

# A Review of the PPAI Program

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**INSURANCE FORUM**

The Passenger Personal Accident Insurance (PPAI) program, administered jointly by the Land Transportation and Franchising Regulatory Board (LTFRB) and the Insurance Commission, is legally sanctioned under Section 387 Insurance

Code and the LTFRB charter. PPAI provides for mandatory insurance coverage for public utility vehicles (PUV).

Data, as reported to the Insurance Commission, shows that accidents involving public utility vehicles have been increasing every year. From 654 in 2014, to 941 in 2015, to 1,044 accidents in 2016. For 2016, most of the accidents involved jeeps (432 accidents), followed by buses (at 354 accidents), sedans (at 112), AUVs (at 82), and trucks (at 64 accidents). The biggest jump in accidents involved buses which jumped from 247 accidents in 2015 to 354 accidents in 2016, or an increase of 43.32%. This trend only shows the continuing importance of the PPAI program. The data, however, from the Philippine Statistics Authority (PSA) shows a grimmer picture. According to PSA, 10,012 people died due to road accidents in 2015, which is a 45.76% increase from 6,869 deaths recorded in 2006. This could only mean that more accidents occur involving private vehicles or that a significant number of accidents involving PUVs are not reported to the insurers. In any case, data from PSA also shows an increasing trend in car vehicular accidents.

In Metro Manila, according to the Metro Manila Development Authority (MMDA), it is reported that in 2016 motorcycles had the “highest fatality accident rate” with 218 total numbers of deaths, followed by trucks (103) and private cars (98). According to MMDA, 23,105 motorcycles were involved in road accidents in 2016. Motorcycles, however, are not covered by PPAI.

As provided under the rules established by LTFRB, two consortia of insurance companies were accredited. Each consortium will have at least ten (10) insurance companies and a lead insurer will be chosen by the members of the consortium. At the option of its members, the consortium may be managed by a Management Company. The issuance of Certificates of Cover under the PPAIP shall be on a “free market” basis, meaning a PUV operator has the right to choose from any of the accredited providers in obtaining the passenger insurance coverage.

The LTFRB entered into a 3-year (2015-2018) MOA with two insurance consortia managed by two (2) management companies: SCCI Management and Insurance Agency Corporation (SCCI) and the Passenger Accident Management and Insurance Agency, Inc. (PAMI). PAMI's lead insurer is UCPB General Insurance Company while SCCI's lead insurer is Alliedbankers Insurance Corporation.

In 2015, the Insurance Commission approved the increase in benefits. Notably, among others, death benefit was increased from Php 150,000 to Php 200,000. It should be emphasized that this was done without increasing the premiums, except in the case of buses which was increased from Php 1,780 to Php 2,280 for Metro Manila buses, and from Php 2,180 to Php 2,680 for Provincial buses. The premiums are inclusive of the documentary stamp tax, premium tax, and local government tax.

For calendar year ending 2016, a total of 392,299 public utility vehicles were insured. These vehicle units include Asian Utility Vehicles (AUVs), Buses, Jeeps, Sedans, and Trucks. PAMI insures about 80.68% of all the PUV units. Leaving SCCI with a 19.32% share. Of the total PUVs, the jeepney (PUJ) comprised the highest number of units at 176,213 vehicles. It has been observed, however, that the number of jeeps has declined by 2% compared to calendar year 2015 (179, 815 jeepneys). 2014 saw 183,585 units of jeepneys. This perhaps can be attributed to government's effort to phase out the jeep. Sedans, on the other hand, has increased by 35,801 units (to 90,930) or by 64.94% from calendar year 2015 (55,129). This can be attributed to the introduction of Transport Network Vehicle Service (TNVS) such as Grab and Uber. AUVs, buses and trucks were practically at a standstill.

For calendar year ending 2016, a total of Php 63.01 million in benefits were paid. Majority of these were death benefits totalling Php 46.25 million for the 296 death claims, or 73.40% of the total. Medical claims totaled 2,167 incidents. Because of the increase in benefits approved by the Insurance Commission, the total benefits paid increased by 28.52% or by Php 13.98 million compared to the previous year 2015.

In terms of the vehicle type from which claims emanated, the jeepney segment had the highest number of claims with 1,066 of which 925 were for medical claims while 138 were for death claims. Jeepney accidents comprised about 43.32% of the total accidents. On the other hand, claims from the truck segment only totaled 87.

In terms of taxes collected from the program, the annual average was Php 38.42 million from 2014 to 2016. In 2016, Php 29.22 million came from collections made by PAMI. The taxes included the 2% Premium Tax, Documentary Stamp Tax, and the Local Tax.

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