

Title: UCPB General Insurance Co., Inc. vs. Asgard Corrugated Box Manufacturing Corporation

Facts:

UCPB General Insurance Co., Inc. (UCPB Insurance) challenged through a Petition for Partial Review on Certiorari the decision of the Court of Appeals (CA) which partially granted UCPB Insurance's appeal by eliminating exemplary damages and attorney's fees awards but upheld its liability for an insurance claim filed by Asgard Corrugated Box Manufacturing Corp. (Asgard).

The root of the case was a "Sum of Money with Application for Writ of Preliminary Attachment" complaint filed by Asgard against UCPB Insurance, following a dispute over an insurance claim. Asgard and Milestone Paper Products, Inc. (Milestone) had an agreement on toll-manufacturing of paper products, which included modifications to Asgard's corrugating machines with parts owned by Milestone.

After financial difficulties, Asgard's plant was designated for corporate rehabilitation, which was later denied. Subsequently, Asgard and Milestone acquired an insurance policy from UCPB Insurance covering various assets including machinery and equipment for P500,000,000.00. Milestone later removed its assets from Asgard's plant, causing damage to Asgard's machinery. Asgard filed an insurance claim under the malicious damage provision, which UCPB Insurance denied, citing absence of cross liability coverage and Milestone, a named insured, committing the damage.

Asgard's complaint sought P147,000,000.00 for the damages. The Regional Trial Court (RTC) initially dismissed Asgard's complaint via summary judgment, siding with UCPB Insurance. However, upon appeal, the Court of Appeals found genuine issues of fact necessitating trial and remanded the case, leading to a later RTC decision in favor of Asgard, which the CA partially affirmed upon appeal.

Issues:

1. Whether Milestone had insurable interest in the damaged machinery at the time of loss.
2. Applicability of Section 87 (now Section 89) of the Insurance Code relieving the insurer from liability for loss caused by the willful act of the insured.
3. The significance and application of the Malicious Damage Endorsement under the insurance policy in relation to the incident.

Court's Decision:

The Supreme Court granted UCPB Insurance's petition, partially setting aside the CA's decision. The Court ruled that Milestone had insurable interest in Asgard's machinery at the time of loss due to the continuous effect of their Toll Manufacturing Agreement (TMA), which was not properly terminated. Consequently, under Section 89 of the Insurance Code, UCPB Insurance was not liable for the damage caused intentionally by Milestone, a co-insured. Furthermore, the Court found the Malicious Damage Endorsement to be an extension of the Riot and Strike Endorsement, not applicable to this scenario of intentional damage by an insured party. Asgard's claim of P147,000,000.00 was also found unsubstantiated as Asgard failed to sufficiently prove actual loss.

Doctrine:

1. An insurer is not liable for a loss caused by the willful act or through the connivance of the insured (Section 89 of the Insurance Code).
2. Insurable interest in the property exists when the insured benefits from its existence or suffers from its loss, and the contract binds both parties unless proper termination is evidenced.

Class Notes:

- ****Willful Act of Insured:**** An insurer is exempt from liability for losses caused intentionally by the insured (Section 89 of the Insurance Code).
- ****Insurable Interest:**** Exists when the insured derives a benefit from the property's existence or would incur loss from its destruction.
- ****Proof of Loss:**** The claimant must substantiate the claim, demonstrating actual loss with a reasonable degree of certainty.
- ****Contract Termination:**** The contractual relationship and obligations between parties are determined by the terms of the contract, and a unilateral determination by one party does not effectively terminate the contract.

Historical Background:

The case emphasizes the legal principles surrounding insurance claims, particularly in scenarios where damages are inflicted intentionally by a party named in the policy. It illustrates the judiciary's approach in resolving disputes involving interpretations of insurance contracts and the application of the Insurance Code, underpinning the significance of insurable interest, contract termination, and liability for willful acts under Philippine law.