

Case digest essay sample

[Economics](#), [Insurance](#)



Calvo v. UCPB General Insurance Case Digest

G. R. No. 148496 March 19, 2002

Facts: Petitioner Virgines Calvo, owner of Transorient Container Terminal Services, Inc. (TCTSI), and a custom broker, entered into a contract with San Miguel Corporation (SMC) for the transfer of 114 reels of semi-chemical fluting paper and 124 reels of kraft liner board from the port area to the Tabacalera Compound, Ermita, Manila. The cargo was insured by respondent UCPB General Insurance Co., Inc.

On July 14, 1990, contained in 30 metal vans, arrived in Manila on board “M/V Hayakawa Maru”. After 24 hours, they were unloaded from vessel to the custody of the arrastre operator, Manila Port Services, Inc. From July 23 to 25, 1990, petitioner, pursuant to her contract with SMC, withdrew the cargo from the arrastre operator and delivered it to SMC’s warehouse in Manila. On July 25, the goods were inspected by Marine Cargo Surveyors, reported that 15 reels of the semi-chemical fluting paper were “wet/stained/torn” and 3 reels of kraft liner board were also torn. The damages cost P93, 112. 00.

SMC collected the said amount from respondent UCPB under its insurance contract. Respondent on the other hand, as a subrogee of SMC, brought a suit against petitioner in RTC, Makati City. On December 20, 1995, the RTC rendered judgment finding petitioner liable for the damage to the shipment. The decision was affirmed by the CA.

Issue: Whether or not Calvo is a common carrier?

Held: In this case the contention of the petitioner, that he is not a common carrier but a private carrier, has no merit.

Article 1732 makes no distinction between one whose principal business activity is the carrying of persons or goods or both, and one who does such carrying only as ancillary activity. Article 1732 also carefully avoids making any distinction between a person or enterprise offering transportation service on a regular or scheduled basis and one offering such service on an occasional, episodic or unscheduled basis. Neither does Article 1732 distinguish between a carrier offering its services to the “ general public,” i. e., the general community or population, and one who offers services or solicits business only from a narrow segment of the general population. We think that Article 1733 deliberately refrained from making such distinction. (De Guzman v. CA, 68 SCRA 612)

The concept of “ common carrier” under Article 1732 coincide with the notion of “ public service”, under the Public Service Act which partially supplements the law on common carrier. Under Section 13, paragraph (b) of the Public Service Act, it includes:

“ x x x every person that now or hereafter may own, operate, manage, or control in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and done for general business purposes, any common carrier, railroad, street railway, traction railway, subway motor vehicle, either for freight or passenger, or both, with or without fixed route and whatever may be its classification, freight or carrier service of any class, express service, steamboat, or steamship line,

pontines, ferries and water craft, engaged in the transportation of passengers or freight or both, shipyard, marine repair shop, wharf or dock, ice plant, ice-refrigeration plant, canal, irrigation system, gas, electric light, heat and power, water supply and power petroleum, sewerage system, wire or wireless communications systems, wire or wireless broadcasting stations and other similar public services. x x x”

CENTRAL SHIPPING COMPANY vs INSURANCE COMPANY OF NORTH AMERICA
CENTRAL SHIPPING COMPANY, INC., petitioner, vs. INSURANCE COMPANY OF
NORTH AMERICA, respondent. G. R. No. 150751 September 20, 2004
121 SCRA 769

Facts: On July 25, 1990 at Puerto Princesa, Palawan, the petitioner received on board its vessel, the M/V Central Bohol, 376 pieces of Round Logs and undertook to transport said shipment to Manila for delivery to Alaska Lumber Co., Inc. The cargo is insured for P3, 000, 000. 00 against total lost under respondents MarineCargo Policy.

After loading the logs, the vessel starts its voyage. After few hours of the trip, the ship tilts 10 degrees to its side, due to the shifting of the logs in the hold. It continues to tilt causing the captain and the crew to abandon ship. The ship sank.

Respondent alleged that the loss is due to the negligence and fault of the captain. While petitioner contends that the happening is due to monsoons which is unforeseen or casa fortuito.

Issue: Whether or not petitioner is liable for the loss of cargo?

