



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



Legal Opinion	2023-12
Date:	02 May 2023

**ATTY. RAQUEL M. LADRILLANO**  
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**Dear Atty. Ladrillano,**

This refers to your letter dated 7 February 2023 received by this Commission on 30 March 2023, seeking legal opinion and clarification on the following matters:

1. What does the thirty percent (30%) performance bond cover? Is it the entire amount of the contract or the portion of the contract only?
2. If there are unfinished works prior the call for the forfeiture, will the performance bond cover only thirty (30%) of the unfinished work or thirty percent of the entire contract?
3. Should the claimable amount be the entire amount reflected in the policy of the performance bond?
4. What will be the basis of the computation of the claimable amount of the performance security? Is there a limit in the participation of the surety in the settlement amount?

After careful evaluation, the following are the Commission's answers to your queries:

- 1. What does the thirty percent (30%) performance bond cover? Is it the entire amount of the contract or the portion of the contract only?**

The thirty percent (30%) performance bond is the performance security which shall be an amount not less than the required percentage of the total contract price pursuant to Section 39 of the Implementing Rules and Regulations of Republic Act No. 9184. Hence, the said thirty percent (30%) is a portion of the contract amount and not the entire contract price. Said thirty percent (30%) is also the maximum liability of the surety company in case of default of the principal.

- 2. If there are unfinished works prior the call for the forfeiture, will the performance bond cover only thirty (30%) of the unfinished work or thirty percent of the entire contract?**

If there are unfinished works prior to the call for the forfeiture, the performance bond will cover the unfinished works pertaining to the