

Title: Gulf Resorts, Inc. vs. Philippine Charter Insurance Corporation

Facts:

Gulf Resorts, Inc., the owner of Plaza Resort in Agoo, La Union, had its properties insured against various perils, including earthquakes, originally with the American Home Assurance Company (AHAC-AIU). Over the years, the policy coverage for earthquake shock was confined to the resort's two swimming pools. This was consistently reflected in the premiums paid for earthquake shock coverage, which were uniform across the policies.

In 1990, Gulf Resorts sought to renew its insurance coverage and solicited bids, eventually deciding to transfer its policy to Philippine Charter Insurance Corporation (PCIC) under the condition that the new policy be an exact replica of its latest with AHAC-AIU, including comprehensive earthquake shock coverage for all its properties. Policy No. 31944 was issued by PCIC, covering a period from March 14, 1990, to March 14, 1991, with a stated premium breakdown that included a specific amount for earthquake shock (ES) coverage, again reflecting the amount traditionally associated with coverage for only the two swimming pools.

Following an earthquake on July 16, 1990, that caused extensive damage to the resort, including the two specific swimming pools and other properties, Gulf Resorts filed a claim under Policy No. 31944. PCIC, however, denied the claim beyond the two swimming pools, asserting that the policy did not extend earthquake coverage to other properties. This led to litigation initiated by Gulf Resorts against PCIC in the Regional Trial Court of Pasig, which ruled in favor of PCIC, a decision that was affirmed by the Court of Appeals upon review.

Gulf Resorts then filed a petition for certiorari under Rule 45 of the Revised Rules of Court to the Supreme Court, arguing that the insurance policy and subsequent actions and assurances by PCIC represented that earthquake coverage extended beyond the two swimming pools to all properties in the resort.

Issues:

1. Whether Policy No. 31944 issued by PCIC provided earthquake shock coverage for all properties of Gulf Resorts, Inc. or was limited to the two swimming pools.
2. Whether the Court of Appeals erred in denying Gulf Resorts' claims for damages with interest, attorney's fees, and litigation expenses.

Court's Decision:

The Supreme Court dismissed Gulf Resorts' petition, upholding the decision of the Court of

Appeals. The Court ruled that a careful examination of the policy, including the premium breakdown and specific policy conditions, clearly intended for earthquake shock coverage to apply exclusively to the two swimming pools. The Court found no ambiguity in the contract that would necessitate a ruling in favor of broad coverage as contended by Gulf Resorts. The Court also emphasized that insurance policies, being contracts of adhesion, must nonetheless reflect the true intent of the parties involved, and any ambiguity should be interpreted in context and in light of all provisions within the policy.

#### Doctrine:

The doctrine established in this case reiterates that in interpreting insurance contracts, all provisions must be considered together to determine the true intent of the parties. Where there is no ambiguity in the terms, the contract must be enforced as written. Furthermore, the Court highlighted that the “four corners” rule in contract interpretation requires that the intention of the parties is gathered from the entire document, not just portions of it.

#### Class Notes:

- Contracts of Insurance are subject to the principles of contract interpretation, taking all parts of the document into account to ascertain the parties’ intent.
- Insurance Premium is the lifeblood of the insurance contract, dictating the extent of coverage.
- Ambiguities in Insurance Contracts are typically construed against the insurer, especially when such contracts are of adhesion. However, this rule is not absolute and does not apply where there is no ambiguity or where the intent of the parties regarding coverage is clear from the contract as a whole.

#### Historical Background:

This case illustrates the complexities of insurance contract interpretation and the significance of premium payment breakdowns in determining the scope of coverage. It also underscores the judiciary’s role in clarifying contractual disputes and the limits of applying rules of contract interpretation such as the doctrine of construing ambiguities against the drafter.