Held: From the nature of their business and for reasons of public policy, common carriers are bound to observe extraordinary diligence over the goods they transport, according to all the circumstances of each case. In the event of loss, destruction or deterioration of the insured goods, common carriers are responsible; that is, unless they can prove that such loss, destruction or deterioration was brought about — among others — by “flood, storm, earthquake, lightning or other natural disaster or calamity.” In all other cases not specified under Article 1734 of the Civil Code, common carriers are presumed to have been at fault or to have acted negligently, unless they prove that they observed extraordinary diligence.

The contention of the petitioner that the loss is due to *casa fortuito* exempting them from liability is untenable. Petitioner failed to show that such natural disaster or calamity was the proximate and only cause of the loss. Human agency must be entirely excluded from the cause of injury or loss. In other words, the damaging effects blamed on the event or phenomenon must not have been caused, contributed to, or worsened by the presence of human participation. The defense of fortuitous event or natural disaster cannot be successfully made when the injury could have been avoided by human precaution. The monsoon is not the proximate cause of the sinking but is due to the improper stowage of logs. The logs were not secured by cable wires, causing the logs to shift and later on the sinking the ship. This shows that they did not exercise extraordinary diligence, making them liable for such loss.

MERCHANTS INSURANCE COMPANY VS. ALEJANDRO Case Digest

MERCHANTS INSURANCE COMPANY VS. ALEJANDRO

(145 SCRA 42)

Facts: Plaintiff Choa Tiek Seng filed a complaint against the petitioner before the then Court of First Instance of Manila for recovery of a sum of money under the marine insurance policy on cargo. Mr. Choa alleged that the goods he insured with the petitioner sustained loss and damage in the amount of P35, 987. 26. The said goods were delivered to the arrastre operator E. Razon, Inc., on December 17, 1976 and on the same date were received by the consignee-plaintiff.

Petitioner disclaims liability and imputes against plaintiff the commission of fraud. A similar complaint was filed by Joseph Benzon Chua against the petitioner for recovery under the marine insurance policy for cargo alleging that the goods insured with the petitioner sustained loss and damage in the sum of P55, 996. 49. The goods were delivered to the plaintiff-consignee on or about January 25-28, 1977.

Petitioner filed third-party complaints against private respondents for indemnity, subrogation, or reimbursement in the event that it is held liable to the plaintiff.

The private respondents, carriers Frota Oceanica Brasileira and Australia-West Pacific Line alleged in their separate answers that the petitioner is already barred from filing a claim because under the Carriage of Goods by Sea Act, the suit against the carrier must be filed within one year after

delivery of the goods or the date when the goods should have been delivered

Petitioner contended that provision relied upon by the respondents applies only to the shipper and not to the insurer of the goods.

Respondent judge dismissed both third-party complaints.

Issue: Whether or not the one-year period within which to file a suit against the carrier and the ship, in case of damage or loss as provided for in the Carriage of Goods by Sea Act applies to the insurer of the goods.

Held: The coverage of the Act includes the insurer of the goods. Otherwise, what the Act intends to prohibit after the lapse of the one-year prescriptive period can be done indirectly by the shipper or owner of the goods by simply filing a claim against the insurer even after the lapse of one year. This would be the result if we follow the petitioner's argument that the insurer can, at any time, proceed against the carrier and the ship since it is not bound by the time-bar provision. In this situation, the one-year limitation will be practically useless. This could not have been the intention of the law which has also for its purpose the protection of the carrier and the ship from fraudulent claims by having " matters affecting transportation of goods by sea be decided in as short a time as possible" and by avoiding incidents which would " unnecessarily extend the period and permit delays in the settlement of questions affecting the transportation."

In the case at bar, the petitioner's action has prescribed under the provisions of the Carriage of Goods by Sea Act. Hence, whether it files a third-party

complaint or chooses to maintain an independent action against herein respondents is of no moment. CASE DIGEST (Transportation Law): Monarch Insurance Co., Inc. vs. CA MONARCH INSURANCE CO., INC vs. COURT OF APPEALS and ABOITIZ SHIPPING CORPORATION G. R. No. 92735. June 8, 2000

FACTS:

Monarch and Tabacalera are insurance carriers of lost cargoes. They indemnified the shippers and were consequently subrogated to their rights, interests and actions against Aboitiz, the cargo carrier. Because Aboitiz refused to compensate Monarch, it filed two complaints against Aboitiz which were consolidated and jointly tried.

Aboitiz rejected responsibility for the claims on the ground that the sinking of its cargo vessel was due to force majeure or an act of God. Aboitiz was subsequently declared as in default and allowed Monarch and Tabacalera to present evidence ex-parte.

