



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



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| Circular Letter (CL) No. | 2017-49 |
| Date: | 30 October 2017 |

CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE COMPANIES, THEIR AGENTS, BROKERS AND THE GENERAL PUBLIC

SUBJECT : GUIDELINES ON THE INSURABILITY OF DAMAGES, FINES, AND PENALTIES WHICH ARE EXEMPLARY IN NATURE RELATIVE TO LIABILITY INSURANCE

WHEREAS, Article 229 of the New Civil Code of the Philippines provides that exemplary or corrective damages are imposed by way of example or correction for public good, in addition to the moral, temperate, liquidated or compensatory damages;

WHEREAS, the purpose of exemplary damages is to provide an example and deter future and subsequent parties from the commission of a similar offense;

WHEREAS, the Insurance Code, as amended by R.A. 10607, provides no provision which specifically deals with the question on the insurability of exemplary, punitive, aggravated or multiplied damages, fines and penalties;

WHEREAS, Article 1409 of the Civil Code of the Philippines provides that contracts whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy are considered inexistent or void;

WHEREAS, public policy is that principle of the law which holds that no subject or citizen can lawfully do that which has the tendency to be injurious to the public or against the public good. In contracts, as to the consideration or thing to be done, which has the tendency to injure the general public;

NOW WHEREFORE, pursuant to the powers vested in the Insurance Commissioner by Section 437 of Republic Act No. 10607, it is hereby declared that damages which are exemplary and punitive in nature, regardless of the nature of the proceedings where the same is awarded, are not insurable under Philippines laws on the ground that the same is against public policy. Henceforth, this Commission shall not approve any liability insurance which provides for exemplary damages coverage.