



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



Legal Opinion (L.O.) No.:	LO-2019-08-A
Date:	June 19, 2019

**MR. MARIO O. YAP**

President

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of the Philippines (CTAP)**

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**SUBJECT:**     **Comprehensive Motor Insurance on Trailers**

**Dear Mr. Yap:**

This pertains to your letter seeking the Insurance Commission's guidance on whether there is a need to obtain Comprehensive Motor Insurance Policy (comprehensive insurance) on trailers despite the fact that the same were already secured by a Third Party Liability ("TRL") Insurance as required by the Land Transportation Office ("LTO").

In effect, you seek clarification on whether the coverage of the comprehensive insurance on the truck head should be interpreted to include the trailer.

After a careful evaluation, this Commission finds that as a general rule, trailers are not covered by the tractor head's Comprehensive Insurance.

Please note that, for insurance purposes, separate policies for both the tractor head and the trailer are still necessary.

However, when it comes to bodily injury or death as well as damage to property of third party under Sections I, II, and Items No. 1 and 2 of Section IV of a standard Comprehensive Insurance, it is immaterial whether there be separate Comprehensive Insurance for the tractor head and the trailer because the tractor head will be held liable for being in control of the motion of the trailer whilst attached to the tractor head. Hence, the Comprehensive Insurance of the tractor head will be held liable for third

party liability arising from death, bodily injury or third party property damage, *provided* that the proximate cause is not directly attributable to the trailer and/or its defects.

## **Our Ruling**

**I. The Tractor Head and Trailer are generally treated as separate vehicles and therefore, require separate insurance coverage.**

**As a general rule, the Commission finds that there should be a separate Comprehensive Insurance for the tractor head and the trailer considering that the tractor head and the trailer are treated as separate vehicles for insurance purposes.**

As separate vehicles with separate owners, each part is capable of causing damages, bodily injuries and/or death. Thus, the need for separate Comprehensive Insurance policies.

This rule, however may be subject to certain qualifications as will be discussed hereunder.

**II. Under the Section I (Liability to the Public), Section II (No Fault Indemnity) and Section IV (Excess Liability) Provisions of a Standard Comprehensive Insurance, the comprehensive insurance of the tractor head is generally presumed to be liable for the damages, bodily injury and/or death while the trailer is attached to and towed by it.**

A standard Comprehensive Insurance includes the following, to wit:

**a. Section I — Liability to the Public:**

In this Section, the insurance company undertakes to pay all sums necessary to discharge liability of the insured arising from all expenses and damages directly resulting from any bodily injury and/or death to any Third Party<sup>1</sup>, subject to the Limits of Liability, and provided that the liability of the insured must have first been determined.

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<sup>1</sup> Third Party (as defined under the standard Comprehensive Motor Insurance Policy) — any person other than the passenger as defined under the law which also excludes 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 his employee in respect of death, bodily injury or damage to property arising out of and in the course of employment, in an accident caused by or arising out of the use of the Insured Vehicle.

With respect to bodily injury and/or death to any party, the Company's payment per victim in any one accident shall not exceed the limits indicated in the Schedule of Indemnities as provided for in the standard Comprehensive Insurance.

This Section likewise provides that the insurance company shall indemnify any Authorized Driver who is driving the Insured Vehicle subject to certain conditions, as indicated in the standard Comprehensive Insurance.

**b. Section II — No Fault Indemnity**

This Section provides that the insurance company undertakes to pay any claim for bodily injury and/or death to any Third Party without the necessity of proving fault or negligence of any kind<sup>2</sup>, without prejudice to the claimant who wants to pursue his claim further in which case he shall not be compelled to sign any document releasing the insurance company from liability.

Sections I and II of Comprehensive Insurance are collectively known as the Comprehensive Third Party Liability (CTPL) Insurance. The CTPL Insurance basically provides that the insurance company, subject to certain limitations as indicated under the policy, shall pay the necessary amount to discharge the liability of the insured to any third party in case of accidents involving bodily injury or death.

**c. Section III — Loss or Damage**

Under this Section, the Insurance Company undertakes to indemnify the Insured against loss of or damage to the Insured Vehicle and its accessories and spare parts whilst thereon in specific and exclusive instances<sup>3</sup>, and subject to exceptions<sup>4</sup>, provided under the standard Comprehensive Insurance.

**d. Section IV — Excess Liability Insurance**

Section IV provides:

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<sup>2</sup> The total indemnity in respect of any one third party shall not exceed Fifteen Thousand Pesos (PhP15,000.00), which may be less than said amount because it is subject to the Schedule of Indemnities under Section I.

<sup>3</sup> (a) by accidental collision or overturning, or collision or overturning consequent upon mechanical breakdown or consequent upon wear and tear;

(b) by fire, external explosion, self-ignition or lightning or burglary, house reeking or theft;

(c) by malicious act;

(d) whilst in transit (including the processes of loading and unloading) incidental to such transit by road, rail, inland waterway, lift or elevator.