ISSUE:

Whether or not the doctrine of limited liability applies in the instant case.

HELD:

Yes.

The failure of Aboitiz to present sufficient evidence to exculpate itself from fault and/or negligence in the sinking of its vessel in the face of the foregoing expert testimony constrains us to hold that Aboitiz was concurrently at fault and/or negligent with the ship captain and crew of the M/V P. Aboitiz. [This is in accordance with the rule that in cases involving the limited liability of

shipowners, the initial burden of proof of negligence or unseaworthiness rests on the claimants. However, once the vessel owner or any party asserts the right to limit its liability, the burden of proof as to lack of privity or knowledge on its part with respect to the matter of negligence or unseaworthiness is shifted to it. This burden, Aboitiz had unfortunately failed to discharge.]

That Aboitiz failed to discharge the burden of proving that the unseaworthiness of its vessel was not due to its fault and/or negligence should not however mean that the limited liability rule will not be applied to the present cases. The peculiar circumstances here demand that there should be no strict adherence to procedural rules on evidence lest the just claims of shippers/insurers be frustrated. The rule on limited liability should be applied in accordance with the latest ruling in *Aboitiz Shipping Corporation v. General Accident Fire and Life Assurance Corporation, Ltd.*,] promulgated on January 21, 1993, that claimants be treated as “creditors in an insolvent corporation whose assets are not enough to satisfy the totality of claims against it.”

Constantino vs Asia Life Insurance Company
on November 15, 2011

Insurance Code – Parties to an Insurance Contract – Insurance Contract in Times of War There are two cases consolidated here. First is that of Constantino who acquired a life insurance from Asia Life in September 1941. He paid the first premium which was good until September 1942. War broke out and he was not able to pay the second and subsequent premiums. He

died in 1944. The second case was that of Tomas Ruiz who acquired his life insurance from Asia Life in August 1938. He has been paying his premium religiously but due to the war, he was not able to pay his subsequent premiums in 1942. He died in 1945. The beneficiaries from both insurance policies filed their claims when the war is over.

They point out that the obligation of the insured to pay premiums was excused (suspended) during the war owing to impossibility of performance, and that consequently no unfavorable consequences should follow from such failure (New York Rule). Asia Life argued that the nonpayment of premiums cancelled the insurance policy. An insurance contract is one in which time is material and of the essence. Non-payment at the day involves absolute forfeiture if such be the terms of the contract (United States Rule) ISSUE: Whether or not the beneficiaries are entitled to the claims. HELD: No. The Supreme Court adopts the United States Rule. It should be noted that the parties contracted not only for peacetime conditions but also for times of war, because the policies contained provisions applicable expressly to wartime days. The logical inference, therefore, is that the parties contemplated uninterrupted operation of the contract even if armed conflict should ensue.

Sun Insurance v Asuncion Digest

G. R. Nos. 79937-38 February 13, 1989

Facts:

Petitioner Sun Insurance (or SIOL) files a complaint for the annulment of a decision on the consignment of fire insurance policy. Subsequently, the

Private Respondent (PR) files a complaint for the refund of premiums and the issuance of a writ of preliminary attachment in a civil case against SIOL. In addition, PR also claims for damages, attorney's fees, litigation costs, etc., however, the prayer did not state the amount of damages sought although from the body of the complaint it can be inferred to be in amount of P 50 million.

Hence, PR originally paid only PhP 210. 00 in docket fees. The complaint underwent a number of amendments to make way for subsequent re-assessments of the amount of damages sought as well as the corresponding docket fees. The respondent demonstrated his willingness to abide by the rules by paying the additional docket fees as required.

Issue: Did the Court acquire jurisdiction over the case even if private respondent did not pay the correct or sufficient docket fees?

YES.

It was held that it is not simply the filing of the complaint or appropriate initiatory pleading, but the payment of the prescribed docket fee, that vests a trial court with jurisdiction over the subject matter or nature of the action. Where the filing of the initiatory pleading is not accompanied by payment of the docket fee, the court may allow payment of the fee within a reasonable time but in no case beyond the applicable prescriptive or reglamentary period. Same rule goes for permissive counterclaims, third party claims and similar pleadings.

