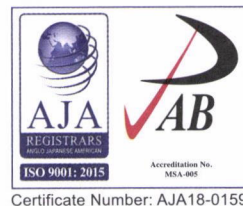




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Legal Opinion (LO) No.:	2020-05
Date:	21 July 2020

MR. DANIEL F. TIANGCO
45 Eisenhower Street
North Greenhills, San Juan City
danieltiangco@yahoo.com

**SUBJECT: Request for Legal Opinion on
Effective Date of Insurance Coverage**

Dear Mr. Tiangco:

This refers to your letter as regards the subject, which was received by this Commission on 27 February 2020.

This Commission understands the following antecedents stated in your letter-request, to wit:

"Our building was insured by Malayan Insurance since March 15, 2016 up to March 15, 2019. In August of [2019] we decided to have our building insured by PNB General Insurers Co. Inc.

On August 1, 2019, PNB Gen issued a statement of account x x x.

On August 14, 2019 PNB Gen issued provisional receipt 0017360 followed by an Official receipt on August 15, 2019 x x x.

Subsequently, PNB Gen issued Policy No. FI-REG-HO-19-0007043-00 x x x."

This Commission further notes that you seek clarification "x x x why is the date of inception or effective date of coverage [of Policy No. FI-REG-HO-19-0007043-00] July 15, 2019 when [you] only paid the premium on August 14, 2019;" and that it is your position that the effective date of the policy should be 14 August 2019 instead of 15 July 2019.

Section 77 of Republic Act No. 10607, otherwise known as the Insurance Code of the Philippines, is instructive as regards the effectivity of an insurance policy, to wit:

*"Section 77. An insurer is entitled to payment of the premium as soon as the thing insured is exposed to the peril insured against. **Notwithstanding any agreement to the contrary, no policy or contract of insurance issued by an insurance company is valid and binding unless and until the premium thereof has been paid,** except in the case of a life or an industrial life policy whenever the grace period provision applies, or whenever under the broker and agency agreements with duly*

licensed intermediaries, a ninety (90)-day credit extension is given. No credit extension to a duly licensed intermediary should exceed ninety (90) days from date of issuance of the policy. [Emphasis supplied.]

Accordingly, and as a rule, the effectivity of an insurance policy is reckoned from the time “x x x the premium thereof has been paid”.

In this case, the premium for Policy No. FI-REG-HO-19-0007043-00 was paid on 14 August 2019 per Provisional Receipt No. 0017360. Hence, Policy No. FI-REG-HO-19-0007043-00 only became “*valid and binding*” between the parties as of the date of the actual payment of premium thereof on 14 August 2019 and not on 15 July 2019. Note that the instant case does not fall within the purview of the stated exceptions in Section 77 of Republic Act No. 10607.

The opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant solely to the particular issue/s 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.

Very truly yours,



DENNIS B. FUNA
Insurance Commissioner