At its own option, the Company may pay in cash the amount of the loss or damage, or may repair, reinstate or replace the insured Vehicle or any part thereof or its accessories or spare parts. The Liability of the Company shall not exceed the value of the parts lost or damaged and the reasonable cost of fitting such parts or the value of the Insured Vehicle at the time of the loss or damage, whichever is the less. The Insured's estimate of value stated in the Schedule shall be the maximum amount payable by the Company in respect of any claim for loss or damage.

<sup>4</sup> The Company shall not be liable to pay for:

1. Loss or Damage in respect of any claim or series of claims arising out of one event, the first amount of each and every loss for each and every vehicle insured by this Policy, such amount being equal to one percent (1.00%) of the Insured's estimate of Fair Market Value as shown in the Policy Schedule with a minimum deductible amount of PhP 3,000.00;

2. Consequential loss, depreciation, wear and tear, mechanical or electrical breakdowns, failures or breakages;

3. Damage to tires, unless the Insured Vehicle is damaged at the same time;

4. Any malicious damage caused by the Insured, any member of his family or by a person in the Insured's service;

5. Damage caused by overloading or strain;

6. Damage caused by explosion of any boiler forming part of, attached to, or on the Insured Vehicle,

1. The Company will, subject to the Limits of Liability, reimburse the Insured for all sums actually paid by the Insured to discharge liability in accordance with all the provisions of Section I except the Limits of Liability for Section I but only in excess of:
  - a. The Limits of Liability for Sections I and II of this policy, when such limits have been exhausted or;
  - b. The liability limits required for the Insured Vehicle under Section 377 of the Insurance Code, as amended in the event no coverage exists as described in paragraph (a) above.

Coverage under this paragraph is not subject to the Schedule of Indemnities under Section I.

2. The Company will, subject to the Limits of Liability, pay all sums necessary to discharge liability of the insured, in respect of damage to third party property in an accident caused by and arising out of the use of the Insured Vehicle, or in connection with the loading or unloading of the Insured Vehicle, provided the Insured's liability shall be first determined either by final court judgement after actual trial, or by written agreement of the Insured, the Claimant, and the Company, Provided, further, that the Company shall not be liable in respect of damage to property belonging to the Insured, or held in trust by, or in the custody or control of the insured or any member of the insured's household, or being conveyed by the insured vehicle.

From the foregoing, it is evident that **with regard to Section I (Liability to the Public), Section II (No Fault Indemnity) and Section IV (Excess Liability) Provisions under a standard Comprehensive Insurance, having a separate Comprehensive Insurance for the tractor head and the trailer is not material.** While the trailer is attached to and is being towed by the tractor head, it is the tractor head's driver who has **direct control** of the movement of both the tractor head and the trailer attached to it. Thus, any injury or death to any third party by reason thereof is directly attributable to said driver. Being a Comprehensive Insurance, in most cases, the proximate cause of damage, bodily injury and/or death is attributable to the driver of the tractor head. As such, the Comprehensive Insurance of the tractor head shall be held liable for third party liability arising from death, bodily injury or third party property damage.

The exception, however, is if the proximate cause of the injury or death is **directly attributable to the trailer**. For example, when the injury or death is specifically attributable to the **defects of the trailer's equipment** such as its wheel/s, bearing/s, lock/s, etc. In this case, the insurance policy of the trailer, if any, should be held liable for death or bodily injury to third party. The comprehensive insurance of the tractor is not answerable in this instance.

**III. A separate Comprehensive Insurance for the tractor head and the trailer becomes material when it comes to loss or damage to the Insured Vehicle.**



**Section III of the Comprehensive Insurance** provides that the insurance company will indemnify the insured against loss or damage to the insured vehicle and its accessories and spare parts whilst thereon, subject to certain limitations indicated in the contract.

Section III of Comprehensive Insurance is in keeping with the Principle of Indemnity in insurance contracts. The Principle of Indemnity in property insurance is based on Section 18 of the Insurance Code<sup>5</sup> which provides that **“no contract or policy of insurance on property shall be enforceable except for the benefit of some person having an insurable interest in the property insured”**<sup>6</sup>. This means that in order for the Comprehensive Insurance holder to be indemnified for loss or damage to his vehicle under Section III, it is required that he has an insurable interest over the thing. Otherwise stated, **if the Comprehensive Insurance holder does not have an insurable interest over the tractor or the trailer as the case may be, Section III of Comprehensive Insurance cannot apply in his favor.**

In order to clarify, the following provisions from the Insurance Code are particularly instructive, to wit:

“Any contingent or unknown event, whether past or future, which may damnify a person having an insurable interest, or create a liability against him, may be insured against.”<sup>7</sup>

“Every interest in property, whether real or personal, or any relation thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured, is an insurable interest.”<sup>8</sup>

“The measure of an insurable interest in property is the extent to which the insured might be damnified by loss or injury thereof.”<sup>9</sup>

“A carrier or depository of any kind has an insurable interest in a thing held by him as such, to the extent of his liability but not to exceed the value thereof.”<sup>10</sup>  
(Emphasis and underscoring supplied.)