In herein case, obviously, there was the intent on the part of PR to defraud the government of the docket fee due not only in the filing of the original complaint but also in the filing of the second amended complaint. However, a more liberal interpretation of the rules is called for considering that, unlike in Manchester, the private respondent demonstrated his willingness to abide by the rules by paying the additional docket fees as required.

Where a trial court acquires jurisdiction in like manner, but subsequently, the judgment awards a claim not specified in the pleading, or if specified the same has been left for determination by the court, the additional filing fee shall constitute a lien on the judgment. It shall be the responsibility of the Clerk of Court or his duly authorized deputy to enforce said lien and assess and collect the additional fee.

Evangelista v. Alto Surety

Facts:

In 1949, Santos Evangelista instituted Civil Case No. 8235 of the CFI Manila (Santos Evangelista vs. Ricardo Rivera) for a sum of money. On the same date, he obtained a writ of attachment, which was levied upon a house, built by Rivera on a land situated in Manila and leased to him, by filing copy of said writ and the corresponding notice of attachment with the Office of the Register of Deeds of Manila. In due course, judgment was rendered in favor of Evangelista, who bought the house at public auction held in compliance with the writ of execution issued in said case on 8 October 1951. The corresponding definite deed of sale was issued to him on 22 October 1952, upon expiration of the period of redemption.

When Evangelista sought to take possession of the house, Rivera refused to surrender it, upon the ground that he had leased the property from the Alto Surety & Insurance Co., Inc. and that the latter is now the true owner of said property. It appears that on 10 May 1952, a definite deed of sale of the same house had been issued to Alto Surety, as the highest bidder at an auction sale held, on 29 September 1950, in compliance with a writ of execution issued in Civil Case 6268 of the same court (Alto Surety & Insurance vs. Maximo Quiambao, Rosario Guevara and Ricardo Rivera)” in which judgment for the sum of money, had been rendered in favor of Alto Surety. Hence, on 13 June 1953, Evangelista instituted an action against Alto Surety and Ricardo Rivera, for the purpose of establishing his title over said house, and securing possession thereof, apart from recovering damages.

After due trial, the CFI Manila rendered judgment for Evangelista, sentencing Rivera and Alto Surety to deliver the house in question to Evangelista and to pay him, jointly and severally, P40. 00 a month from October 1952, until said delivery. The decision was however reversed by the Court of Appeals, which absolved Alto Surety from the complaint on account that although the writ of attachment in favor of Evangelista had been filed with the Register of Deeds of Manila prior to the sale in favor of Alto Surety, Evangelista did not acquire thereby a preferential lien, the attachment having been levied as if the house in question were immovable property.

Issue:

Whether or not a house constructed by the lessee of the land on which it is

built, should be dealt with, for purpose of attachment, as immovable property?

Held:

The court ruled that the house is not personal property, much less a debt, credit or other personal property not capable of manual delivery, but immovable property. As held in *Laddera vs. Hodges* (48 OG 5374), “ a true building is immovable or real property, whether it is erected by the owner of the land or by a usufructuary or lessee.” The opinion that the house of Rivera should have been attached, as “ personal property capable of manual delivery, by taking and safely keeping in his custody”, for it declared that “ Evangelista could not have validly purchased Ricardo Rivera’s house from the sheriff as the latter was not in possession thereof at the time he sold it at a public auction” is untenable. Parties to a deed of chattel mortgage may agree to consider a house as personal property for purposes of said contract.

However, this view is good only insofar as the contracting parties are concerned. It is based, partly, upon the principle of estoppel. Neither this principle, nor said view, is applicable to strangers to said contract. The rules on execution do not allow, and should not be interpreted as to allow, the special consideration that parties to a contract may have desired to impart to real estate as personal property, when they are not ordinarily so. Sales on execution affect the public and third persons. The regulation governing sales on execution are for public officials to follow. The form of proceedings prescribed for each kind of property is suited to its character, not to the character which the parties have given to it or desire to give it. The

regulations were never intended to suit the consideration that parties, may have privately given to the property levied upon.

The court therefore affirms the decision of the CA with cost against Alto Surety. White Gold Marine Service Inc. vs. Pioneer Insurance and Surety Co. Post under case digests, Commercial Law at Tuesday, February 21, 2012

Facts: Petitioner White Gold bought a protection and indemnity coverage for its ships from Steamship Mutual through Respondent Pioneer. Certificates and receipts thus were given. However, Petitioner failed to fulfill its payments thus Steamship refused to renew its coverage. Steamship then filed for collection against Petitioner for recovery of unpaid balance.

