

Title:

Makati Tuscany Condominium Corporation v. Court of Appeals and American Home Assurance Co., G.R. No. 95546, October 2, 1992

Facts:

1. **Initial Policy**:

- **March 1, 1982 - March 1, 1983**: American Home Assurance Co. (AHAC) issued Insurance Policy No. AH-CPP-9210452 to Makati Tuscany Condominium Corporation (TUSCANY) with a premium of P466,103.05 paid in installments on 12 March 1982, 20 May 1982, 21 June 1982, and 16 November 1982. All payments were accepted by AHAC.

2. **First Renewal**:

- **March 1, 1983 - March 1, 1984**: AHAC renewed the policy by issuing Insurance Policy No. AH-CPP-9210596. Premiums continued to be paid in installments and accepted by AHAC on 13 April 1983, 13 July 1983, 3 August 1983, 9 September 1983, and 21 November 1983.

3. **Second Renewal**:

- **March 1, 1984 - March 1, 1985**: AHAC issued Insurance Policy No. AH-CPP-9210651. Initially, two installment payments were made and accepted on 6 February 1984 (P52,000.00) and 6 June 1984 (P100,000.00).

4. **Dispute**:

- TUSCANY refused to pay the remaining balance of P314,103.05 for the 1984-1985 policy. AHAC filed a lawsuit to recover the unpaid amount.

5. **Trial Court**:

- Both parties moved for summary judgment. The trial court ruled that AHAC could not demand the unpaid balance after the policy expired. The court also dismissed TUSCANY's counterclaim for the refund of premiums paid.

6. **Court of Appeals**:

- The appellate court modified the trial court's decision, ordering TUSCANY to pay the balance of P314,103.05 plus legal interest and affirmed the dismissal of the counterclaim.

Issues:

1. **Validity of Insurance Policies**:

- Does payment by installments invalidate the insurance policies under Section 77 of the

Insurance Code?

2. **Estoppel**:

- Whether the acceptance of installments by AHAC precludes it from denying the validity of the insurance policies?

Court's Decision:

1. **Validity of Insurance Policies**:

- The Supreme Court ruled that the policies are valid notwithstanding the payment of premiums in installments because the parties intended the policies to be binding and effective. AHAC's consistent acceptance of installment payments over the years further indicated mutual agreement to such terms. Section 77 of the Insurance Code is interpreted to prevent the agreement of policies being valid without any payment, but it does not prevent installment agreements if the payment has been acknowledged.

2. **Estoppel**:

- By consistently accepting installments, AHAC is estopped from contesting the validity of the policies. Basic equity and fairness prevent the insurer from collecting premiums and later denying coverage. The insurer's acknowledgment of partial payments and not objecting to the installment method implies that the policies are mutually understood to be binding.

Doctrine:

- **Payment of Premiums (Section 77, Insurance Code)**:

- Policies are invalid without the payment of premiums, but an insurer can waive prepayment and accept installment payments, making the contract valid significantly.

- **Estoppel**:

- Acceptance of partial payments creates an estoppel preventing the insurer from denying coverage participated by accepting premium installments.

Class Notes:

- **Section 77, Insurance Code**:

- "An insurer is entitled to the payment of the premium as soon as the thing insured becomes exposed to the peril insured against. Prepayment is strictly required."

- **Section 78**:

- "An acknowledgment in a policy that premium has been paid is conclusive evidence of its

payment in so far as to make the policy binding.”

- ****Principles of Estoppel****:

- Continuation of a behavior that implies agreement to terms (installment payments) prevents a party from later contradicting those terms.

Historical Background:

- The insurance code functions to ensure insurers do not cover risks without receiving payment. This case’s context is rooted in applying traditional contract doctrines of fairness and reciprocal obligations within the usual rigid requisites of prepayment stipulated by insurance code provisions.

Summary:

The case emphasized the balance between statutory stipulations on insurance premium payments and practical, mutual arrangements between insurers and the insured, thereby reinforcing the application of estoppel and contract validity principles in special contexts.