

EAGLE STAR INSURANCE CO., LTD., KURR STEAMSHIP CO., INC., ROOSEVELT STEAMSHIP AGENCY, INC., AND LEIF HOEGH & COMPANY, A/S., PETITIONERS VS. CHIA YU, RESPONDENT.*G.R. No. L-5915. March 31, 1955*

Ponente: REYES, A., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/28bb08299d09/>**REYES, A., J.:**

On January 15, 1946, Atkins, Kroll & Co., loaded on the S. S. Roeph Silverlight owned and operated by Leigh Hoegh & Co., A/S, of San Francisco, California, 14 bales of assorted underwear valued at P8,085.23 consigned to Chia Yu in the City of Manila. The shipment was insured against all risks by Eagle Star Ins. Co. of San Francisco, California, under a policy issued to the shipper and by the latter assigned to the consignee. The vessel arrived in Manila on February 10, 1946, and on March 4 started discharging its cargo into the custody of the Manila Terminal Co., Inc., which was then operating the arrastre service for the Bureau of Customs. But of the 14 bales consigned to Chia Yu only 10 were delivered to him as the remaining 4 could not be found. Three of those delivered were also found damaged to the extent of 50 per cent.

Chia Yu claimed indemnity for the missing and damaged bales. But the claim was declined, first, by the carrier and afterward by the insurer, whereupon Chia Yu brought the present action against both, including their respective agents in the Philippines. Commenced in the Court of First Instance of Manila on November 16, 1948, or more than two years after delivery of the damaged bales and the date when the missing bales should have been delivered, the action was resisted by the defendants principally on the ground of prescription. But the trial court found for plaintiff and rendered judgment in his favor for the sum claimed plus legal interest and costs. The judgment was affirmed by the Court of Appeals, and the case is now before us on appeal by certiorari.

Except for the controversy as to the amount for which the carrier could be held liable under the terms of the bill of lading, the only question presented for determination is whether plaintiff's action has prescribed.

On the part of the carrier the defense of prescription is made to rest on the following stipulation of the bill of lading:

"In any event the carrier and the ship shall be discharged from all liability in respect of loss or damage unless suit is brought within one year after the delivery of the goods or the date when the goods should have been delivered."

The stipulation is but a repetition of a provision contained in section 3(6) of the United States Carriage of Goods by Sea, Act of 1936, which was adopted and made applicable to the Philippines by Commonwealth Act 65 and by express agreement incorporated by reference in the bill of lading. Following our decision in *Chua Kuy vs. Everett Steamship Corporation*,^[1] G. R. No. L-5554 (May 27, 1953) and in *E. E. Elser, Inc., et al., vs. Court of Appeals, et al.*,^[2] G. R. No. L-6517 (November 29, 1954) giving force and effect to this kind of stipulation in bills of lading covering shipments from the United States to the Philippines, we have to hold that plaintiff's failure to bring his action "within one year after the delivery of the goods or the date when the goods should have been

delivered" discharged the carrier from all liability. This dispenses with the necessity of deciding how much could be recovered from the carrier¹ under the terms of the bill of lading.

The case for the insurer stands on a different footing, for its claim of prescription is founded upon the terms of the policy and not upon the bill of lading. Under our law the time limit for bringing a civil action upon a written contract is ten years after the right of action accrues. (Sec. 43, Act 190; Art. 1144, New Civil Code.) But counsel for the insurer claim that this statutory limitation must yield to the following stipulation in the policy:

"No suit or action on this Policy, for the recovery of any claim, shall be sustainable in any Court of law or equity unless the insured shall have fully complied with all the terms and conditions of this Policy nor unless commenced within twelve (12) months next after the happening of the loss * * *"

To this we cannot agree.

In the case of *E. Macias & Co. vs. China Fire Insurance & Co., Ltd., et al.*, 46 Phil. 345, relied upon by the insurer, this Court held that a clause in an insurance policy providing that an action upon the policy by the insured must be brought within a certain time is, if reasonable, valid and will prevail over statutory limitations of the action. That decision, however, was rendered before the passage of Act 4101, which amended the Insurance Act by inserting the following section in chapter one thereof:

"Sec. 61-A. Any condition, stipulation or agreement in any policy of insurance, limiting the time for commencing an action thereunder to a period of less than one year from the time when the cause of action accrues, is void."