Thereafter, Petitioner also filed a complaint against Steamship and Respondent before the Insurance Commission for violations (186, 187 for Steamship and 299, 300, 301 in relation to 302 and 303 for Respondent) of the Insurance Code-license requirements as an Insurance company for the former and as insurance agent for the latter. Said commission dismissed the complaint which decision was affirmed by the CA.

Issue: Whether or not Steamship Mutual is a Protection and Indemnity Club engaged in the insurance business in the Philippines

Held: Steamship Mutual as a P & I Club is a mutual insurance company engaged in the marine insurance business.

An insurance contract is a contract of indemnity. This means that one party undertakes for a consideration to indemnify another party against loss, damage, or liability arising from an unknown or contingent event. While to

determine if a contract is an insurance contract we can look at the nature of the promise, the act to be performed, exact nature of the agreement in view of the entire occurrence, contingency or circumstance where the performance is mandated. The label is not controlling.

While under Section 2(2) of the Insurance Code the phrase “ doing an insurance business” constitutes the following: 1) making or proposing to make, as insurer, any insurance contract; 2) making or proposing to make, as surety, any contract of suretyship as a vocation and not as merely incidental to any other legitimate business or activity of the surety; 3) doing any kind of business, including a reinsurance business, specifically recognized as constituting the doing of an insurance business within the meaning of this code; 4) doing or proposing to do any business in substance to any of the foregoing in a manner designed to evade the provision of this code.

Taking all of these in to consideration, Steamship Mutual engaged in marine insurance business undertook to indemnify Petitioner White Gold against marine losses as enumerated under sec. 99 of the Insurance Code. It is immaterial whether profit is derived from making insurance contract and that no separate or direct consideration is received since these does not preclude the existence of an insurance business.

Insurance business without a license or a certificate of authority from the Insurance Commission. On the second issue, Pioneer is the resident agent of Steamship Mutual as evidenced by the certificate of registration issued by the Insurance Commission. It has been licensed to do or transact

insurance business by virtue of the certificate of authority issued by the same agency. However, a Certification from the Commission states that Pioneer does not have a separate license to be an agent/broker of Steamship Mutual. Although Pioneer is already licensed as an insurance company, it needs a separate license to act as insurance agent for Steamship Mutual.

PHILIPPINE CHARTER INSURANCE CORPORATION VS. CHEMOIL LIGHTERAGE HITE GOLD CORPORATION G. R. No. 136888. June 29, 2005 Facts: Philippine Charter Insurance Corporation is a domestic corporation engaged in the business of non-life insurance. Respondent Chemoil Lighterage Corporation is also a domestic corporation engaged in the transport of goods. On 24 January 1991, Samkyung Chemical Company, Ltd., based in South Korea, shipped 62.06 metric tons of the liquid chemical DIOCTYL PHTHALATE (DOP) on board MT “TACHIBANA” which was valued at US\$90,201.57 and another 436.70 metric tons of DOP valued at US\$634,724.89 to the Philippines. The consignee was Plastic Group Phils., Inc. in Manila. PGP insured the cargo with Philippine Charter Insurance Corporation against all risks. The insurance was under Marine Policies No. MRN-30721[5] dated 06 February 1991.

Marine Endorsement No. 2786[7] dated 11 May 1991 was attached and formed part of MRN-30721, amending the latter’s insured value to P24,667,422.03, and reduced the premium accordingly. The ocean tanker MT “TACHIBANA” unloaded the cargo to the tanker barge, which shall transport the same to Del Pan Bridge in Pasig River and haul it by land to PGP’s storage tanks in Calamba, Laguna. Upon inspection by PGP, the samples taken from the shipment showed discoloration demonstrating that it

was damaged. PGP then sent a letter where it formally made an insurance claim for the loss it sustained. Petitioner requested the GIT Insurance Adjusters, Inc. (GIT), to conduct a Quantity and Condition Survey of the shipment which issued a report stating that DOP samples taken were discolored. Inspection of cargo tanks showed manhole covers of ballast tanks' ceilings loosely secured and that the rubber gaskets of the manhole covers of the ballast tanks reacted to the chemical causing shrinkage thus, loosening the covers and cargo ingress.

