

PACIFIC TIMBER EXPORT CORPORATION, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND WORKMEN'S INSURANCE COMPANY, INC., RESPONDENTS.

G.R. No. L-38613. February 25, 1982

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/7f14022ffb6b/>

DE CASTRO, J.:*

This petition seeks the review of the decision of the Court of Appeals reversing the decision of the Court of First Instance of Manila in favor of petitioner and against private respondent which ordered the latter to pay the sum of P11,042.04 with interest at the rate of 12% from receipt of notice of loss on April 15, 1963 up to the complete payment, the sum of P3,000.00 as attorney's fees and the costs[1] thereby dismissing petitioner's complaint with costs.[2]

The findings of fact of the Court of Appeals, which are generally binding upon this Court, except as shall be indicated in the discussion of the opinion of this Court the substantial correctness of such particular finding having been disputed, thereby raising a question of law reviewable by this Court[3] are as follows:

"On March 19, 1963, the plaintiff secured temporary insurance from the defendant for its exportation of 1,250,000 board feet of Philippine Lauan and Apitong logs to be shipped from the Diapitan Bay, Quezon Province to Okinawa and Tokyo, Japan. The defendant issued on said date Cover Note No. 1010, insuring the said cargo of the plaintiff "Subject to the Terms and Conditions of the WORKMEN'S INSURANCE COMPANY, INC. printed Marine Policy form as filed with and approved by the Office of the Insurance Commissioner" (Exhibit A).

"The regular marine cargo policies were issued by the defendant in favor of the plaintiff on April 2, 1963. The two marine policies bore the numbers 53 HO 1032 and 53 HO 1033 (Exhibits B and C, respectively). Policy No. 53 HO 1032 (Exhibit B) was for 542 pieces of logs equivalent to 499,950 board feet. Policy No. 53 HO 1033 was for 853 pieces of logs equivalent to 695,548 board feet (Exhibit C). The total cargo insured under the two marine policies accordingly consisted of 1,395 logs, or the equivalent of 1,195,498 bd. ft.

"After the issuance of Cover Note No. 1010 (Exhibit A), but before the issuance of the two marine policies Nos. 53 HO 1032 and 53 HO 1033, some of the logs intended to be exported were lost during loading operations in the Diapitan Bay. The logs were to be loaded on the 'SS Woodlock' which docked about 500 meters from the shoreline of the Diapitan Bay. The logs were taken from the log pond of the plaintiff and from which they were towed in rafts to the vessel. At about 10:00 o'clock a.m. on March 29, 1963, while the logs were alongside the vessel, bad weather developed resulting in 75 pieces of logs which were rafted together to break loose from each other. 45 pieces of logs were salvaged, but 30 pieces were verified to have been lost or washed away as a result of the accident.

"In a letter dated April 4, 1963, the plaintiff informed the defendant about the loss of 'approximately 32 pieces of logs' during loading of the 'SS Woodlock'. The said letter (Exhibit F) reads as follows:

'April 4, 1963

Workmen's Insurance Company, Inc.
Manila, Philippines

Gentlemen:

This has reference to Insurance Cover Note No. 1010 for shipment of 1,250,000 bd. ft., Philippine Lauan and Apitong Logs. We would like to inform you that we have received advance preliminary report from our Office in Diapitan, Quezon that we have lost approximately 32 pieces of logs during loading of the S.S. Woodlock.

We will send you an accurate report all the details including values as soon as same will be reported to us.

Thank you for your attention, we wish to remain.

Very respectfully yours,
PACIFIC TIMBER EXPORT
CORPORATION

(Sgd). EMMANUEL S. ATILANO

Asst. General Manager.'

"Although dated April 4, 1963, the letter was received in the office of the defendant only on April 15, 1963, as shown by the stamp impression appearing on the left bottom corner of said letter. The plaintiff subsequently submitted a 'Claim Statement' demanding payment of the loss under Policies Nos. 53 HO 1032 and 53 HO 1033, in the total amount of P19,286.79 (Exhibit G).