As "matters respecting a remedy, such as the bringing of suit, admissibility of evidence, and statute of limitations, depend upon the law of the place where the suit is brought" (*Insular Government vs. Frank*, 13 Phil. 236), any policy clause repugnant to this amendment to the Insurance Act cannot be given effect in an action in our courts.

Examining the policy sued upon in the present case, we find that its prescriptive clause, if given effect in accordance with the terms of the policy, would reduce the period allowed the insured for bringing his action to less than one year. This is so because the said clause makes the prescriptive period begin from the happening of the loss and at the same time provides that no suit on the policy shall be sustainable in any court unless the insured shall have first fully complied with all the terms and conditions of the policy, among them that which requires that, as soon as the loss is determined, written claim therefor be filed with the carrier and that the letter to the carrier and the latter's reply should be attached to the claim papers to be sent to the insurer. It is obvious that compliance with this condition precedent will necessarily consume time and thus shorten the period for bringing suit to less than one year if the period is to begin, as stated in the policy, from "the happening of the loss." Being contrary to the law of the forum, such stipulation cannot be given effect.

It may perhaps be suggested that the policy clause relied on by the insurer for defeating plaintiff's action should be given the construction that would harmonize it with section 61-A of the Insurance Act by taking; it to mean that the time given the insured for bringing his suit is twelve months after the cause of action accrues. But the question then would be: When did the cause of action accrue? On that "question we agree with the court below that plaintiff's cause of action did not accrue until his claim was finally rejected by the insurance company. This is because, before such final rejection, there was no real necessity for bringing suit. As the policy provides that the insured should file his claim, first, with the carrier and then with the insurer, he had a right to wait for his claim to be finally decided before going to court. The law does not encourage unnecessary litigation.

At this juncture it should be explained that while the decision of the Court of Appeals states that the claim against the insurance company "was finally rejected on April 22, 1947, as correctly concluded by the court below," it is

obvious from the context and we find it to be a fact that the date meant was April 22, 1948, for this was the date when, according to the finding of the trial court, the insurance company in London rejected the claim. The trial court's decision says:

'On September 21, 1946, after Roosevelt Steamship Agency, Inc., and Manila Terminal Co., Inc. denied plaintiff's claim, a formal insurance claim was filed with Kerr & Co., Ltd., local agents of Eagle Star Insurance Co., Ltd. (Exh. L.) Kerr & Co., Ltd. referred the insurance claim to Eagle Star Insurance Co., Ltd. in London, but the latter, after insistent requests of plaintiff for action, rejected the claim on April 22, 1948, giving as its reason the lapse of the expiry day of the risks covered by the policy and returned the claim documents only in August of 1948." (pp. 87-88, Record on Appeal.)

Furthermore, there is nothing in the record to show that the claim was rejected in the year 1947, either by the insurance company in London or its settling agents in the Philippines, while on the other hand defendant's own Exhibit L-1 is indisputable proof that it was on "22nd April 1948" that the settling agents informed the claimant "that after due and careful consideration, our Principals confirm our declination of this claim." It not appearing that the settling agents' decisions on claims against their principals were not subject to reversal or modification by the latter, while on the contrary the insurance policy expressly stipulates, under the heading "Important Notice" that the said agents "have authority to certify only as to the nature, cause and extent of the damage," and it furthermore appearing that a reiteration of plaintiff's claim was made to the principals and the latter gave it due course since only "after due and careful consideration" did they confirm the action taken by the agents, we conclude that, for the purposes of the present action, we should consider plaintiff's claim to have been finally rejected by the insurer on April 22, 1948. Having been filed within twelve months from that date, the action cannot be deemed to have prescribed even on the supposition that the period given the insured for bringing suit under the prescriptive clause of the policy is twelve months after the accrual of the cause of action.

In concluding, we may state that contractual limitations contained in insurance policies are regarded with extreme jealousy by courts and will be strictly construed against the insurer and should not be permitted to prevent a recovery when their just and honest application would not produce that result. (46 C. J. S. 273.)

Wherefore, the judgment appealed from is reversed with respect to the carrier and its agents but affirmed with respect to the insurance company and its agents, with costs against the latter.

Pablo, Bengzon, Padilla, Jugo, Bautista Angelo, Concepcion and Reyes, J.B.L., JJ., concur.

Judgment reversed.

[1] 193 Phil., 207.

[2] *Supra*, p. 264.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.