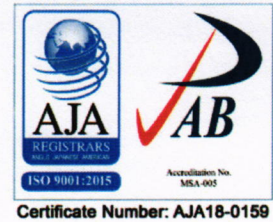




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter (CL) No.	:	2018- 70
Date	:	28 December 2018

CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE COMPANIES

**SUBJECT : Clarification on the Coverage of the Term “Third Party”
in Compulsory Third Party Liability (CTPL) Insurance**

WHEREAS, par. (b), Section 385 of the Insurance Code, as amended by R.A. No. 10607, provides for the definition of the term “passenger”:

“**Passenger** is any fare paying person being transported and conveyed in and by a motor vehicle for transportation of passengers for compensation, including persons expressly authorized by law or by the vehicle’s operator or his agents to ride without fare.”

WHEREAS, par. (c), Section 385 of the Insurance Code, as amended by R.A. No. 10607, provides for the definition of the term “third party”:

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

WHEREAS, the above definitions are adopted in Compulsory Third Party Liability insurance policies.

WHEREAS, it has come to the attention of the IC that there are several interpretations by insurance companies on the term “third party”.

NOW THEREFORE, pursuant to the authority of the Insurance Commissioner under Section 437 of the Insurance Code, as amended by Republic Act No. 10607, in order to clarify the term "third party", this Circular is hereby promulgated.

Compulsory Third Party Liability Insurance covers the death and bodily injuries to third parties. In addition to the common appreciation of the term "third parties", persons inside the vehicle who are **not** passengers as defined in paragraph (b), Section 385 of the Insurance Code as amended, or who are **not** members of the household or who are **not** members of the family within the second degree of consanguinity or affinity, or who are **not** the employee in respect of death, bodily injury, or damage to property arising out of and in the course of employment, of the motor vehicle owner are considered third parties and therefore covered by the CTPL Insurance.

Under the "no fault" rule, claims must be made with the insurer of the vehicle in which he is riding. (Section 391 of the Insurance Code as Amended)

For guidance of the non-life insurance companies.

This Circular Letter shall take effect immediately.



DENNIS B. FUNA
Insurance Commissioner

