



**INSURANCE INSTITUTE FOR  
ASIA AND THE PACIFIC, INC.**

## Basic Non-Life Insurance Course

*Motor Insurance*

### **Motor Insurance**

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It is a kind of insurance pertaining to the:

- OWNERSHIP
  - MAINTENANCE and
  - USE
- of a motor vehicle.

## **Motor Insurance**

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“any kind of insurance pertaining to the ownership, maintenance, or use of motor vehicle may be referred to, in general, as automobile insurance. It also refers to insurance on auto home, motorcycles, scooters, mobiles, buses, road building equipment, trailers, etc.”



## **Motor Car Policy**

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- ❖ Motor Car Policy is a standard policy. Policy terms and conditions are the same for all insurance companies.
- ❖ Approved by the Office of the Insurance Commission.



## **Motor Vehicle**

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- Any vehicle propelled by any power
- Using the public roads and highways.
- Registered with Land Transportation Office, with Certificate of Cover (COC).



## **Motor Car Policy Forms**

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1. PRIVATE CAR (PC)
2. COMMERCIAL VEHICLE (CV)
3. MOTORCYCLE (MC)
4. LAND TRANSPORTATION OPERATORS (LTO)



1. **Private Car** - one of a private type (sedan or private passengers) like Nissan Cefiro, Nissan Sentra, Toyota Corolla, Lancer, Porsche, Land Cruiser, Pajero, Nissan Patrol, etc.
2. **Commercial Vehicle** - vehicle used for transport of goods such as Pick-Ups, Delivery Van, Trucks, Trailers, etc.
3. **Motorcycle** - two-wheeled motor or automotive vehicle.
4. **Land Transportation Operators** - vehicle used for transport of passengers for hire or reward. These vehicle are Taxis, PUB, PUJ and other public utility vehicles.



## Motor Trade

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- Vehicles with conduction stickers only.  
Coverage under this policy shall attach only while named-driver is driving the vehicle with a conduction sticker and shall cease as soon as the named driver releases custody of the vehicle to a third party.



## Two (2) Types of Motor Insurance Coverage

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**1. PHYSICAL DAMAGE INSURANCE** - covers loss or damage to the insured vehicle caused by the insured perils, specified in the policy.

**2. LIABILITY INSURANCE** - refers to the:

- bodily injury which the insured vehicle may do to people or members of the public in general.
- property damage of real or personal property of such people.



## A Motor Car Policy may provide any or all of the following covers:

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1. Section I - Liability To the Public
2. Section II - No Fault Indemnity
3. Section III - Loss or Damage
4. Section IV - Excess Liability Insurance

Extensions:

1. Auto Personal Accident
2. Acts of Nature
3. Strike, Riot, and Civil Commotion



## Section I - Liability To the Public

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### \* Basic Coverage

This is the Compulsory Third Party Liability (CTPL) cover required by the Land Transportation Office, as evidenced by the Certificate of Cover (COC).

\* Insurance against liability for death or bodily injury of Third Party as a result of accident.

\* It uses a prescribed limit of liability and premiums.

\* It follows a Schedule of Indemnity.



## Who Are Protected?

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(1) The Insured and

(2) the Authorized Driver



## **Driving Other Car Clause**

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- ▶ Covers the insured even when personally driving another vehicle not belonging to him and not hired by him under a hire purchase agreement.
- ▶ This is applicable to private car and motorcycle.
- ▶ Applicable to third party bodily injury and property damage.



## **Section I – Liability to the Public**

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1. Death Indemnity/ Burial Expenses
2. Bodily Injuries and Fractures
3. Permanent Disablement



## Schedule of Indemnities

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1. Death Indemnity - Ps 70,000.00

Burial Expense - Ps 30,000.00

2. Bodily Injuries & Fractures

Ex: Hospital Room - Ps 500.00/day, max 45 days

Drugs/Medicines - Ps 20,000.00

Surgical Expenses - Ps 7,500.00 (major)

5,000.00 (medium)

1,500.00 (minor)



## Schedule of Indemnities

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3. Permanent Disability (includes  
dismemberment and loss of use)

Sample:

Sight of Both Eyes - Ps 50,000.00

Sight of One Eye - 20,000.00

Hearing - Both Ears - 30,000.00

Hearing - One Ear - 15,000.00

Five Fingers - 15,000.00

Four Fingers - 12,000.00

Thumb - 8,000.00





## Section II - No Fault Indemnity

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- a. **Policy Provision** - the insurance company will pay any claim for bodily injury and/or death to any THIRD PARTY or passenger without the necessity of proving fault or negligence of any kind.
- b. **Conditions**
  1. **Total indemnity of any one third party** - not to exceed Ps 15,000.00, subject to the maximum limits of indemnities in Section 1.



## Section II - No Fault Indemnity

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2. **Proof of loss, under oath:**
  - a. Police report or any evidence sufficient to establish the accident.
  - b. Medical report and any evidence of medical or hospital expenses; and/or
  - c. Death Certificate and any evidence sufficient to establish the proper payee.



## Section II - No Fault Indemnity

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### c. Who will Pay No-Fault

1. Claim must be made against only ONE vehicle owner or insurer.
2. If third party is occupant of a vehicle - insurer of vehicle in which he is riding, mounting or dismounting will pay “No Fault “.
3. In any other case - insurer of the directly offending vehicle will pay.



## Section I - Compulsory Third Party Liability (CTPL)

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Limit : Ps 100,000.00 (for all types of vehicles)

ADD'L : Ps 100,000.00 (for Passenger Liability if vehicle is used as public utility).



## **Private Car CTPL Limits and Premium**

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<b>UNIT</b>	<b>LIMIT</b>	<b>PREM (1Y)</b>	<b>PREM (3Y)</b>
LIGHT	100,000	560.00	1,610.00
MEDIUM	100,000	610.00	1,750.00
HEAVY	100,000	1,200.00	3,440.00



## **Commercial Vehicle CTPL Limits and Premium**

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<b>UNIT</b>	<b>LIMIT</b>	<b>PREM (1Y)</b>	<b>PREM (3Y)</b>
LIGHT	100,000	560.00	1,610.00
MEDIUM	100,000	610.00	1,750.00
HEAVY	100,000	1,200.00	3,440.00



## Section III - Loss or Damage (L/D)

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### 1. Indemnifies the Insured against L/D to the scheduled vehicle by:

- Accidental collision
- Overturning
- Fire
- External Explosion
- Self Ignition
- Lightning
- Burglary/housebreaking
- Theft
- Malicious Act
- Whilst in Transit (including process of loading and unloading) incidental to such transit by road, rail, inland waterways, lift/elevator



## Section III - Loss or Damage (L/D)

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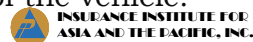
### 2. Methods of Indemnity

- Pay in cash
- Repair the vehicle
- Reinstate or replace the vehicle

Total loss settlement shall be based on value of vehicle at the time of loss or the Sum Insured, whichever is the less.

### 3. Replacement of Parts

- Cost of brand new parts less depreciation, which is the share of the insured on the cost of replacement parts.
- Computation of depreciation is based on set percentage depending on Age of the vehicle.



## Schedule of Depreciation

AGE OF VEHICLE	RATE OF DEPRECIATION	
	<u>PC</u>	<u>CV/MC</u>
Up to 3 years	NIL	NIL
Over 3 up to 4 years	20%	25%
Over 4 up to 5 years	25%	30%
Over 5 up to 6 years	30%	35%
Over 6 up to 7 years	35%	40%
Over 7 years	40%	45%
Batteries, Tires, Ball Joints, Tie Rods & Shock Absorbers (For Vehicles over 3 years old)	45%	50%
Rebuilt and Reconditioned vehicles		45%



## Schedule of Depreciation

### Land Transportation Operators (For Hire)

First 6 months	-	15%
Over 6 months up to 1 yrs	-	25%
Over 1 up to 2 yrs	-	35%
Over 2 up to 3 yrs	-	45%
More than 3 yrs	-	Discretionary



## Illustration

(DEPRECIATION)

