

Title:

Platinum Group Metals Corporation v. The Mercantile Insurance Co., Inc.

Facts:

Platinum Group Metals Corporation (PGMC), a mining corporation, obtained a Special Risks Insurance Policy (No. EF-04010/11) from The Mercantile Insurance Co., Inc. (Mercantile) covering 100 brand new Sinotruck Howo 6×4 Tipper LHD trucks effective August 8, 2011, to August 8, 2012. The policy covered “all risk of physical loss or damage due to external causes,” which were not limited to various natural disasters.

On October 3, 2011, approximately 300 armed individuals, claiming to be part of the Communist Party of the Philippines/New People’s Army/National Democratic Front (CNN), attacked three mining sites, including PGMC’s, in the Municipality of Claver, Surigao del Norte. The assailants burned facilities and vehicles, including 89 of PGMC’s insured trucks. PGMC promptly notified its insurance broker, requested an adjuster, and ultimately sought to claim the insurance proceeds. After Mercantile denied PGMC’s claim based on policy exclusions, PGMC filed a case before the RTC of Makati City, demanding payment for the insurance proceeds plus legal interest, attorney’s fees, and litigation costs.

Mercantile contended in its defense that the damage was due to “riot and civil commotion, insurrection and rebellion,” excluded risks under the policy. The RTC ruled in favor of PGMC, noting ambiguities in the insurance policy and construing them strictly against the insurer. Mercantile appealed to the CA, which reversed the RTC’s decision, reasoning that PGMC failed to prove an insurable interest over the trucks and that the evidence was not properly considered.

PGMC then filed a Petition for Review on Certiorari before the Supreme Court, challenging the CA’s decision.

Issues:

1. Did the CA err in finding that the RTC did not properly consider Mercantile’s documentary exhibits and the purposes for which they were offered?
2. Did PGMC fail to prove its insurable interest over the damaged trucks, and did the CA properly dismiss the complaint on that ground?
3. Did the destruction of the insured trucks fall within the policy’s excluded perils of insurrection or rebellion and/or riot or civil commotion?

Court’s Decision:

The Supreme Court denied PGMC's petition, affirming the CA's decision with modification. The Court found that PGMC did have an insurable interest in the trucks, but ultimately, the destruction of the trucks was due to an excepted peril under the Insurance Policy. The Court applied jurisprudence to interpret the policy's terms, concluding the attack by the CNN constituted an insurrection or rebellion, thus activating the policy's exclusions. The Court supported its conclusion by examining the facts of the armed attack, including the political motives, identity of the assailants, and the scale and coordination of the attack. Therefore, Mercantile was not liable under the Insurance Policy.

Doctrine:

In an all-risk policy, once the fact of loss or damage has been proven, it lies upon the insurer to prove that the cause of loss or damage falls within the excepted perils stated in the policy. Additionally, insurance terms that are clear and unambiguous must be interpreted in their plain, ordinary, and popular sense. Finally, the existence of an insurable interest is determined not necessarily by title but by possession of a substantial economic interest in the insured property.

Class Notes:

1. Burden of Proof: In a civil case, the party alleging the facts has the burden to establish their claims by preponderance of evidence.
2. Insurable Interest: A party has an insurable interest when they derive a benefit from the existence of a property or would suffer a loss from its destruction.
3. All-Risk Policy: An all-risk policy covers all causes of conceivable loss or damage, except as otherwise excluded or due to intentional misconduct by the insured.
4. Exceptions to Coverage: It is incumbent upon the insurer to prove that the cause of loss falls within excepted perils if such an exception is raised as a defense.

Historical Background:

The case is set against the backdrop of ongoing armed conflicts in the Philippines, involving the communist insurgency led by the CNN. Such political and ideologically driven movements have historically targeted large-scale mining operations, accusing them of environmental degradation and exploitation. These circumstances have shaped the interpretation of insurance policy terms like "insurrection" and "rebellion" within the legal framework of the country.