



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



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| Legal Opinion (LO) No.: | 2021-02 |
| Date: | 21 January 2021 |

MR. BRILLY V. BERNARDEZ
President
Dragon Construction, Inc.
 315 Roosevelt Avenue, SFDM,
 Quezon City 1105, Metro Manila

SUBJECT: Request for Clarification in Relation to IC Legal Opinion No. 2020-07

Dear **Mr. Bernardez:**

This refers to your letter dated 25 August 2020 requesting for the issuance of a clarificatory opinion with respect to IC Legal Opinion No. 2020-07 dated 07 August 2020 on the subject “Request for Legal Opinion on Accrual of Penalties”. In the said 25 August 2020 letter, you requested for clarification with respect to Section 243 of Presidential Decree No. 612 or the Insurance Code, “particularly on when the date or period of counting of penalties validly starts.”

This request for clarification with respect to IC Legal Opinion No. 2020-07 stems from the Decision dated 12 August 2011 rendered by the Insurance Commission in favor of Dragon Construction, Inc. (DCI) in IC Adm. Case No. RD 386, finding the Respondent BF General Insurance Corporation “liable for violating Sections 241, 243 and 415 of the Insurance Code and Insurance Memorandum Circular 4-93 for its unjustified and willful refusal to pay the claim of Complainants”.

Section 243 of the Insurance Code (now Section 249 of the Insurance Code, as amended by Republic Act No. 10607) expressly allows the imposition of interest on the payment of insurance proceeds subject to the condition that there must be a finding of unreasonable delay or refusal in the payment of the claims, in accordance with the Supreme Court’s ruling in *Tio Khe Chio vs. Court of Appeals* (279 Phil. 127 [1999]). This ruling is reiterated in *Prudential Guarantee and Assurance, Inc. vs. Trans-Asia Shipping Lines, Inc.* (491 SCRA 411 [2006]) where the Supreme Court ruled that “Section 243 and 244 of the Insurance Code apply when the court finds an unreasonable delay or refusal in the payment of the insurance claims.”

Section 243 of the Insurance Code provides as follows: