

Title: Aboitiz Shipping Corporation vs. Insurance Company of North America

Facts:

- On June 20, 1993, MSAS Cargo International Limited procured an “all-risk” open marine insurance policy from Insurance Company of North America (ICNA) for a shipment of wooden work tools and workbenches from Hamburg, Germany to Cebu City, Philippines. The cargo was shipped on M/S Katsuragi, transshipped in Singapore on M/S Vigour Singapore, and docked in Manila on July 18, 1993.
- The shipment was handed over to Aboitiz Shipping Corporation on July 26, 1993, noted as “grounded outside warehouse”. The consignment was later transferred to another container and shipped to Cebu on August 1, arriving on August 2, 1993.
- Upon delivery to Don Bosco Technical High School in Cebu on August 11, 1993, the cargo was found water-damaged. Aboitiz’s representative inspected and found the container dry from the outside.
- A claims adjustment reported rain damage during the storage in Manila (July 26-31, 1993).
- The consignee filed a damage claim amounting to P276,540.00, which was rejected by Aboitiz.
- ICNA paid the consignee P280,176.92 and secured a subrogation receipt, subsequently filing a civil complaint against Aboitiz for reimbursement.

Procedural Posture:

- The Regional Trial Court (RTC) dismissed ICNA’s complaint, holding that ICNA Philippines had no legal standing and the subrogation receipt was hearsay.
- ICNA appealed to the Court of Appeals (CA), which reversed the RTC’s decision and ordered Aboitiz to pay the damages with interest and attorney’s fees.
- Aboitiz brought the case to the Supreme Court.

Issues:

1. Whether ICNA has a cause of action against Aboitiz based on the right of subrogation.
2. Whether ICNA possessed the legal standing to sue, considering it was a foreign corporation.
3. Whether there was proper indorsement of the insurance policy and validity of the subrogation receipt.
4. Whether Aboitiz was liable for the water damage to the shipment.
5. Whether the formal claim filing complied with Article 366 of the Code of Commerce.

Court's Decision:

1. **Right of Subrogation**:

- The Supreme Court held that the right of subrogation accrues upon payment of the insurance claim. ICNA, having compensated the consignee, stepped into the shoes of the consignee (STIP) to claim against Aboitiz.

2. **Legal Standing**:

- The Court noted that a foreign corporation not doing business in the Philippines could sue on isolated transactions. ICNA's claim was treated as such. The CA observed that ICNA Philippines, authorized by ICNA UK, filed the suit.

3. **Policy Indorsement and Subrogation Receipt**:

- The terms of the Open Policy allowed the consignee or its representative to file claims. Accordingly, STIP as the consignee had validly indorsed its rights to ICNA Philippines. The subrogation receipt signed by STIP's representative was valid, bestowing upon ICNA the requisite legal entitlement.

4. **Liability for Damage**:

- The Supreme Court ruled that Aboitiz failed to overturn the presumption of negligence. The shipment's extensive damage, paired with Aboitiz's lack of evidence showing it exercised extraordinary diligence during storage, led to confirmation of the CA's ruling.

5. **Compliance with Notice Requirement**:

- Although formal written notice was delayed, the Supreme Court accepted that phone communication and immediate site inspection by Aboitiz's representative sufficed, going pro hac vice (specific to this case), to fulfill the notice criteria.

Doctrine:

- **Subrogation**: Upon payment of the insurance claim, the insurer is subrogated to the rights of the insured under Article 2207 of the Civil Code, which does not depend on written assignment.

- **Common Carrier Liability**: Presumption of negligence on the part of the carrier arises under Article 1735 of the Civil Code if the goods entrusted for shipping are damaged, unless extraordinary diligence in handling goods is demonstrated.

Class Notes:

1. **Subrogation (Art. 2207, Civil Code)**: Insurer steps into shoes of the insured upon payment.

- Application: Payment creates the right; no need for written assignment.
- 2. ****Common Carrier Duty (Art. 1735, Civil Code)****: Presumption of fault in cargo damage cases.
- Application: Carriers must prove extraordinary diligence to refute presumption.
- 3. ****Notice of Claim (Art. 366, Code of Commerce)****: Claims must be filed within 24 hours for concealed damages.
- Application: Practical, reasonable construction, allowing for circumstances that demonstrate substantial compliance.

Historical Background:

- The case reflects significant principles in maritime shipping insurance, the responsibilities of common carriers, and the rights granted under subrogation. It underscores the procedural and substantive intricacies in cross-border commercial litigations, particularly involving foreign entities navigating domestic judicial frameworks. The adjudication emphasizes substantive equity and practical interpretation of procedural norms in commercial transactions.