Petitioner paid PGP the full and final payment for the loss and issued a Subrogation Receipt. Meanwhile, PGP paid the respondent the full payment for the latter's services. On 15 July 1991, an action for damages was instituted by the petitioner-insurer against respondent-carrier before the RTC, Br. 16, City of Manila. Respondent filed an answer which admitted that it undertook to transport the shipment, but alleged that before the DOP was loaded into its barge, the representative of PGP, Adjustment Standard Corporation, inspected it and found the same clean, dry, and fit for loading, thus accepted the cargo without any protest or notice. As carrier, no fault and negligence can be attributed against respondent as it exercised extraordinary diligence in handling the cargo. After due hearing, the trial court rendered a Decision in favor of plaintiff. On appeal, the Court of Appeals promulgated its Decision reversing the trial court. A petition for review on certiorari was filed by the petitioner with this Court.

Issues: 1. Whether or not the Notice of Claim was filed within the required period. 2. Whether or not the damage to the cargo was due to the fault or negligence of the respondent.

Held: Article 366 of the Code of Commerce has profound application in the case at bar, which provides that; “ Within twenty-four hours following the receipt of the merchandise a claim may be made against the carrier on account of damage or average found upon opening the packages, provided that the indications of the damage or average giving rise to the claim cannot be ascertained from the exterior of said packages, in which case said claim shall only be admitted at the time of the receipt of the packages.” After the periods mentioned have elapsed, or after the transportation charges have been paid, no claim whatsoever shall be admitted against the carrier with regard to the condition in which the goods transported were delivered.

As to the first issue, the petitioner contends that the notice of contamination was given by PGP employee, to Ms. Abastillas, at the time of the delivery of the cargo, and therefore, within the required period. The respondent, however, claims that the supposed notice given by PGP over the telephone was denied by Ms. Abastillas. The Court of Appeals declared: that a telephone call made to defendant-company could constitute substantial compliance with the requirement of notice. However, it must be pointed out that compliance with the period for filing notice is an essential part of the requirement, i. e.. immediately if the damage is apparent, or otherwise within twenty-four hours from receipt of the goods, the clear import being that prompt examination of the goods must be made to ascertain damage if this is

not immediately apparent. We have examined the evidence, and We are unable to find

COUNTRY BANKERS INSURANCE CORP. VS. LIANGA BAY & COMMUNITY
MULTI-PURPOSE COOPERATIVE, INC. G. R. No. 136914, January 25, 2002

Facts: Country Banker's Insurance Corp. (CBIC) insured the building of respondent Lianga Bay and Community Multi-Purpose Corp., Inc. against fire, loss, damage, or liability during the period starting June 20, 1990 for the sum of Php. 200, 000. 00. On July 1, 1989 at about 12: 40 in the morning a fire occurred. The respondent filed the insurance claim but the petition denied the same on the ground that the building was set on fire by two NPA rebels and that such loss was an excepted risk under par. 6 of the conditions of the insurance policy that the insurance does not cover any loss or damage occasioned by among others, mutiny, riot, military or any uprising.

Respondent filed an action for recovery of loss, damage or liability against petitioner and the Trial Court ordered the petition to pay the full value of the insurance.

Issue: Whether or not the insurance corporation is exempted to pay based on the exception clause in the insurance policy.

Held: The Supreme Court held that the insurance corporation has the burden of proof to show that the loss comes within the purview of the exception or limitation set-up. But the insurance corporation cannot use a witness to prove that the fire was caused by the NPA rebels on the basis that the witness learned this from others. Such testimony is considered hearsay

and may not be received as proof of the truth of what he has learned. The petitioner, failing to prove the exception, cannot rely upon an exemption or exception clause in the fire insurance policy. The petition was granted

MALAYAN INSURANCE CO., VS. PHIL. NAILS & WIRES CORP.

G. R. No. 138084, April 10, 2002

Facts: Respondent Phil. Nails & Wires Corp. insured against all risk its shipment of 10,053.40 metric tons of steel billet with petitioner Malayan Insurance Co., Inc., the shipment delivered was short by 377.168 metric tons. For this shortage, respondent claimed insurance for Php. 5,250,000.00. Petitioner refused to pay. On July 28, 1993, respondent filed a complaint against petitioner for the Sum of money with RTC of Pasig. Petitioner moved to dismiss for failure to state cause of action but it was denied. On November 4, 1994, respondent moved to declare petitioner in default and the trial court granted and allowed the presentation of evidence ex parte. Respondent presented its lone witness, Jeanne King. On November 11, 1993, petitioner filed its answer but was expunged from the record for late filing. The Trial Court rendered a judgment by default.

