Title: Chartis Philippines Insurance, Inc. (now AIG Philippines Insurance, Inc.) v. Cyber City Teleservices, Ltd.

Facts:
Chartis Philippines Insurance, Inc., now known as AIG Philippines Insurance, Inc., engaged in the insurance business, including professional indemnity and fidelity insurance. Cyber City Teleservices, Ltd. (CCTL), a call center agency, sought quotations for these insurances through their broker, Jardine Lloyd Thompson Insurance Brokers (JLT), which resulted in Chartis providing terms accepted by CCTL. Despite multiple credit extensions given by Chartis for premium payments, CCTL did not pay the premiums. Chartis then cancelled the policies and sued CCTL for the payment of the sum of money, including premiums and damages. CCTL countered, claiming no authorized entity accepted Chartis' offers, therefore arguing the contracts were not binding due to non-payment of premiums. The Regional Trial Court (RTC) sided with Chartis, finding the insurance contracts valid and granting Chartis payment for the premiums plus damages. On appeal, the Court of Appeals (CA) reversed the RTC's decision, dismissing the complaint based on non-payment of premiums, effectively ruling the insurance policies void and unenforceable.

Issues:
1. Whether Chartis is entitled to payment of the premiums despite CCTL's non-payment.
2. The validity and enforceability of the "time on risk" provisions in contrast to law, morals, and/or public policy.
3. CCTL's obligation to reimburse Chartis for the documentary stamp tax paid by the latter.

Court's Decision:
The Supreme Court reversed the CA's decision and reinstated the RTC's ruling, with modifications. It was held that Chartis is entitled to the payment of premiums since risk coverage began upon acceptance of the policies, notwithstanding actual payment. The Court clarified that the insurance contracts were valid and binding because Chartis extended a credit term for premium payment. Furthermore, "time on risk" provisions were deemed fair, and CCTL was ordered to reimburse Chartis for the documentary stamp tax paid. The decision also adjusted legal interest rates in accordance with Nacar v. Gallery Frames.

Doctrine:
The primary doctrine established is that an insurance contract becomes valid and binding if the insurer extends a credit term to the insured for the payment of the premium, indicating that the insurer's risk coverage commences upon policy acceptance, not necessarily upon

premium payment. This aligns with the exceptions to Section 77 of the Insurance Code, recognizing circumstances wherein policies can be considered binding despite non-payment of premiums initially.

Class Notes:
– Under Philippine law, non-payment of premiums generally renders insurance contracts invalid, with exceptions including if the insurer extends credit for the premium payment (Section 77, Insurance Code).
– “Time on risk” provisions that calculate earned premiums pro rata or according to a short rate period agreed upon by the parties are valid and enforceable.
– Documentary stamp taxes paid by the insurer can be required to be reimbursed by the insured when stipulated in the insurance contract.
– Legal interest for obligations consisting of sums of money is subject to adjustments in accordance with jurisprudential guidelines (Nacar v. Gallery Frames).

Historical Background:
This case contributes to the evolving jurisprudence surrounding the Insurance Code, particularly Section 77, which outlines the requirement for premium payment for insurance policies to be valid and binding. The ruling reaffirms the principle that insurance contracts can be valid upon the insurer’s acceptance of risk, even without initial premium payment, provided a credit term for such payment is mutually agreed. This case emphasizes the balance between enforcing statutory requirements for insurance contracts and recognizing industry practices that benefit both insurers and insureds.