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OFFICE OF THE NATIONAL  
ADMINISTRATIVE REGISTER  
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ADMINISTRATIVE RULES & REGULATIONS  
REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF TRANSPORTATION & COMMUNICATIONS  
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LAND TRANSPORTATION OFFICE  
East Avenue, Quezon City  
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GENERAL SERVICES SECTION

MEMORANDUM CIRCULAR No. AVT-2015-1975  
21 October 2015

Subject: Reformed Compulsory Third Party Liability Insurance

1. The Land Transportation Office (LTO) is the line agency primarily tasked with the registration of all motor vehicles and the licensing of drivers thereof pursuant to Article III, Section 4 (d) (1), of Republic Act ("R.A.") No. 4136, otherwise known as the "Land Transportation and Traffic Code," as amended.
2. Section 5 of Batas Pambansa Bilang 74, amending Sections 5, 7 and 8 of R.A. No. 4136, mandates that all motor vehicles and trailers of any type used or operated on or upon any highway of the Philippines "shall be registered with the Bureau of Land Transportation (now LTO) for the current year, and that the dates of annual registration of motor vehicles shall be based on a registration scheme to be prepared by the Bureau of Land Transportation subject to the approval of the Minister (now Secretary) of Transportation and Communications."
3. It is mandatory for every motor vehicle owner as defined in R.A. No. 4136, as amended, to secure a Compulsory Third Party Liability ("CTPL") insurance policy under Section 374 of Presidential Decree (PD) No. 612, as amended, otherwise known as the "Insurance Code".
4. This Office has received numerous complaints in relation to the implementation and requirement of procuring a CTPL including, but not limited to, overpricing and under charging premiums, delays in processing of claims, issuance of multiple Certificates of Cover (COCs) for the same vehicle, the amount of premium collected is lower than what should have been collected based on the number of motor vehicles registered and tax leaks.
5. In order to address the complaints of the various stakeholders and upon recommendation by the LTO Insurance Committee, this Office mandates the implementation of a Reformed CTPL Insurance system under which the issuance of CTPL insurance policies and administration of payment and settlement thereof will be assigned only to insurance pools, administered by national administrators, who will be obligated to issue and settle CTPL to motor vehicle owners to ensure the legitimate insurance coverage of motor vehicle owners, proper payment and remittance of taxes and expeditious settlement of claims.

6. For the orderly implementation, one Administrator will be accredited for motor vehicles with plate numbers ending with an odd number and another Administrator will be accredited for motor vehicles with plate numbers ending with an even number.
7. The Administrators must be licensed insurance companies and will be primarily liable under the CTPL. All licensed insurance companies are entitled to join both pools. However, the Administrators and pool members must continually comply with capital requirements imposed by the Insurance Commission.
8. Only authorized premiums and fees may be charged to the public.
9. The claims settlement process should be completed in seven (7) business days or less from complete submission of documents. Claims documents must be readily available on line and on site at claims settlement offices conveniently located near LTO offices nationwide. Further, police reports should not be required unless death is involved.
10. Each of the Administrators must establish a Php100,000,000.00 Performance Guarantee Fund valid for the term of the contract and to be deposited in a trust account of a bank for the benefit of the LTO, to pay for claims in case of inexcusable failure and/or unjust refusal of the Administrators to pay the valid claims of the insured.
11. The Administrators shall be charged with putting in place and managing an IT system connected to the current LTO IT System such that no CTPL shall be accepted by the LTO unless the same is also verified/authenticated through the IT System by the LTO, and create and manage a database accessible to the LTO, which will include pertinent information on CTPLs issued and which shall serve as a tool in addressing the problems of CTPLs and complaints of the various stakeholders
12. This Office will subject to competitive accreditation procedures for the selection of the Administrators of the CTPLs and ensure that no monopoly, restraint of trade or unfair competition and disenfranchisement of insurance agents shall result from the same.
13. To ensure that the Administrators will give the LTO the best unified system for the issuance of the CTPL and administered by the most qualified administrators, the accreditation process shall be done through a transparent competitive public accreditation and implemented without government expenditures or use of government funds or property.

An Accreditation Committee shall be constituted and be tasked to accredit the Administrators for the reformed CTPL program for a period of five (5) years from implementation thereof.

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15. All prior orders, circulars and memoranda as well as any related issuances or part thereof inconsistent with these provisions are hereby repealed or amended accordingly.
16. If any provisions of this Administrative Order or the application thereof to any person or circumstance are held invalid, the remainder of this Order, and the application of such provision to other persons or circumstances, shall not be affected thereby.
17. This Order shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation in the Philippines.

**APPROVED BY:**

  
ATTY. ALFONSO V. TAN, Jr.  
Assistant Secretary



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