Legal Opinion (LO) No:	2023-01
Date:	03 January 2023

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SUBJECT: **Request for Legal Opinion on Whether or Not an Expired Motor Vehicle Registration is a Ground to Disallow an Insurance Claim for Own Damage.**

Dear **Atty. Verzosa**:

This refers to your email dated 21 July 2022, requesting for legal opinion on the issue of whether or not an expired motor vehicle registration is a ground to disallow an insurance claim for own damage.

The issue arises from the following pertinent facts, as found in your email:

> On April 30, 2022, at around 10:30 in the morning, at Carcar City, Cebu, [your] client['s] motor vehicle,..covered by an active Personal Accident/Private Car-Individual Insurance Policy, figured [a] collision with another vehicle...At the time of the collision, [your] client's motor vehicle was driven (*sic*) by an authorized driver who had a valid driver's license, but, however,(*sic*) the LTO registration of the vehicle was expired...

x x x x.

After a thorough consideration, the Commission finds that expired motor vehicle registration is **not** a ground to disallow an insurance claim for own damage.

Under a standard private car policy, an insurer is liable for loss or damage to the motor vehicle in the following instances:

x x x x

SECTION III – LOSS OR DAMAGE

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1.   The Company will, subject to the Limits of Liability, indemnify the Insured against loss of or damage to the Scheduled Vehicle and its accessories and spare parts whilst thereon:

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, housebreaking or carnapping, or any unlawful taking of the car accessories or any part whilst thereon, but excluding those committed by an employee of the Insured or any person or persons to whom the scheduled vehicle has been entrusted;

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.

x x x x.

However, under the same standard private car policy, an insurer is exempted from liability arising from the above instances, when:

x x x x

EXCEPTIONS TO SECTION III

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 half of one percent (0.50%) of the Insured's estimate of Fair Market value as shown in the Policy Schedule with a minimum deductible amount of PHP2,000.00;

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

3.   Damage to tires, unless the Scheduled 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.

x x x x.

Based on the above-stated exceptions, a standard private car policy does not include expired motor vehicle registration as a ground for denial of claim in case of loss or damage to an insured motor vehicle. Thus, so long as the private car insurance policy covering your client's motor vehicle provides these standard provisions, then the claim for loss or damage sustained by the subject motor vehicle, despite with expired LTO registration, cannot be denied.

Moreover, the Commission finds *Palermo v. Pyramid Insurance Co., Inc.*,[1] instructive. In this case, Pyramid Insurance Co., Inc. disallowed Palermo's claim under his private car insurance policy because at the time of accident, Palermo was driving his car with an expired driver's license. In resolving case, the Supreme Court ruled:

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[1] G.R. No. L-36480, 31 May 1988.

There is no merit in the appellant's allegation that the plaintiff was not authorized to drive the insured motor vehicle because his driver's license had expired. The driver of the insured motor vehicle at the time of the accident was, the insured himself, hence an "authorized driver" under the policy.

While the Motor Vehicle Law prohibits a person from operating a motor vehicle on the highway without a license or with an expired license, an infraction of the Motor Vehicle Law on the part of the insured, is not a bar to recovery under the insurance contract. It however renders him subject to the penal sanctions of the Motor Vehicle Law. (*Emphasis supplied*)

The requirement that the driver be "permitted in accordance with the licensing or other laws or regulations to drive the Motor Vehicle and is not disqualified from driving such motor vehicle by order of a Court of Law or by reason of any enactment or regulation in that behalf," applies only when the driver" is driving on the insured's order or with his permission." It does not apply when the person driving is the insured himself.

Although *Palermo* interpreted the application of the "authorized driver" clause in the insurance contract, the case nevertheless concerns violation of Motor Vehicle Law *vis-à-vis* claim under a private car insurance policy, which is likewise obtaining in this situation. Like driving with expired driver's license, driving a motor vehicle with expired registration is similarly an infraction of the Motor Vehicle Law thus, by necessary implication, could not likewise bar recovery under a private car insurance policy.

Please note that the above 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.

For your information and guidance.

Very truly yours,

DENNIS B. FUNA
Insurance Commissioner

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