

**JAMES STOKES, AS ATTORNEY-IN-FACT OF DANIEL STEPHEN ADOLFSON AND DANIEL STEPHEN ADOLFSON,
PLAINTIFFS-APPELLEES, VS. MALAYAN INSURANCE CO., INC.,
DEFENDANT-APPELLANT.**

G.R. No. L-34768. February 24, 1984

Ponente: PLANA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/77cee6bfc51b/>

PLANA, J.:

This is an appeal by Malayan Insurance Company, Inc. (MALAYAN) from a decision of Court of First Instance of Manila ordering it to pay the insured under a car insurance policy issued by MALAYAN to Daniel Stephen Adolfson against own damage as well as third party liability.

The facts are not in dispute. Adolfson had a subsisting MALAYAN car insurance policy with the above coverage on November 23, 1969 when his car collided with a car owned by Cesar Poblete, resulting in damage to both vehicles. At the time of the accident, Adolfson's car was being driven by James Stokes, who was authorized to do so by Adolfson. Stokes, an Irish citizen who had been in the Philippines as a tourist for more than ninety days, had a valid and subsisting Irish driver's License but without a Philippine driver's license.

After the collision, Adolfson filed a claim with MALAYAN but the latter refused to pay, contending that Stokes was not an authorized driver under the "Authorized Driver" clause of the insurance policy in relation to Section 21 of the Land Transportation and Traffic Code.

Under the insurance policy, "authorized driver" refers to –

"(a) The insured

"(b) Any person driving on the insured's order or with his permission.

"PROVIDED that the person driving is permitted in accordance with the licensing or other laws or regulations to drive the motor vehicle and is not disqualified from driving such motor vehicle by order of a court of law or by reason of any enactment or regulation in that behalf."

The cited Section 21 of the Land Transportation and Traffic Code provides:

"Operation of motor vehicles by tourists. - Bona fide tourists and similar transients who are duly licensed to operate motor vehicles in their respective countries may be allowed to operate motor vehicles during but not after ninety days of then sojourn in the Philippines.

x x x x

"After ninety days, any tourist or transient desiring to operate motor vehicles shall pay fees and obtain and carry a license as hereinafter pro-vided." (*Italics supplied.*)

Unable to convince MALAYAN to pay, Stokes and Adolfson brought suit before the Court of First Instance of

Manila and succeeded in getting a favorable judgment, although Stokes had ceased to be authorized to drive a motor vehicle in the Philippines at the time of the accident, he having stayed therein as a tourist for over 90 days without having obtained a Philippine driver's license. The Court held that Stokes' lack of a Philippine driver's license was not fatal to the enforcement of the insurance policy; and that MALAYAN was estopped from denying liability under the insurance policy because it accepted premium payment made by the insured one day after the accident. It said:

"Defendant cannot evade liability under the policy by virtue of the above provision of the Land Transportation and Traffic Code. This is an insurance case. The basis of insurance contracts is good faith and trust between the insurer and the insured. The matter of the failure on the part of Stokes to have a Philippine driver's license is not such a defect that can be considered as fatal to the contract of insurance, because the fact is that Stokes still had a valid and unexpired Irish license. As a matter of fact, the traffic officer who investigated the incident gave Stokes a traffic violation receipt and not a ticket for driving without license.

"Then the Court believes that defendant is in estoppel in this case because it allowed the plaintiff to pay the insurance premium even after the accident occurred. Admitting for the sake of argument that there was a violation of the terms of the policy before the incident, the admission or acceptance by the insurance company of the premium should be considered as a waiver on its part to contest the claim of the plaintiffs."

In this appeal, the two issues resolved by the court a quo are raised anew. We find the appeal meritorious.

1. A contract of insurance is a contract of indemnity upon the terms and conditions specified therein. When the insurer is called upon to pay in case of loss or damage, he has the right to insist upon compliance with the terms of the contract. If the insured cannot bring himself within the terms and conditions of the contract, he is not entitled as a rule to recover for the loss or damage suffered. For the terms of the contract constitute the measure of the insurer's liability, and compliance therewith is a condition precedent to the right of recovery. (Young vs. Midland Textile Insurance Co., 30 Phil. 617.)

Under the "authorized driver" clause, an authorized driver must not only be permitted to drive by the insured. It is also essential that he is permitted under the law and regulations to drive the motor vehicle and is not disqualified from so doing under any enactment or regulation.

At the time of the accident, Stokes had been in the Philippines for more than 90 days. Hence, under the law, he could not drive a motor vehicle without a Philippine driver's license. He was therefore not an "authorized driver" under the terms of the insurance policy in question, and MALAYAN was right in denying the claim of the insured.

2. Acceptance of premium within the stipulated period for payment thereof, including the agreed period of grace, merely assures continued effectivity of the insurance policy in accordance with its terms. Such acceptance does not estop the insurer from interposing any valid defense under the terms of the insurance policy.

The principle of estoppel is an equitable principle rooted upon natural justice which prevents a person from going back on his own acts and representations to the prejudice of another whom he has led to rely upon them. The principle does not apply to the instant case. In accepting the premium payment of the insured, MALAYAN was not guilty of any inequitable act or representation. There is nothing inconsistent between acceptance of premium due under an insurance policy and the enforcement of its terms.

WHEREFORE, the appealed judgment is reversed. The complaint is dismissed. Costs against the appellees.

SO ORDERED.

Teehankee, (Chairman), Melencio-Herrera, Relova, and Gutierrez, Jr., JJ., concur.

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.