Based from the above, it is clear that the trucker, being a carrier, has insurable interest over the trailer attached to and held by it, regardless of its ownership of the trailer.

In the present case, a truckhead owner has an insurable interest over the trailers held by its tractor heads.

Having an insurable interest over the trailer, however, does not mean that the tractor head's Comprehensive Insurance automatically covers the trailer.

It bears emphasizing that there is a distinction insofar as the insurable interest of the trucker is concerned. When it comes to the tractor head, the trucker has an insurable

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<sup>5</sup> R.A. No. 10607

<sup>6</sup> MMPSEU v. Mitsubishi Motors, G.R. No. 175773

<sup>7</sup> Section 3 of R.A. No. 10607

<sup>8</sup> Section 13 of R.A. No. 10607

<sup>9</sup> Section 17 of R.A. No. 10607

<sup>10</sup> Section 15 of R.A. No. 10607

interest by reason of being its owner. However, when it comes to the trailer which as pointed out, normally not owned by the trucker, **the trucker's** insurable interest thereof is only **contractual** and cannot be a subject of a motor insurance.

An exception shall be unless all the parties to the contract (the insurance company, the owner of the tractor head and the owner of the trailer) agree that the trailer and tractor head shall be covered by a single Comprehensive Insurance, subject to the declaration of the trailer's value under the policy schedule in connection to the insured value and computation of premiums thereon.

This notwithstanding, it must be emphasized that nothing precludes the owner of the tractor head to insure the trailer under a different policy, such as under a Comprehensive General Liability Insurance Policy with a corresponding inclusion by way of endorsement of Property In Physical And/Or Legal Control of the insured. In the same vein, the owner of the trailer may, on its own, procure a separate insurance policy for its trailer.

On the other hand, if the tractor head and the trailer are both owned by the trucker, then the insurable interest of the trucker over the trailer is no longer contractual. However, coverage for the trailer under the same Comprehensive Insurance as that of the tractor shall still be subject to certain qualifications such as the declaration of the trailer's value under the policy schedule in connection to the insured value and computation of premiums thereon.

Applying the foregoing to the case at bar, the Commission finds that the truckhead owner, having merely a contractual insurable interest over the trailers, cannot claim against the Comprehensive Insurance of the tractor head under Section III for damages caused by or to the trailers held by it, **unless** the trailers being held by the insured tractor head was agreed to form part of the insured vehicle whereby its value shall be declared for purposes of the determination of the premium.

#### **IV. The comprehensive insurance only covers "Motor Vehicles" as defined under Section 3(c) of the Land Transportation and Traffic Code (Republic Act No. 4136).**

In the Comprehensive Insurance, it states that the said policy shall cover a "Motor Vehicle". Motor Vehicle under the *Definitions Clause* of the Comprehensive Insurance provides:

*"MOTOR VEHICLE is any vehicle as defined in Section Three, paragraph (a) of Republic Act - Numbered Four Thousand One Hundred Thirty Six, otherwise known as the "Land Transportation and Traffic Code."11*

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<sup>11</sup> SECTION 3(a). "Motor Vehicle" shall mean any vehicle propelled by any power other than muscular power using the public highways, but excepting road rollers, trolley cars, street-sweepers, sprinklers, lawn mowers, bulldozers, graders, fork-lifts, amphibian trucks, and cranes if not used on public highways, vehicles which run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes.

Trailers having any number of wheels, when propelled or intended to be propelled by attachment to a motor vehicle, shall be classified as separate motor vehicle with no power rating.

The policy, under item number one (1) of the *Conditions Applicable to All Sections Clause* states:


*"This Policy and the Schedule shall be read together, as one contract, and any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedule shall bear such specific meaning wherever it may appear."*

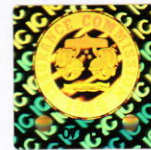
In view of the above, the insurance contract in this case is clear that the motor vehicle hereof should mean the motor vehicle as defined specifically under the Traffic Code. Hence, in the absence of any stipulation which shall provide otherwise such as an exclusion by way of a policy endorsement, or a waiver, etc., only the tractor head can be considered as the insured vehicle.

Please note that the above ruling of the Insurance Commission is without prejudice to the application of pertinent laws, rules and regulations being implemented by other government regulatory agencies.

Further, the opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

Please be guided accordingly.

  
**DENNIS B. FUNA**  
Insurance Commissioner



cc:

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