

### Title:

**\*\*American Home Assurance Company vs. Tantuco Enterprises, Inc.: A Matter of Misdescription and Intent in Insurance Policy Coverage\*\***

### Facts:

The case involves a dispute between American Home Assurance Company (petitioner) and Tantuco Enterprises, Inc. (respondent), concerning an insurance claim rejection after a fire incident. Tantuco Enterprises is engaged in the coconut oil milling and refining industry in Lucena City, Philippines, owning two oil mills designated as the first (old) and the second (new) oil mills.

In 1988, the second oil mill began operations and was insured for PHP 6 million under Policy No. 306-7432321-9 for the term March 1, 1991, to 1992. A fire on September 30, 1991, destroyed this new oil mill. The petitioner rejected the claim, contending that the policy covered another building, citing a discrepancy in the building's description.

Respondent filed a complaint for specific performance and damages with the Regional Trial Court (RTC), Branch 53, Lucena City. On October 16, 1995, the RTC ruled in favor of Tantuco Enterprises, ordering the petitioner to pay for the loss, litigation expenses, attorney's fees, and costs. The Court of Appeals affirmed this decision on January 14, 1999, and denied the petitioner's motion for reconsideration on June 10, 1999.

### Issues:

1. Whether the Court of Appeals erred in concluding that the issue of non-payment of the premium was beyond its jurisdiction as it was raised for the first time on appeal.
2. Whether the Court of Appeals misinterpreted the "Fire Extinguishing Appliances Warranty" of the policy.
3. Whether the Court of Appeals was correct in dismissing the application of the parole evidence rule and the principle of estoppel.

### Court's Decision:

The Supreme Court dismissed the petition, finding no reversible error in the decision of the Court of Appeals. The Court ruled that:

1. The insurance policy, despite misdescription in boundary terms, intended to cover the new oil mill, as indicated by the specific mention of "new oil mill" in the policy.
2. Misinterpretations and clerical errors in the policy documentation do not bar coverage, especially when intentions are clear and miscommunications are acknowledged.

3. The parol evidence rule and estoppel principle do not apply against the respondent due to proactive communications about the policy's inaccuracies, and assurances from the petitioner's agent rendered concerns moot.

4. The respondent did not violate the Fire Extinguishing Appliances Warranty since adequate fire-fighting equipment was maintained.

### ### Doctrine:

The Supreme Court reiterated the doctrine that in insurance policy interpretation, the intent of the parties prevails over literal meanings of disputed policy terms. Additionally, misdescriptions in policy documents, when intentions are clear and mutual, do not invalidate insurance coverage.

### ### Class Notes:

- **Misdescription in Insurance Policies:** When interpreting a policy, courts look beyond literal descriptions to identify the parties' intent. A misdescription does not invalidate coverage if intent is clear.

- **Parol Evidence Rule Exceptions:** Misdescription or clerical errors in written agreements, where true intent is misrepresented, are exceptions to the parol evidence rule.

- **Insurance Warranty Compliance:** Specific requirements (e.g., fire extinguishing appliances) in insurance policies must be reasonably interpreted. Absolute compliance to the letter is not demanded if the insured's protective measures meet the practical intent of the warranty.

- **Legal Doctrines Applicable:**

- **Intent Over Form:** The intent of parties in insurance agreements takes precedence over form or clerical inaccuracies.

- **Estoppel Principles:** Parties are not estopped from claiming coverage when proactive steps are taken to correct or clarify policy terms.

- **Relevant Statutes:**

- **Insurance Code Sections on Premium Payment and Policy Validity:** Specific sections dictate conditions under which insurance premiums must be paid for policies to be valid.

### ### Historical Background:

This case highlights the evolving nature of insurance litigation in the Philippines, emphasizing on the practical application of law over strict adherence to form, ensuring justice based on fairness and intended contractual obligations rather than on technicalities or clerical errors.