



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

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### CIRCULAR LETTER

**SUBJECT : Amendments by Republic Act No. 10607 pertaining to Compulsory Motor Vehicle Liability Insurance**

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This is a clarification relative to the amendments made by Republic Act (RA) No. 10607 to Sections 373(f) and 374 [now Sections 386(f) and 387] of Chapter VI of the Insurance Code. Pursuant to the amendments on the Insurance Code, an insured may choose to avail of an insurance policy which may cover damage to property of a third-party or passenger, as the case may be, if it is offered by an insurer subject to the payment of the computed premiums as may be approved by the Insurance Commission.

Prior to RA No. 10607, the governing law on Compulsory Motor Vehicle Liability Insurance ("CMLVI", for brevity) was Presidential Decree No. 612. Sections 373 (f) and 374 provides:

"(f) "Insurance policy" or "Policy" refers to a contract of insurance against passengers and third-party liability for death or bodily injuries **and damage to property** arising from motor vehicle accidents.

Section 374. It shall be unlawful for any land transportation operator or owner of a motor vehicle to operate the same in the public highways unless there is in force in relation thereto a policy of insurance or guaranty in cash or surety bond issued in accordance with the provisions of this chapter to indemnify the **death, bodily injury, and/or damage to property** of a third-party or passenger, as the case may be, arising from the use thereof."

Afterwards, Presidential Decree ("PD") No. 1814 was enacted and **deleted the words "damage to property" and "and/or damage to property"** from the coverage of CMLVI.

Thereafter, RA No. 10607 took effect and amended the abovementioned sections restoring property damage. Sections 386 (f) and 387 states:

"(f) *Insurance policy or Policy* refers to a contract of insurance against passenger and third-party liability for death or bodily injuries and damage to property arising from motor vehicle accidents.

SEC. 387. It shall be unlawful for any land transportation operator or owner of a motor vehicle to operate the same in the public highways unless there is in force in relation thereto a policy of insurance or guaranty in cash or surety bond issued in accordance with the provisions of this chapter to indemnify the death, bodily injury, and/or damage to property of a third-party or passenger, as the case may be, arising from the use thereof." (Emphasis on the amended provision)

As can be seen, the words "**and damage to property**" and "**and/or damage to property**" were re-integrated. However, we take note that Section 386 (f) of RA No. 10607 is **merely descriptive** as it only defines what is an "*insurance policy*" or "*policy*" for purposes of CMLVI.

Thus, Section 387 of RA 10607 is the prevailing provision for purposes of determining the coverage of a CMLVI policy in view of its commanding language "*it shall be unlawful xxx.*" Also, the use of the disjunctive word "**or**" in Section 387 expresses an alternative or gives a choice among two or more things<sup>1</sup>.

Accordingly, the re-integration of property damage by RA No. 10607 to a CMLVI policy under Chapter VI of the amended Insurance Code makes the acquisition of **property damage coverage** merely optional on the part of the policy owner, and not mandatory.

All concerned should be guided accordingly.

  
EMMANUEL F. DOOC  
Insurance Commissioner

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<sup>1</sup> *Robert P. Guzman v. Commission on Elections, Mayor Randolph S. Ting and Salvacion Garcia*, G.R. No. 182380, 28 August 2009