Issue: Whether or not there is a cause of action and whether or not King is credible witness.

Held: The Supreme Court ruled that the respondent's cause of action is founded on breach of insurance. To hold petitioner liable, respondent has to prove, first, its importation of 10,053.40 metric tons of steel billets and second, the actual steel billets delivered to and received by the respondent.

Witness Jeanne King has personal knowledge of the goods imported steel billets received. Her testimony on steel billets received was hearsay because she based the summary only on the receipts prepared by the other person.

CONCEALMENT MADE IN GOOD FAITH; VALID INSURANCE CONTRACT

PHILAMCARE HEALTH SYSTEMS, INC. VS. CA & JULITA RAMOS

G. R. No. 125678, March 18, 2002

Facts: Ernani Trinos, deceased husband of Julita Ramos, applied for a health care coverage with the petitioner Philamcare. In the standard application form, he delivered no to a question asking him if he had been treated of any of the family member consulted for high blood, heart trouble, diabetes, cancer, liver disease, asthma or ulcer. The application was approved for a period of 1 year from and thus extended to June 1, 1990. During the period of coverage, Ernani suffered a heart attack and was confined for one month. Respondent Julita Ramos tried to claim saying that the health care Agreement was void as there was concealment regarding Ernani's medical history. On July 24, 1990, after Ernani died, Julita Ramos instituted an action for damages against Philam care with the RTC Manila, which ruled against the latter.

Issue: Whether or not there is a valid insurance contract because of alleged concealment of material fact.

Held: The Supreme Court ruled that there is a valid insurance contract, after all, all the elements for an insurance contract are contract are present and alleged concealment answers made in good faith and without intent to

deceive will not avoid the policy. The insurer, in case of material fact, is not justified in relying upon such statement, but obligated to make further inquiry. PAYMENT BY INSURANCE COMPANY OF INSURABLE VALUE OF THE GOODS; INSURANCE COMPANY SUBROGATED TO THE RIGHTS OF THE ASSURED AGAINST THE COMMON CARRIER

DELSAN TRANSPORT LINES, INC. VS. CA ET. AL.

G. R. No. 127897, November 15, 2001

Facts: Caltex Phil. entered into a contract of affreightment with the petitioner, Delsan Transport Lines, Inc. for a period of one year whereby the petitioner agreed to transport Caltex industrial fuel oil from Batangas refinery to different parts of the country. On August 14, 1986, MT Maysun set sail for Zamboanga City but unfortunately the vessel in the early morning of August 16, 1986 near Panay Gulf. The shipment was insured with the private respondent, American Home Assurance Corporation. Subsequently, private respondent paid Caltex the sum of Php. 5, 096, 635. 57. Exercising its right of subrogation under Art. 2207, NCC, the private respondent demanded from the petitioner the same amount paid to Caltex. Due to its failure to collect from the petitioner, private respondent filed a complaint with the RTC of Makati City but the trial court dismissed the complaint, finding the vessel to be seaworthy and that the incident was due to a force majeure, thus exempting the petitioner from liability. However, the decision of the trial court was reversed by the CA, giving credence to the report of PAGASA that the weather was normal and that it was impossible for the vessel to sink.

Issue: Whether or not the payment made by private respondent for the insured value of the lost cargo amounted to an admission that the vessel was seaworthy, thus precluding any action for recovery against the petitioner.

Held: The payment by the private respondent for the insured value of the lost cargo operates as waiver of its right to enforce the term of the implied warranty against Caltex under the marine insurance policy. However, the same cannot be validly interpreted as an automatic admission of the vessel's seaworthiness by the private respondent as to foreclose recourse against the petitioner for any liability under its contractual obligation as common carrier. The fact of payment grants the private respondent subrogatory right which enables it to exercise legal remedies that otherwise be available to Caltex as owner of the lost cargo against the petitioner common carrier. *Calanoc v. CAG*. R. No. L-8151 December 16, 1955J. *Bautista Angelo Doctrine*: In case of ambiguity in an insurance contract covering accidental death, the Supreme Court held that such terms shall be construed strictly against the insurer and liberally in favor of the insured in order to effect the purpose of indemnity.

