

**PIONEER INSURANCE AND SURETY CORPORATION, PETITIONER, VS.
THE HONORABLE WILLELMO C. FORTUN, PRESIDING JUDGE,
COURT OF FIRST INSTANCE OF PANGASINAN, LINGAYEN BRANCH I,
ASUNCION T...**

G.R. No. L-44959. April 15, 1987

Ponente: NARVASA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/46f49ecf98f2/>

NARVASA, J.:

Petitioner seeks a review of the decision of the respondent Judge rendered on August 19, 1976 in Civil Case No. 15176 of his Court, as modified by his order dated August 24, 1976. The basic issue concerns the nature and extent of the liability of a statutory receiver appointed for an insurance corporation under the Insurance Code, as regards policies issued by the corporation.

The facts are not in dispute.

On October 16, 1973, the Spouses Ong, private respondents herein, owners of the Viscount Restaurant in Lingayen, Pangasinan, insured themselves with petitioner Overseas Insurance Corporation (OIC) against any liability, not exceeding P15,000.00 per employee, that might be adjudged against them by the Workmen's Compensation by reason of injury and/or death of any of their employees in said establishment. To that end, OIC issued to them Policy No. WC-1714 effective from October 16, 1973 to October 16, 1974.[1] The policy provided, among other things, that:

"If at any time during the Period of Insurance any Employee shall sustain personal injury by accident arising out of and in the course of his employment by the Insured in the Business or shall contract any illness or disease caused by such employment or as the result of the nature of such employment and if the Insured shall be liable to pay compensation or damages for such illness or disease under the Laws set out in the Schedule then subject to the terms exceptions conditions and Limits of Liability contained herein or endorsed hereon the Company will indemnify the Insured against all sums for which the Insured shall be so liable and will in addition be responsible for all costs and expenses incurred with its consent in defending any claim for such compensation or damages." [2]

On May 18, 1973, the policy being then in force, Soledad Saura, a waitress employed by the Ongs in the Viscount Restaurant and covered by the policy, died of illness. Her heirs filed against the Ongs and OIC a compensation claim for her death with the Department of Labor, Regional Office No. 1 in Dagupan City. That Office, through the Chief, Workmen's Compensation Unit, found that Soledad had died from an illness contracted in the course of her employment, and on July 23, 1974 handed down an award of P6,000.00 in favor of her heirs, and P61.00 payable to the Workmen's Compensation Commission in fees.[3]

OIC having refused, despite demand, to pay the amounts awarded, the Spouses Ong sued it in the Court of First Instance to compel payment and to recover moral damages, attorney's fees and costs allegedly consequent upon that refusal to pay.[4] OIC's answer alleged in the main that the complaint stated no cause of action because the

plaintiffs, the Ongs, had not yet paid the award to the deceased employee's heirs, and hence had sustained no loss; and that when the complaint was filed, OIC was already under receivership, with Pioneer Insurance and Surety Corporation (petitioner herein) as the statutory receiver, appointed by the Insurance Commissioner pursuant to the Insurance Code (PD 612).[5]

The Ongs thereafter amended their complaint to include Pioneer Insurance and Surety Corporation (hereafter simply, Pioneer) as additional defendant.[6]

On August 19, 1976, the respondent Judge rendered judgment, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs, ordering defendant OIC to pay to plaintiffs the sum of P6,000.00 as adjudged by the WCC to pay plaintiffs' liabilities to the heirs of the deceased Soledad Saura, plus the sum of P61.00 as payment to WCC, plus P1,000.00 as attorney's fees, and costs of suit. Defendant PISC is absolved from liability." [7]

Five days later, on August 24, 1976, apparently, and for all that the record shows, *motu proprio*, the Judge issued an order declaring that he had erred in absolving Pioneer from liability and modifying the judgment thus:

"WHEREFORE, the dispositive portion of said Decision of August 19, 1976, is hereby amended to read as follows:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs, ordering defendant OIC to pay to plaintiffs the sums of P6,000.00 as adjudged by the WCC to pay plaintiffs' liabilities to the heirs of the deceased Soledad Saura, plus the sum of P61.00 as payment to WCC, plus P1,000.00 as attorney's fees and costs of suit. Defendant PISC, Statutory Receiver of OIC, is ordered to pay to plaintiffs said amounts in the event that OIC fails to make such payments." [8]

