicle policies must be submitted to the Insurance Commission and duly approved by the Insurance Commissioner;

C. Insurance companies duly accredited by the Insurance Commission shall be pooled under the auspices of the major industry association, Philippine Insurers & Reinsurers Association, to provide the insurance coverage for the 3-Year CTPL.

III. The Insurance Commission shall implement, and in cooperation with the Philippine Insurers and Reinsurers Association (PIRA), shall provide for a system of mandatory insurance coverage required for vehicle registration where the public obtains the appropriate insurance coverage and at the same time, known irregularities (i.e

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proliferation of fraudulent policies, unpaid claims, etc.) associated with the issuance of the CTPL coverage are totally eliminated or at the very least, minimized.

IV. This is to repair the serious damage in the confidence of the Filipino public in the integrity of CTPL coverage obtained for purposes of registering motor vehicles.

V. This Circular supersedes any and all circulars on the same subject.

Adopted: 11 April 2005

(SGD.) BENJAMIN S. SANTOS
Insurance Commissioner

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[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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