Facts: Melencio Basilio, a watchman of the Manila Auto Supply, secured a life insurance policy from the Philippine American Insurance Company in the amount of P2, 000 to which was attached a supplemental contract covering death by accident. He later died from a gunshot wound on the occasion of a robbery committed; subsequently, his widow was paid P2, 000 representing the face value of the policy. The widow demanded the payment of the additional sum of P2, 000 representing the value of the supplemental policy

which the company refused because the deceased died by murder during the robbery and while making an arrest as an officer of the law which were expressly excluded in the contract. The company's contention which was upheld by the Court of Appeals provides that the circumstances surrounding Basilio's death was caused by one of the risks excluded by the supplementary contract which exempts the company from liability.

Issue: Is the Philippine American Life Insurance Co. liable to the petitioner for the amount covered by the supplemental contract?

Held: Yes.

The circumstances of Basilio's death cannot be taken as purely intentional on the part of Basilio to expose himself to the danger. There is no proof that his death was the result of intentional killing because there is the possibility that the malefactor had fired the shot merely to scare away the people around. In this case, the company's defense points out that Basilio's is included among the risks excluded in the supplementary contract; however, the terms and phraseology of the exception clause should be clearly expressed within the understanding of the insured. Art. 1377 of the New Civil Code provides that in case ambiguity, uncertainty or obscurity in the interpretation of the terms of the contract, it shall be construed against the party who caused such obscurity.

Applying this to the situation, the ambiguous or obscure terms in the insurance policy are to be construed strictly against the insurer and liberally in favor of the insured party. The reason is to ensure the protection of the insured since these insurance contracts are usually arranged and employed

by experts and legal advisers acting exclusively in the interest of the insurance company. As long as insurance companies insist upon the use of ambiguous, intricate and technical provisions, which conceal their own intentions, the courts must, in fairness to those who purchase insurance, construe every ambiguity in favor of the insured.

PERLA COMPANIA DE SEGUROS, INC vs. CA and CAYAS

G. R. No. 78860

May 28, 1990

FACTS: Cayas was the registered owner of a Mazda bus which was insured with petitioner PERLA COMPANIA DE SEGUROS, INC (PCSI). The bus figured in an accident in Cavite, injuring several of its passengers. One of them, Perea, sued Cayas for damages in the CFI, while three others agreed to a settlement of P4, 000. 00 each with Cayas. After trial, the court rendered a decision in favor of Perea, Cayas ordered to compensate the latter with damages. Cayas filed a complaint with the CFI, seeking reimbursement from PCSI for the amounts she paid to ALL victims, alleging that the latter refused to make such reimbursement notwithstanding the fact that her claim was within its contractual liability under the insurance policy.

The decision of the CA affirmed in toto the decision of the RTC of Cavite, the dispositive portion of which states: IN VIEW OF THE FOREGOING, judgment is hereby rendered ordering defendant PCSI to pay plaintiff Cayas the sum of P50, 000. 00 under its maximum liability as provided for in the insurance policy; ... In this petition for review on certiorari, petitioner seeks to limit its liability only to the payment made by private respondent to Perea and only

up to the amount of P12, 000. 00. It altogether denies liability for the payments made by private respondents to the other 3 injured passengers totaling P12, 000. 00. ISSUE: how much should PCSI pay?

HELD: The decision of the CA is modified, petitioner only to pay Cayas P12, 000, 000. 00

The insurance policy provides:

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

It being specifically required that petitioner's written consent be first secured before any payment in settlement of any claim could be made, private respondent is precluded from seeking reimbursement of the payments made to the other 3 victims in view of her failure to comply with the condition contained in the insurance policy.

Also, the insurance policy involved explicitly limits petitioner's liability to P12, 000. 00 per person and to P50, 000. 00 per accident

Clearly, the fundamental principle that contracts are respected as the law between the contracting parties finds application in the present case. Thus, it was error on the part of the trial and appellate courts to have disregarded the stipulations of the parties and to have substituted their own interpretation of the insurance policy.

We observe that although Cayas was able to prove a total loss of only P44, 000. 00, petitioner was made liable for the amount of P50, 000. 00, the maximum liability per accident stipulated in the policy. This is patent error.

An insurance indemnity, being merely an assistance or restitution insofar as can be fairly ascertained, cannot be availed of by any accident victim or claimant as an instrument of enrichment by reason of an accident.