From this decision, as modified, Pioneer seasonably perfected an appeal, purely on questions of law; and in this Court, it ascribes two errors to the respondent Judge, namely: (1) in pronouncing it subsidiarily liable for the Ongs' claim for payment on their insurance policy; and (2) in not dismissing the Ongs' amended complaint on the ground that, as receiver appointed under the Insurance Code, it is exempted by Section 251 thereof from "any action, claim or demand by, or liability to, any person in respect to anything done or omitted to be done in good faith in the exercise, or in connection with the exercise, of the powers conferred upon it."

It is immediately evident, without having to distinguish, as petitioner does, between a statutory receivership under the Insurance Code and one judicially instituted under Rule 59 of the Rules of Court, that the first error assigned by petitioner Pioneer is well taken. The fact is that the event giving rise to the Ongs' claim against OIC — the requirement by the Workmen's Compensation Commission that they (the Ongs) pay death benefits to the heirs of Soledad Saura — antedated the appointment of petitioner as OIC's receiver by almost a year.[9] Plainly then, petitioner was a complete stranger to this award of death benefits, or the insurance contract insuring the Ongs' liability therefor, or any of the events giving rise to the Ongs' claim against OIC. Petitioner cannot therefore be held liable upon such a claim, even in a subsidiary capacity.

Res inter alios acta alteri nocere non debet.

"Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent." [10]

Since the amended judgment clearly makes petitioner liable, on its own account, for the Ongs' claim under the policy issued to it by OIC in the event that the latter fail to pay the same, it is to that extent erroneous and must be reversed.

Upon the other assigned error, this Court is of the view that the provisions of the Insurance Code to the effect that:

"The receiver or the liquidator, as the case may be, designated under the provisions of this title, shall not be subject to any action, claim or demand by, or liability to, any person in respect to anything done or omitted to be done in good faith in the exercise, or in connection with the exercise, of the powers conferred on such receiver or liquidator." [11]

cannot be construed to prohibit suits being brought against a receiver in his or its representative capacity, as custodian and manager of the funds and property of the person or firm under receivership. To do so would work inequity and injustice upon parties with just claims against the latter and leave them without remedy to pursue and recover on their claims. Correctly read, the exemption applies only with reference to acts done or left undone in good faith by the receiver in the discharge of the receivership. It does not apply to actions brought upon claims against the person or property under receivership and not, in any event, upon claims which matured before the receivership was established. The petitioner was, therefore, properly impleaded; otherwise, the private respondents could not recover upon their claim while the receivership existed.

Shorn of the objectionable amendment, but with petitioner remaining in the action in a representative capacity, or as receiver of the real party in interest, Overseas Insurance Corporation, the judgment may be satisfied from any available funds or assets of the latter under the custody and control of the petitioner.

WHEREFORE, the petition is granted. The questioned order of August 24, 1976 of the respondent Judge is set aside, and the earlier decision of August 19, 1976 that it purports to amend is reinstated in toto. Said decision may be satisfied from any available assets of OIC in the custody of Pioneer as receiver. No pronouncement as to costs.

SO ORDERED.

Yap, (Chairman), Melencio-Herrera, Cruz, Feliciano, Gancayco, and Sarmiento, JJ., concur.

[1] P. 88, Rollo.

[2] P. 93, Rollo.

[3] Rollo, pp. 88-89.

[4] Annex A, petition.

[5] Annex B, petition.

[6] Annexes D, H, I and N, petition: Rollo, pp. 41-45, 53-58, 61-70, and 78.

[7] Rollo, p. 93.

[8] Rollo, p. 94.

[9] Petitioner was named receiver on April 18, 1975 (Exh. 1, rollo, p. 81); the award of death benefits by the WCC was made on July 23, 1974 (See footnote 3, supra).

[10] Art. 1311, first paragraph, Civil Code.

[11] Sec. 251, P.D. No. 612, consolidated into the Insurance Code of 1978 by P.D. No. 1460.

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.