OWN DAMAGE CLAIM - **(Yr Model)** Nissan Sentra GTS - Ps 600,000.00

	ADJUSTED CLAIM
Replace Front Bumper	- Ps 8,000.00
Replace Grill	- 4,000.00
Replace Hood	- 8,000.00
	<hr/>
Total Parts	Ps 20,000.00
Less: Depreciation 20%	4,000.00
	<hr/>
	Ps 16,000.00
Add: Labor (Tinsmith/Painting) - Ps 12,000.00	
Painting - 5,000.00	17,000.00
	<hr/>
	Ps 33,000.00
Less: Policy Deductible	3,000.00
Net Liability	<hr/>
	<b>Ps 30,000.00</b>



## Section III - Loss or Damage (L/D)

### 4. **Towing Fee**

Cost of towing the vehicle to the nearest repair shop or residence. ( subject to a maximum amount, e.g. P1,500)

### 5. **Authorized Repair Limit (ARL)**

Insured is authorized to have the vehicle repaired without prior approval from the insurer, provided cost of repair does not exceed the ARL.



## Section III - Los or Damage (L/D)

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6. **Loss or damage necessitating supply of part not obtainable from stocks held in the Phils. shall be limited to:**

-Price Catalogue of the manufacturer including reasonable Cost of Transport by land or sea, Cost of Import Duty and Cost of Fitting.

7. **Policy shall be operative while Scheduled Vehicle is being used for purpose of towing any one disabled vehicle provided:**

- No towing fee
- Any damage to such towed vehicle not covered.



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## Losses Not Covered Under Section - L/D

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1. Losses not in excess of the Deductible
2. Consequential loss, depreciation, wear and tear, mechanical or electrical breakdowns, failures or brokerages.
3. Damage to tires unless 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.



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## Deductible

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- ▶ Rationale
  - ▶ Avoid small nuisance claims
  - ▶ Keep premiums affordable
- ▶ Rates
  - ▶ Private Cars – 0.5%, minimum of P2,000
  - ▶ Commercial Vehicle – 1%, minimum of P3,000
  - ▶ Motor Trade – 1%
  - ▶ Land Transport Operators – 1.25%, minimum of P4,000

Note: The Insured may opt for a higher deductible to lower the premium.



## Application of Deductible

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**PRIVATE CAR** - 0.50% of sum insured, minimum Ps 2,000.00

VALUE	APPLY
Ps 200,000.00 x 0.50% <hr/> 1,000.00	Ps 2,000.00 (NOT Ps 1,000.00)

Ps 700,000.00 x 0.50% <hr/> 3,500.00	Ps 3,500.00 (NOT Ps 2,000.00)
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## Application of Deductible

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**COMMERCIAL VEHICLE** - 1.00% of sum insured,  
minimum Ps 3,000.00

VALUE	APPLY
Ps 200,000.00 <u>    x 1.00%</u> <u>    2,000.00</u>	Ps 3,000.00 (NOT Ps 2,000.00)
Ps 800,000.00 <u>    x 1.00%</u> <u>    8,000.00</u>	Ps 8,000.00 (NOT Ps 3,000.00)



## Application of Deductible

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**MOTORCYCLE** - 1.00% of sum insured, minimum Ps  
500.00

VALUE	APPLY
Ps 40,000.00 <u>    x 1.00%</u> <u>    400.00</u>	Ps 500.00 (NOT Ps 400.00)
Ps 70,000.00 <u>    x 1.00%</u> <u>    700.00</u>	Ps 700.00 (NOT Ps 500.00)



## Application of Deductible

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LAND TRANSPORTATION OPERATORS - 1.25% of sum insured,  
minimum Ps 4,000.00

VALUE	APPLY
$\begin{array}{r} \text{Ps } 300,000.00 \\ \times \quad 1.25\% \\ \hline 3,750.00 \end{array}$	Ps 4,000.00 (NOT Ps 3,750.00)
$\begin{array}{r} \text{Ps } 800,000.00 \\ \times \quad 1.25\% \\ \hline 10,000.00 \end{array}$	Ps 10,000.00 (NOT Ps 4,000.00)



## Illustration

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(DEDUCTIBLE)

OWN DAMAGE CLAIM - 2013 Nissan Exalta -  
P700,000.00

	ADJUSTED CLAIM
Replace Front Bumper	- Ps 8,000.00
Replace Grill	- 4,000.00
Replace Hood	- 8,000.00
Labor Tinsmith	- 3,000.00
Painting	- 5,000.00
	<u>Ps 28,000.00</u>
Less: Policy Deductible	3,500.00
Net Liability	<u>Ps 24,500.00</u>



## **Section IV - Excess Liability Insurance**

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### **Section IV-A - Excess Bodily Injury**

Pays liability in excess of limits  
under Sections I & II.