"On July 17, 1963, the defendant requested the First Philippine Adjustment Corporation to inspect the loss and assess the damage. The adjustment company submitted its 'Report' on August 23, 1963 (Exhibit H). In said report, the adjuster found that 'the loss of 30 pieces of logs is not covered by Policies Nos. 53 HO 1032 and 1033 inasmuch as said policies covered the actual number of logs loaded on board the 'SS Woodlock'. However, the loss of 30 pieces of logs is within the 1,250,000 bd. ft. covered by Cover Note No. 1010 insured for \$70,000.00.

"On September 14, 1963, the adjustment company submitted a computation of the defendant's probable liability on the loss sustained by the shipment, in the total amount of P11,042.04 (Exhibit 4).

"On January 13, 1964, the defendant wrote the plaintiff denying the latter's claim, on the ground that defendant's investigation revealed that the entire shipment of logs covered by the two marines policies No. 53 HO 1032 and 53 HO 1033 were received in good order at their point of destination. It was further stated that the said loss may not be considered as covered under Cover Note No. 1010 because the said Note had become 'null and void by virtue of the issuance of Marine Policy Nos. 53 HO 1032 and 1033' (Exhibit J-1). The denial of the claim by the defendant was brought by the plaintiff to the attention of the Insurance Commissioner by means of a letter dated March 21, 1964 (Exhibit K). In a reply letter dated March 30, 1964, Insurance Commissioner Francisco Y. Mandanas observed that 'it is only fair and equitable to indemnify the insured under Cover Note No. 1010', and advised early settlement of the said marine loss and salvage claim (Exhibit L).

"On June 26, 1964, the defendant informed the Insurance Commissioner that, on advice of their attorneys, the claim of the plaintiff is being denied on the ground that the cover note is null and void for lack of valuable consideration (Exhibit M)."[4]

Petitioner assigned as errors of the Court of Appeals, the following:

I

"THE COURT OF APPEALS ERRED IN HOLDING THAT THE COVER NOTE WAS NULL AND VOID

FOR LACK OF VALUABLE CONSIDERATION BECAUSE THE COURT DISREGARDED THE PROVEN FACTS THAT PREMIUMS FOR THE COMPREHENSIVE INSURANCE COVERAGE THAT INCLUDED THE COVER NOTE WAS PAID BY PETITIONER AND THAT NO SEPARATE PRE-MIUMS ARE COLLECTED BY PRIVATE RESPONDENT ON ALL ITS COVER NOTES.

II

"THE COURT OF APPEALS ERRED IN HOLDING THAT PRIVATE RESPONDENT WAS RELEASED FROM LIABILITY UNDER THE COVER NOTE DUE TO UN-REASONABLE DELAY IN GIVING NOTICE OF LOSS BECAUSE THE COURT DISREGARDED THE PROVEN FACT THAT PRIVATE RESPONDENT DID NOT PROMPTLY AND SPECIFICALLY OBJECT TO THE CLAIM ON THE GROUND OF DELAY IN GIVING NOTICE OF LOSS AND, CONSEQUENTLY, OBJECTIONS ON THAT GROUND ARE WAIVED UNDER SECTION 84 OF THE INSURANCE ACT."[5]

1. Petitioner contends that the Cover Note was issued with a consideration when, by express stipulation, the cover note is made subject to the terms and conditions of the marine policies, and the payment of premiums is one of the terms of the policies. From this undisputed fact, We uphold petitioner's submission that the Cover Note was not without consideration for which the respondent court held the Cover Note as null and void, and denied recovery therefrom. The fact that no separate premium was paid on the Cover Note before the loss insured against occurred, does not militate against the validity of petitioner's contention, for no such pre-mium could have been paid, since by the nature of the Cover Note, it did not contain, as all Cover Notes do not contain particulars of the shipment that would serve as basis for the computation of the premiums. As a logical consequence, no separate premiums are intended or required to be paid on a Cover Note. This is a fact admitted by an official of respondent company, Juan Jose Camacho, in charge of issuing cover notes of the respondent company (p. 33, tsn, September 24, 1965).

