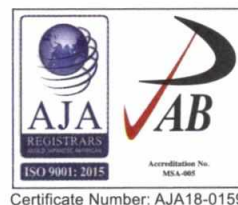




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
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TRANQUILINO E. ESPEJON
IC Supervising Administrative Officer
Administrative Division
Insurance Commission

Circular Letter (CL) No.:	2020-96
Date:	6 October 2020
Supersedes:	IC Circular Letter Nos. 2018-59 dated 15 November 2018 and 2017-33 dated 29 May 2017

CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE COMPANIES PROVIDING PASSENGER PERSONAL ACCIDENT INSURANCE FOR PUBLIC UTILITY VEHICLES

SUBJECT : FRAMEWORK FOR PASSENGER PERSONAL ACCIDENT INSURANCE (PPAI) FOR PUBLIC UTILITY VEHICLES

WHEREAS, Section 374 of the Amended Insurance Code provides that, "It shall be unlawful for any land-transportation operator or owner of a motor vehicle to operate the same in 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;"

WHEREAS, Section 5 (b) of Commonwealth Act 146, as amended by Executive Order 202, Series of 1987, empowers the Land Transportation Franchising and Regulatory Board (LTFRB) "to issue, amend, revise, suspend or cancel Certificates of Public Convenience or permits authorizing the operation of public land-transportation services [that are] provided by motorized vehicles, and to prescribe the appropriate terms and conditions therefor;"

WHEREAS, pursuant to the aforementioned laws, the Passenger Personal Accident Insurance (PPAI) Program was first initiated in 1999 by the LTFRB through Memorandum Circular (MC) 99-011, then through MC 2001-001 and 2001-010;

WHEREAS, in August 2018 the Department of Transportation (DOTr) issued Department Order No. 2018-020, Series of 2018 which mandated that the "assessment and evaluation of the qualifications and requirements of insurance companies, joint ventures, or consortiums providing Compulsory Motor Vehicle Liability Insurance and Passenger Personal Accident Insurance shall be under the sole and exclusive authority of the Insurance Commission";

WHEREAS, with the issuance of the aforementioned Department Order, the same has effectively removed the regulation of the PPAI Program from the LTFRB and transferred the same to the Insurance Commission;

WHEREAS, the PPAI program has been handled by the LTFRB since its inception in 1999 and will be handled by the Insurance Commission for the very first time;

WHEREAS, with the impending expiration of the MOAs between the insurance providers and the LTFRB on November 17, 2018 and the recent transfer of the assessment and evaluation of the qualifications and requirements of insurance providers of the PPAI program to the Insurance Commission, the Insurance Commission was placed in a bind as to what system to put in place given the short period of time before the expiration of the existing program on November 17, 2018, it is noted that there are conflicting proposals as to the manner in which this Commission should assess and evaluate the qualifications and requirements of insurance providers;

WHEREAS, the capital build-up program of insurance companies as mandated by the Amended Insurance Code requires all existing insurance companies to have a networth of at least Nine Hundred Million Pesos (P900,000,000.00) by December 31, 2019;

WHEREAS, this Commission issued IC Circular Letter No. 2018-59 dated 15 November 2018 implementing a *status quo* on the accreditation for the PPAI Program since open-market competition, without the proper safeguards, could revert the market back to cut-throat competition and predatory pricing, which were some of the evils sought to be avoided as explained by the Supreme Court in the case of *Eastern Assurance & Surety Corporation (EASCO) vs. Land Transportation Franchising and Regulatory Board*, G.R. No. 149717, October 7, 2003 and the need for a transition period which allowed this Commission to properly evaluate discuss the conflicting proposals and issues, study the effect of the capital build-up program, and avoid a gap in the service of the PPAI Program due to the expiration of the accreditation of the existing insurance providers with the LTFRB;

NOW, THEREFORE, by the powers vested in me, the following are hereby issued and promulgated:

I. FRAMEWORK FOR THE IMPLEMENTATION OF THE PASSENGER PERSONAL ACCIDENT INSURANCE (PPAI) PROGRAM

The insurance coverage required by the program shall be subject to the following conditions:

1. **Recognition of Pool/s.** - Insurance companies shall participate in the program through an insurance pool with a mandatory requirement of one (1) lead insurance company and twelve (12) member insurance companies. Each pool shall have a duly appointed Management Company duly licensed as a General Agent by this Commission that shall handle the day to day operations of the pool in order to ensure the fiscal stability and viability of the program and particularly, to be able to respond to claims quickly and effectively.

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For as long as these minimum requirements, stated herein and below, are met and maintained, the insurance companies, as a pool, shall be allowed to participate in the program. Once these minimum requirements are met, it shall be ministerial on the part of the Commission to allow the companies to participate, as a pool. The role of the Commission shall be limited to the recognition of the pool/s that may have complied herein.

An insurance company, however, shall join only one (1) pool. Multiple membership shall result in permanent disqualification from participation in the program.

Insurance companies shall participate in the pool under guidelines to be promulgated by the pool members themselves, without participation from, but with the required imprimatur of, the Insurance Commission, to ensure compliance with the laws.

The proposed Lead Company shall submit certified true copies, or the originals¹ thereof, of the following documents:

- a) SEC Registration/ Article of Incorporation and By-Laws
- b) Latest General Information Sheet (GIS) – In view of the current pandemic, however, should the certified true copy not be available, a copy of the latest filing in the possession of the company together with the acknowledgement communication from the SEC (letter or email) shall be sufficient.
- c) Business Permit/ Mayor's Permit
- d) Certificate of Authority from the Insurance Commission
- e) Latest Audited Financial Statement

The Member Insurance Companies shall submit the following documents:

- a) Letter of Commitment and Support – This document shall demonstrate the company's commitment and support for the appointed lead company of the pool as well as the Management Company.
- b) Undertaking and Solidary Liability – This document shall ensure that the member companies of the pool are bound solidarily to comply with the commitments under the PPAI program. This undertaking shall pertain to the settlement of all valid claims filed pursuant to the policies/ certificate of covers (COCs) issued by the lead company through the Management Company.

