

Title:

****Loadstar Shipping Co., Inc. vs. Malayan Insurance Co., Inc.: A Study on Carrier Liability and Damage Assessment****

Facts:

The dispute revolves around the alleged seawater contamination of 777.29 metric tons of copper concentrates shipped by Loadstar Shipping Company, Incorporated and Loadstar International Shipping Company, Incorporated (collectively, Petitioners) for Philippine Associated Smelting and Refining Corporation (PASAR). Malayan Insurance Company, Incorporated (Respondent) insured the cargo and paid PASAR P33,934,948.75 for the claim of damage. Subsequently, Malayan sought to recover from Petitioners, arguing that they breached the contract of affreightment by failing to deliver the cargo in its pristine state. Petitioners countered, stressing that Malayan had not established actual pecuniary loss since PASAR neither rejected the contaminated goods as a total loss nor provided evidence of the value of the purported damage.

The trial proceeded through the Court of Appeals to the Supreme Court, where the initial decision favored the Petitioners, finding Malayan's evidence insufficient to prove actual loss. Malayan's Motion for Reconsideration invoked the doctrine of subrogation and argued for its applicability based on *Delsan Transport Lines, Inc. vs. CA*, suggesting that indemnification by an insurance company shifts the rights of the insured to the insurer.

Issues:

1. Whether the doctrine of subrogation applies, allowing Malayan to step into the shoes of PASAR and claim damages from Petitioners.
2. Whether there was a breach of the contract of affreightment due to the delivery of cargo contaminated with seawater.
3. Whether the contaminated copper concentrates should be deemed a total loss.
4. If there was a breach of contract, what damages, if any, are due to Malayan.

Court's Decision:

1. ****Subrogation Doctrine****: The Supreme Court distinguished the case from *Delsan Transport*, noting that the factual contexts differed sharply. The partial damage and subsequent transactions involving the contaminated copper contradicted a presumption of total loss. Hence, *Delsan's* direct applicability was negated.
2. ****Breach of Contract****: The Court found that Petitioners failed in some respects to comply with the contract of affreightment terms, specifically relating to the vessel's age and

maintenance of cargo holds and hatches. This failure led to the seawater contamination of the copper concentrates.

3. **Total Loss**: It was held inequitable to deem the contaminated copper concentrates a total loss when PASAR and Malayan later assigned a residual value, indicating the cargo retained some value.

4. **Damages**: The Court awarded nominal damages to Malayan, recognizing the breach of contract but emphasizing the lack of proven pecuniary loss mirror to PASAR's claim. The awarded amount was P1,769,374.725, deemed sufficient under the circumstances.

Doctrine:

The Supreme Court reiterated that actual damages cannot be presumed and must be duly proven. Additionally, in carrier liability cases involving subrogation, the insurance company as subrogee can only recover to the extent that the insured could have recovered, necessitating clear proof of pecuniary loss.

Class Notes:

- **Subrogation**: Allows an insurer to assume the rights of the insured to recover from third parties responsible for the insured's loss, not automatic and must be substantiated within context.
- **Carrier Liability**: Common carriers are bound by extraordinary diligence in their vigilance over goods transported. Any deviation leading to damage or loss invokes presumed liability unless countered by adequate evidence of diligence or external causative factors.
- **Nominal Damages**: Recognized for the vindication or recognition of a violated right when no actual loss is demonstrable. Amounts are discretionary, reflecting the court's assessment of damage severity and the parties' conduct.

Historical Background:

The case underscores the evolving discourse on the interplay between insurance law and carriage of goods, particularly in the context of maritime transport in the Philippines. It reflects on the judiciary's attempt to balance rights and liabilities amidst complex commercial realities, further clarifying the extents of subrogation, carrier liability, and damage assessment.