

****Title:** Philam Insurance Co., Inc. vs. Parc Chateau Condominium Unit Owners Association, Inc.**

****Facts:****

In October 2003, Philam Insurance Co., Inc. (Philam) submitted an insurance proposal to Parc Chateau Condominium Unit Owners Association, Inc. (Parc Association) covering fire and general liability for Parc Chateau Condominium. In November, Parc Association, through its president Eduardo B. Colet, accepted Philam's proposal, leading to the issuance of insurance policies for a total premium of P791,427.50 with a 90-day payment term outlined in a Jumbo Risk Provision.

However, Parc Association's board found the payment terms unacceptable and verbally informed Philam of its decision to not pursue the transaction, resulting in no premiums being paid. Philam demanded payment of a calculated premium based on short scale rate, later cancelling the policies due to non-payment.

Philam then filed a complaint for recovery of the unpaid premium in the Metropolitan Trial Court (MeTC) of Makati, which was dismissed for lack of a valid insurance contract due to non-payment of premium. The decision was partially affirmed by the Regional Trial Court (RTC) and subsequently by the Court of Appeals (CA), both ruling that there was no effectual insurance contract because the premium had not been paid.

Philam sought further relief by filing a Petition for Review on Certiorari before the Supreme Court, claiming the CA erred in its decision.

****Issues:****

1. Whether respondents' request for payment terms after policy issuance and petitioner's grant signify an intention to be bound by the insurance contract.
2. Whether the specific exception regarding payment of premium in installment applies to this case.
3. Whether negotiations on the terms of premium payment constitute a perfected insurance contract.

****Court's Decision:****

The Supreme Court denied Philam's petition, upholding the CA's resolution. The Court clarified that issues raised by Philam were questions of fact, inappropriate for review under

Rule 45 of the Rules of Court, as amended, which limits the Supreme Court's review to questions of law.

The Court found no reversible error in the CA's judgment. It was determined that:

1. There was no perfected insurance contract between Philam and Parc Association due to the non-payment of the premium, which is a prerequisite for an insurance contract's validity and binding effect.
2. The exceptions to the general rule requiring payment of premium prior to the effectiveness of an insurance policy were not applicable, given the conditions were not met - there was no partial payment, no acknowledgement of receipt of premium, or previously granted credit term by Philam that could have invoked estoppel.
3. The CA correctly interpreted and applied Section 77 of the Insurance Code and the jurisprudence on the matter.

****Doctrine:****

The decision reiterates the doctrine that no insurance contract shall be considered valid and binding unless the premium thereof has been paid, codified in Section 77 of the Presidential Decree No. 612, otherwise known as the Insurance Code of the Philippines. Exceptions to this general rule are strictly construed and were not applicable in this instance.

****Class Notes:****

- Elements of an Insurance Contract: One of the essential elements of an insurance contract is the payment of a premium. Without this, an insurance contract cannot be said to have been perfected.
- Payment of Premium: Section 77 of the Insurance Code establishes the necessity of premium payment for the validity of an insurance policy, subject to specific exceptions.
- Exceptions to the Rule on Premium Payment: Exceptions include cases where (a) a grace period provision applies, (b) acknowledgment in the policy of receipt of premium, (c) installment payments with partial payment made, (d) credit term for premium payment, and (e) insurer estoppel from denial of coverage due to previously extended credit term. These exceptions were not found applicable in this case.

****Historical Background:****

This case underscored the strict enforcement of the Insurance Code's provisions regarding

the payment of premiums for the validity of insurance contracts within the Philippine legal framework. It emphasized the importance of the premium payment as constitutive of the insurance contract, reiterating established jurisprudence and statutory law that govern insurance contracts in the Philippines.