At any rate, it is not disputed that petitioner paid in full all the premiums as called for by the statement issued by private respondent after the issuance of the two regular marine insurance policies, thereby leaving no account unpaid by petitioner due on the insurance coverage, which must be deemed to include the Cover Note. If the Note is to be treated as a separate policy instead of integrating it to the regular policies subsequently issued, the purpose and function of the Cover Note would be set at naught or rendered meaningless, for it is in a real sense a contract, not a mere application for insurance which is a mere offer.[6]

It may be true that the marine insurance policies issued were for logs no longer including those which had been lost during loading operations. This had to be so because the risk insured against is not for loss during loading operations anymore, but for loss during transit, the logs having already been safely placed aboard. This would make no difference, however, insofar as the liability on the cover note is concerned, for the number or volume of logs lost can be determined independently, as in fact it had been so ascertained at the instance of private respondent itself when it sent its own adjuster to investigate and assess the loss, after the issuance of the marine insurance policies.

The adjuster went as far as submitting his report to respondent, as well as its computation of respondent's liability on the insurance coverage. This coverage could not have been no other than what was stipulated in the Cover Note, for no loss or damage had to be assessed on the coverage arising from the marine insurance policies. For obvious reasons, it was not necessary to ask petitioner to pay pre-mium on the Cover Note, for the loss insured against having already occurred, the more practical procedure is simply to deduct the pre-mium from the amount due the petitioner on the Cover Note. The non-payment of premium on the Cover Note is, therefore, no cause for the petitioner to lose what is due it as if there had been payment of premium, for non-payment by it was not chargeable against its fault. Had all the logs been lost during the loading operations, but after the issuance of the

Cover Note, liability on the note would have already arisen even before payment of premium. This is how the cover note as a "binder" should legally operate; otherwise, it would serve no practical purpose in the realm of commerce, and is supported by the doctrine that where a policy is delivered without requiring payment of the premium, the presumption is that a credit was intended and policy is valid.[7]

2. The defense of delay as raised by private respondent in resisting the claim cannot be sustained. The law requires this ground of delay to be promptly and specifically asserted when a claim on the insurance agreement is made. The undisputed facts show that instead of invoking the ground of delay in objecting to petitioner's claim of recovery on the cover note, it took steps clearly indicative that this particular ground for objection to the claim was never in its mind. The nature of this specific ground for resisting a claim places the insurer on duty to inquire when the loss took place, so that it could determine whether delay would be a valid ground upon which to object to a claim against it.

As already stated earlier, private respondent's reaction upon receipt of the notice of loss, which was on April 15, 1963, was to set in motion from July 1963 what would be necessary to determine the cause and extent of the loss, with a view to the payment thereof on the insurance agreement. Thus it sent its adjuster to investigate and assess the loss in July, 1963. The adjuster submitted his report on August 23, 1963 and his computation of respondent's liability on September 14, 1963. From April 15, 1963 to July, 1963, enough time was available for private respondent to determine if petitioner was guilty of delay in communicating the loss to respondent company. In the proceedings that took place later in the Office of the Insurance Commissioner, private respondent should then have raised this ground of delay to avoid liability. It did not do so. It must be because it did not find any delay, as this Court fails to find a real and substantial sign thereof. But even on the assumption that there was delay, this Court is satisfied and convinced that as expressly provided by law, waiver can successfully be raised against private respondent. Thus Section 84 of the Insurance Act provides:

"Section 84. - Delay in the presentation to an insurer of notice or proof of loss is waived if caused by any act of his or if he omits to take objection promptly and specifically upon that ground."

From what has been said, We find duly substantiated petitioner's assignments of error.

ACCORDINGLY, the appealed decision is set aside and the decision of the Court of First Instance is reinstated in toto with the affirmance of this Court. No special pronouncement as to costs.

SO ORDERED.

Teehankee (Chairman), Makasiar, Fernandez, Guerrero, Melencio-Herrera, and Plana, JJ., concur.

[1] Record on Appeal, pp. 42-43, p. 72, Rollo.

[2] Appendix "A" to Petitioner's Brief, p. 124, Rollo.

[3] Alejandra Cunanan vs. Fidela Nuqui de Lazatin, et al., 74 Phil. 719; Ng Young vs. Ana Villa, et al., 93 Phil. 21.

[4] pp. 7-11, Brief for the Petitioner, p. 124, Rollo.

[5] p. 7, Id., p. 124, Rollo.

[6] 29 Am Jur. p. 596.

[7] Miller vs. Brooklyn L. Inc., Co. (U.S.) 12 Wall, 285, 20 L ed. 39 Am. Jur. New 'Insurance' Sec. 1845, p. 907,

note 2; Sec. 1079, p. 246, note 20.

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.