Title:
St. Paul Fire & Marine Insurance Co. vs. Macondray & Co., Inc., et al.

Facts:
On June 29, 1960, 218 cartons and drums of drugs and medicine were shipped from New York, USA, to Manila, Philippines, aboard the SS "Tai Ping," owned by Wilhelm Wilhelmsen. The shipment, insured by St. Paul Fire & Marine Insurance Co., arrived in Manila on August 7, 1960, but with one drum and several cartons in bad condition. The consignee's claims for damage, amounting to P1,109.67, were initially refused by the carrier and Manila Port Service. Consequently, St. Paul Fire & Marine Insurance Co. paid the consignee $1,134.46 as compensation and sought recovery from the defendants. The Court of First Instance of Manila partially granted the claim but only to the extent of the C.I.F. value of the damaged goods, leading to an appeal by St. Paul Fire & Marine Insurance Co.

Issues:
1. Whether the carrier's liability to the consignee is limited to the C.I.F. value of the goods lost or damaged.
2. If the insurer, who compensated the consignee in dollars, should be reimbursed the peso equivalent on the cargo's discharge date or the decision date.

Court's Decision:
The Supreme Court affirmed the appealed decision. It ruled that:
1. The carrier's liability is indeed limited to the C.I.F. value of the goods, as per the contract of carriage embodied in the bill of lading. This is consistent with the freedom of contract principle, provided that such stipulations are not contrary to law, morals, good customs, or public policy.
2. The insurer, upon compensating the consignee, is subrogated only to the consignee's rights against third parties and cannot recover more than what could have been recoverable by the insured. Because the insured's claim against the carrier was grounded on the C.I.F. value, the insurer's recovery is similarly limited.
3. The exchange rate applied should be that of the date of the cargo's discharge, not the judgment date. This grounding is because the carrier's liability arose upon failing to deliver the shipment in good condition, which occurred upon discharge.

Doctrine:
The carrier's liability for lost or damaged goods is limited to the C.I.F. value per the contractual stipulation in the bill of lading. An insurer compensating the consignee for such

losses can only recover what the consignee could have recovered, subject to the same limitations. Moreover, in instances of currency fluctuation, the relevant exchange rate for compensation calculations is that which existed at the time of the loss or damage, or specifically, when the goods were discharged, not at the decision date.

Class Notes:

– Principles of subrogation: The insurer, upon payment to the insured, stands in the shoes of the latter and is subject to the same contractual limitations that bound the insured.
– Liability limitation clauses in shipping contracts are generally enforceable provided they are reasonable and freely agreed upon.
– The exchange rate for calculating damages in international transactions should correspond to when the liability arose, not when judgment is rendered.
– Contractual freedom allows parties to establish provisions limiting liability, taking care to comply with law, morals, good customs, and public policy.

Historical Background:

This case arose during a period of significant regulatory development in international trade and maritime law, emphasizing the complexities of insurance subrogation rights and the valuation of claims considering fluctuating exchange rates. It underscores the importance of explicit agreements in international shipping contracts and the global principles of maritime law, reflecting the post-WWII evolution of shipping, insurance, and international commerce.