

THIRD DIVISION

[G.R. No. 174838, June 01, 2016]

STRONGHOLD INSURANCE CO., INC., PETITIONER, VS. PAMANA ISLAND RESORT HOTEL AND MARINA CLUB, INC., RESPONDENT.

R E S O L U T I O N

REYES, J.:

This resolves the Petition for Review^[1] filed by Stronghold Insurance Company, Inc. (Stronghold) assailing the Decision^[2] dated July 20, 2006 and Resolution^[3] dated September 26, 2006 of the Court of Appeals (CA) in CA-G.R. SP No. 94313.

The Antecedents

The case stems from an action for sum of money filed by Pamana Island Resort Hotel and Marina Club, Inc. (Pamana) and Flowtech Construction Corporation (Flowtech) against Stronghold on the basis of a Contractor's All Risk Bond of P9,047,960.14 obtained by Flowtech in relation to the construction of Pamana's project in Pamana Island, Subic Bay. On January 27, 1992, a fire in the project burned down cottages being built by Flowtech, resulting in losses to Pamana.^[4]

In a Decision^[5] dated October 14, 1999, the Regional Trial Court (RTC) of Makati City, Branch 135 declared Stronghold liable for the claim. Besides the award of insurance proceeds, exemplary damages and attorney's fees, the trial court ordered the payment of interest at double the applicable rate, following Section 243 of the Insurance Code which Stronghold was declared to have violated, and reads:

Sec. 243. The amount of any loss or damage for which an insurer may be liable, under any policy other than life insurance policy, shall be paid within thirty days after proof of loss is received by the insurer and ascertainment of the loss or damage is made either by agreement between the insured and the insurer or by arbitration; but if such ascertainment is not had or made within sixty days after such receipt by the insurer of the proof of loss, then the loss or damage shall be paid within ninety days after such receipt. Refusal or failure to pay the loss or damage within the time prescribed herein will entitle the assured to collect interest on the proceeds of the policy for the duration of the delay at the rate of twice the ceiling prescribed by the Monetary Board, unless such failure or refusal to pay is based on the ground that the claim is fraudulent.

The decretal portion of the RTC judgment reads:

WHEREFORE], premises considered, judgment is hereby rendered ordering [STRONGHOLD] to pay [FLOWTECH] and [PAMANA]:

1. The proceeds of the insurance in the sum of Four Million Seven Hundred Twenty-Eight Thousand Two Hundred Ninety-Seven and 82/100 Pesos [P4,728,297.82] with double the rate of interest thereon from the date of demand until fully paid;
2. P500,000[.00] as exemplary damages; and
3. P100,000[.00] as attorney's fees.

SO ORDERED.^[6]

Stronghold's appeal seeking the reversal of the RTC judgment was denied by the CA and thereafter, by the SC. On March 4, 2005, Flowtech filed with the RTC a motion for execution, which was granted^[7] on May 10, 2005. A Writ of Execution^[8] was issued on May 12, 2005.^[9]

Thereafter, Stronghold filed an Urgent Motion to Suspend Execution and to Rationalize Enforcement of the Decision,^[10] dated August 16, 2005, contending that the interest penalty being demanded from it through the Sheriff was unconscionable and iniquitous. The motion was opposed by Pamana, which contended that the RTC decision had become final and thus, could no longer be amended, altered and modified. Furthermore, the double interest rate being imposed upon the award was argued to be supported by Section 243 of the Insurance Code.

Ruling of the RTC

On November 22, 2005, the RTC rendered its Order^[11] granting Stronghold's motion. Interest was substantially reduced following the court's pronouncement that its computation should be reckoned from the date of promulgation of judgment until its finality and not from the date of demand until full payment as enunciated in the Decision dated October 14, 1999. The trial court reasoned:

Engr. Edgardo C. Camering, President of [Flowtech], computed the amount of judgment, as follows:

Principal award —	P 4,728,297.82
Interest —	P 7,528,774.05
Exemplary Damages —	P 500,000.00
Attorney's Fee —	P 100,000.00
Interest —	P 419,976.00
Execution Fees,	P 65,500.00
Transportation fees, and	
Miscellaneous fees —	
total amount —	<u>P13,342,547.87</u>

The claim of [Flowtech] of interest in the amount of P419,976.00 appears to be without basis. This amount of interest must refer to the award of

exemplary damages and attorney's fees. These awards do not earn interest. The Decision did not state that exemplary damages in the amount of P500,000.00 and attorney's fees in the amount of P100,000.00 are to earn interest until fully paid.

x x x x

The claim of (Pamana and Flowtech] for the interest of the principal amount in the sum of P7,528,774.05, docs not appear to be accurate. The principal amount of P4,728,297.82 demanded x x x was ascertained only after the trial of the case on its merits. The obligation of [Stronghold] is not a loan or [forbearance] of money. The interest on the obligation shall begin to run from the time the claim is made judicially and cxtrajudicially when the demand was established with certainty. But when such certainty cannot be so reasonably established at the time of the demand, the interest shall begin only from the date of judgment of the court. x x x:

x x x x

The Decision was promulgated on October 14, 1999. **The interest on the principal amount should be reckoned from this date up to x x x December 15, 2004, when the judgment became final and executory.** The period covers five [5] years and two [2] months and one [1] day. The **total interest at 12% per annum** is computed as follows:

x x x x The amounts to be executed are as follows:

Principal award -	P4,728,297.82
Interest-	2,933,120.64
Exemplary Damages -	500,000.00
Attorney's Fees -	<u>100,000.00</u>
Total-	<u>P8,261,418.46</u>

WHEREFORE, premises considered, the Branch Sheriff is hereby directed to execute the total amount of P8,261,418.46. The previous Order of this Court suspending the implementation of the writ of execution is hereby lifted.

SO ORDERED.^[12] (Emphasis ours)

Execution fees and related expenses being claimed were disallowed for lack of basis. After its motion to reconsider was denied on February 22, 2006, Pamana appealed to the CA.^[13]

Ruling of the CA

On July 20, 2006, the CA rendered its Decision^[14] granting Pamana's petition, explaining that the RTC Decision dated October 14, 1999 had become final and