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

Also known as Voluntary TPL -BI



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## **Section IV - Excess Liability Insurance**

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### **Section IV-B – Property Damage**

Pays all sums necessary to discharge  
liability of the Insured in respect of  
damage to third party property

Also known as VTPL -PD



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## Authorized Driver

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1. The Insured
2. Any person with permission of the insured provided:
  - He/she has a valid driver's license, at least a Non-Professional Driver's License.
  - Not disqualified by order of **Court of Law**.



## Third Party

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Is a person other than a passenger as defined in the law and shall exclude: -

- A member of the household or a member of the family within the 2nd degree of consanguinity or affinity, of a motor vehicle owner OR
- His employee in respect of death or BI or damage to property arising out of and in the course of employment.



## Limitations as to Use

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### Private Car, Commercial Vehicle and Motorcycle

Use only for social, domestic and pleasure purposes, and for the insured's business or profession.

#### Policy does not cover:

1. Use for hauling &/or carrying of logs, lumber, sand, gravel, bottled beverages, gasoline products &/or other inflammable materials.
2. Use for racing, pacemaking, reliability or speed testing.
3. Use for carriage of passengers or for hire or reward.
4. Use for any purpose in connection with the Motor Trade.

Note: Limitations (1) and (2) may be covered upon agreement and payment of 20% additional premium.



## Limitation as to Use

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### Land Transportation Operator (LTO)

Use only for Land Transportation Operator, social, domestic and pleasure purposes.

#### Policy does not cover:

1. Use for hauling of logs, lumber, sand, gravel, bottled beverages, gasoline products and other inflammable articles.
2. Use for racing, reliability trial or speed testing.
3. Use in connection with Motor Trade.



## Data Needed for a Quote

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1. **Y**ear
2. **M**ake
3. **C**ar Model

**Note: Application form is needed for a policy to be issued**



## Basic Information Required in Insuring Vehicles

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- |                                   |   |
|-----------------------------------|---|
| 1. Name of Insured                | 7. Color, seating capacity  |
| 2. Address                        | 8. Estimate of present value including accessories                  |
| 3. Make and Model of the car      | 9. Other coverage and limits desire                                 |
| 4. Type of Body                   | 10. Effectivity date  |
| 5. Engine number                  |   |
| 6. Plate number and Serial number | 11. Details of any modification or alterations made to the vehicle. |
|                                   | 12. Mortgage Bank, if any   |



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# FUNDAMENTAL PRINCIPLES



## **Fundamental Principles**

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- ❖ Insurable Interest
- ❖ Utmost Good Faith
- ❖ Proximate Cause
- ❖ Indemnity
- ❖ Contribution
- ❖ Subrogation



## 1. Principle of Insurable Interest

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Legal right to insure.

Insured must bear some legal relationship to the property, whereby **he stands to benefit** by its safety, or to be **prejudiced as a result of loss** or damage to the property.

**Validate Name of Insured** stated in the Policy vs. Name of Owner stated in Registration Certificate of the vehicle.

Check if the vehicle has a Mortgagee Clause.



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THERE IS A NEED TO VALIDATE  
POLICY DETAILS VS.  
INFORMATION PRESENTED BY  
INSURED.





# Fundamental Principles

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## 2. Principle of Utmost Good Faith

Requires full disclosure of all details which are material to the risk.

Material fact is one which would affect the judgement of an underwriter whether he will accept the risk or not.



## Material Facts

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- Year/model of Vehicle and make
- Usage of Vehicle
- Name of Insured/Occupation
- Address of Insured
- Area of operation of the Vehicle, etc.



## Implied Conditions

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The subject matter of insurance is in existence at the time the policy is effected (Section 19)

- Existence of **insurable interest**
- Parties observed **utmost good faith**



## 3. Principle of Proximate Cause

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The Insurers are liable to indemnify the Insured only if the loss or damage or the third party liability was proximately caused by one of the Insured perils.

Proximate cause means the active, efficient cause that sets in motion the train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source.



## Accidental Collision

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- The Insured must gather the following information:
  - Copy of the Certificate of Registration and Official Receipt
  - Residence/Office Address
  - Place of Accident
  - Copy of the Driver's License and O.R.
  - Phone Number



## Insured Perils

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- Accidental collision
- Overturning
- Fire
- External explosion
- Self-ignition
- Lightning
- Theft
- Housebreaking
- Burglary
- Malicious Act
- Whilst in Transit incl. loading/unloading...



## 4. Principle of Indemnity

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Place the Insured - within the limits of policy and its conditions - as far as possible in the same financial position as he would have occupied had the event insured against not occurred.



## 5. Principle of Contribution

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If there is any other insurance covering the same loss or damage or liability, the Company shall not be liable to pay or contribute more than its ratable proportion of the loss, damage, compensation, cost or expenses.



## 6. Principle of Subrogation

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This provides that when the Insurer pays the Insured his claim for loss, any right of recovery which the Insured may have against a liable third party shall be passed on to the Insurer.

This is basically in line with the Principle of Indemnity and avoids possible double compensation to the Insured for the same loss.



## General Exceptions

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The following are not covered by the Policy:

1. Liability incurred **outside the Philippines**
2. Accident or liability whilst the vehicle is
  - being used for purposes mentioned in the **limitations as to use**
  - being driven by any person other than an **Authorized Driver**



3. Liability by virtue of an agreement but which would not have attached in the absence of agreement (except **amicable settlement on minor accident** to avoid impairing flow of traffic.)
4. Except claims under Sec. I and II, any loss, **damage or liability**, directly or indirectly, proximately or remotely occasioned to by, contributed to by or traceable to or arising out of, or in connection with
- flood, typhoon, hurricane
  - volcanic eruption, earthquake or other convulsion of nature



- invasion, the act of foreign enemies, hostilities or warlike or usurped power
  - or by any direct or indirect consequences of any said occurrences
5. Any sum the insured could recover were not for an agreement between the Insured and other party.
6. Bodily injury or death of: -
- any person in the **employ of the insured**
  - any **member of insured's household** who is riding in the vehicle



## Important Conditions Applicable to All Sections

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1. Notice - Every notice or communication regarding this policy must be delivered **in writing** to the Company.



## 2. Safeguard of Vehicle

The insured shall

-take reasonable steps to **safeguard** the vehicle from loss or damage

-**maintain the vehicle** in efficient condition

-**not leave the vehicle unattended** without proper precautions to prevent further loss or damage in the event of any accident or breakdown

- In case of theft or other criminal act which may give rise to a claim, **give immediate notice to the police** and cooperate with the Company in securing conviction



### 3. Notice of Claim

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The insured shall, **as soon as possible**, give notice to the Company with full particulars. Every letter, claim writ, summons and process shall be notified and forwarded to the Company immediately on receipt.

### 4. Admission, Offer, Promise or Payment

**No admission**, offer, promise or payment shall be made by or on behalf of the insured without the written consent of the Company



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### 5. Relinquish Conduct of Defense

The Company may pay to the insured and third party claimant **jointly** the full amount of the company's liability and relinquish the conduct of any defense, settlement or proceedings

### 6. Cancellation

Both the insurance company and the insured have the **right** to cancel the policy





## Short Period Rate Scale

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- ▶ Indicate the premium to be charged when the cancellation is initiated by the insured
- ▶ Penalty for cancelling the policy
- ▶ To compensate the insurance company for the high admin. expense connected with issuing the policy



## ARBITRATION

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7. In case of difference or dispute as to amount of Company's liability **arbitration** is condition precedent to any action or suit upon the policy.





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End..  
Thank you!

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