2. **Management Company.** - The Management Company of the insurance pool must be duly licensed by this Commission, must have a minimum track-record of five (5) years as a Management Company in a similar type of business,

¹ To be returned after the evaluation.

must have a minimum Paid-up capitalization of Twenty Million Pesos (Php20,000,000.00), duly registered with the Securities and Exchange Commission and other qualifications as may be determined appropriate in subsequent directive/s;

The proposed Management company shall submit certified true copies, or the originals² thereof, of the following documents:

- a) SEC Registration/ Article of Incorporation and By-Laws
 - b) Latest General Information Sheet (GIS) – In view of the current pandemic, however, should the certified true copy not be available, a copy of the latest filing in the possession of the company together with the acknowledgement communication from the SEC (letter or email) shall be sufficient.
 - c) Business Permit/ Mayor's Permit
 - d) License as General Agent
 - e) Latest Audited Financial Statement
3. **Requirement of Tax Clearance.** - The Management Company and the lead insurance company must have no derogatory record, as reflected by the Tax Clearance, with the Bureau of Internal Revenue (BIR). The lead insurance company and the Management Company shall submit a Tax Clearance.
4. **Endorsement of Stakeholders.** - The Management Company and insurance pool, in order to be recognized by this Commission, must submit a written endorsement from the national transport groups as a primary stakeholder, to exhibit its good standing and repute. The written endorsement shall be signed by at least three (3) recognized national transport groups by the LTFRB and duly registered with the Securities and Exchange Commission or the Cooperative Development Authority, and which shall be from the different classes of public utility vehicles, to wit:
- i. Transport group representing the jeepney segment;
 - ii. Transport group representing the AUX/UV Express segment;
 - iii. Transport group representing the taxi/sedan segment;
 - iv. Transport group representing the trucking segment;
 - v. Transport group representing the city bus segment; and,
 - vi. Transport group representing the provincial bus segment.

Again, the collection of these endorsements shall be ministerial on the part of the Commission. A single national transport group may endorse at the most only one pool.

5. **Insurance Coverage.** - The insurance pool/s and its members shall provide an "All-Risk, No Fault" insurance coverage with a duly approved policy by this Commission;

² To be returned after the evaluation.

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6. **Claims Fund.** - Each insurance pool/s must set-up and maintain a claims fund which shall not be less than Fifty Million Pesos (Php50,000,000.00) at any given time;
7. **Reports.** - The insurance pool/s shall submit report/s as may be required by this Commission.
8. **Payment of Claims.** - Payment of all claims shall be made within five (5) working days upon completion of the required documentations;
9. **Establishment of Branches and Hotline.** - The insurance pool/s, through its Management Company, shall, within thirty (30) days from recognition, set-up branch offices conveniently located near the Land Transportation Franchising and Regulatory Board's (LTFRB's) offices or satellite offices nationwide as are needed and shall duly inform the Commission of its branches and authorized representatives and shall establish a point of contact or hotline accessible 24 hours a day.
10. **Examination.** - The Commission shall at least once a year and whenever the public interest so demands, cause an examination to be made to ensure compliance with the requirements provided in this Section. The Commission may, in connection with any examination, require the production of all documents relevant to the implementation of the Program.

II. MONITORING AND COMPLIANCE

1. **Connectivity with LTFRB.** - The insurance pool, through its Management Company, shall set up within thirty (30) days from recognition an "On Line, Real Time" connectivity with the LTFRB relative to insurance policy issuances indicating the date of uploading for policy verification and confirmation;
2. **Complaints.** - Any complaint for non-payment of claims or failure to pay the claim within the time required by this Circular filed with this Commission or the LTFRB, or both, by any insured public utility vehicle operator or transport group representing the insured public utility vehicle operator shall be dealt with severely and may lead to disqualification and/or blacklisting of the Management Company and insurance pool complained of from the program.

III. INFORMATION DRIVE AND ANNOUNCEMENTS

The insurance pool/s and its Management Company shall undertake to support the IC and the transport groups and provide information materials or road shows in order to ensure compliance and education on the subject matter is adequately provided.

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IV. IMPLEMENTATION

An insurance pool must submit its intent to participate, with the documents satisfying the requirements herein provided, on or before the end of working hours thirty calendar days from the date of publication of this circular in two (2) newspapers of general circulation. No evaluation of the submissions shall be made until after the end of the said thirty (30) days. Prior to this evaluation, the submissions shall be kept confidential. Thereafter, the Commission shall no longer entertain applications for recognition. The recognition issued herein shall be valid for five years; and no further or additional recognition shall be granted during the said period reckoned from the closure of submission of requirements stated above.

V. RENEWAL OF RECOGNITION

Within sixty (60) days prior to the expiration of the recognition herein granted, the recognized entities shall file with the Commission the above-mentioned documentary requirements. The said documents shall be evaluated and processed for the renewal of applications, which shall be completed within a period of thirty (30) days from the submission of the requirements stated herein, without prejudice to other applications which may be admitted.

VI. TRANSITORY PROVISION

The present insurance pool/ providers under the existing PPAI program shall continue issuing PPAI policies until such time that this Commission passes upon the recognition of the insurance pool/s under this circular. A pool that has been recognized shall be allowed to operate without the need to await the qualification of other pools.

This Circular shall take effect immediately, without prejudice to the publication requirements.

For strict implementation.


DENNIS B. FUNA
Insurance Commissioner



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