RIZAL SURETY & INSURANCE COMPANY, PETITIONER, VS. COURT OF APPEALS AND TRANSWORLD KNITTING MILLS, INC., RESPONDENTS.

G.R. No. 112360. July 18, 2000

Ponente: PURISIMA, J.

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PURISIMA, J.:

At bar is a Petition for Review on Certiorari under Rule 45 of the Rules of Court seeking to annul and set aside the July 15, 1993 Decision[1] and October 22, 1993 Resolution[2] of the Court of Appeals[3] in CA-G.R. CV NO. 28779, which modified the Ruling[4] of the Regional Trial Court of Pasig, Branch 161, in Civil Case No. 46106.

The antecedent facts that matter are as follows:

On March 13, 1980, Rizal Surety & Insurance Company (Rizal Insurance) issued Fire Insurance Policy No. 45727 in favor of Transworld Knitting Mills, Inc. (Transworld), initially for One Million (P1,000,000.00) Pesos and eventually increased to One Million Five Hundred Thousand (P1,500,000.00) Pesos, covering the period from August 14, 1980 to March 13, 1981.

Pertinent portions of subject policy on the buildings insured, and location thereof, read:

> "`On stocks of finished and/or unfinished products, raw materials and supplies of every kind and description, the properties of the Insureds and/or held by them in trust, on commission or on joint account with others and/or for which they (sic) responsible in case of loss whilst contained and/or stored during the currency of this Policy in the premises occupied by them forming part of the buildings situate (sic) within own Compound at MAGDALO STREET, BARRIO UGONG, PASIG, METRO MANILA, PHILIPPINES, BLOCK NO. 601.'xxx xxx xxx`Said building of four-span lofty one storey in height with mezzanine portions is constructed of reinforced concrete and hollow blocks and/or concrete under galvanized iron roof and occupied as hosiery mills, garment and lingerie factory, transistor-stereo assembly plant, offices, warehouse and caretaker's quarters.
>
> 'Bounds in front partly by one-storey concrete building under galvanized iron roof occupied as canteen and guardhouse, partly by building of two and partly one storey constructed of concrete below, timber above undergalvanized iron roof occupied as garage and quarters and partly by open space and/or tracking/ packing, beyond which is the aforementioned Magdalo Street; on its right and left by driveway, thence open spaces, and at the rear by open spaces.'"[5]

The same pieces of property insured with the petitioner were also insured with New India Assurance Company, Ltd., (New India).

On January 12, 1981, fire broke out in the compound of Transworld, razing the middle portion of its four-span building and partly gutting the left and right sections thereof. A two-storey building (behind said four-span building) where fun and amusement machines and spare parts were stored, was also destroyed by the fire.

Transworld filed its insurance claims with Rizal Surety & Insurance Company and New India Assurance Company but to no avail.

On May 26, 1982, private respondent brought against the said insurance companies an action for collection of sum of money and damages, docketed as Civil Case No. 46106 before Branch 161 of the then Court of First Instance of Rizal; praying for judgment ordering Rizal Insurance and New India to pay the amount of P2,747, 867.00 plus legal interest, P400,000.00 as attorney's fees, exemplary damages, expenses of litigation of P50,000.00 and costs of suit.[6]

Petitioner Rizal Insurance countered that its fire insurance policy sued upon covered only the contents of the four-span building, which was partly burned, and not the damage caused by the fire on the two-storey annex building.[7]

On January 4, 1990, the trial court rendered its decision; disposing as follows:

> "ACCORDINGLY, judgment is hereby rendered as follows:
>
> (1)Dismissing the case as against The New India Assurance Co., Ltd.;
>
> (2) Ordering defendant Rizal Surety And Insurance Company to pay Transwrold (sic) Knitting Mills, Inc. the amount of P826, 500.00 representing the actual value of the losses suffered by it; and
>
> (3) Cost against defendant Rizal Surety and Insurance Company.
>
> SO ORDERED."[8]

Both the petitioner, Rizal Insurance Company, and private respondent, Transworld Knitting Mills, Inc., went to the Court of Appeals, which came out with its decision of July 15, 1993 under attack, the decretal portion of which reads:

> "WHEREFORE, and upon all the foregoing, the decision of the court below is MODIFIED in that defendant New India Assurance Company has and is hereby required to pay plaintiff-appellant the amount of P1,818,604.19 while the other Rizal Surety has to pay the plaintiff-appellant P470,328.67, based on the actual losses sustained by plaintiff Transworld in the fire, totalling P2,790,376.00 as against the amounts of fire insurance coverages respectively extended by New India in the amount of P5,800,000.00 and Rizal Surety and Insurance Company in the amount of P1,500,000.00.No costs.SO ORDERED."[9]

On August 20, 1993, from the aforesaid judgment of the Court of Appeals New India appealed to this Court theorizing inter alia that the private respondent could not be compensated for the loss of the fun and amusement machines and spare parts stored at the two-storey building because it (Transworld) had no insurable interest in said goods or items.

On February 2, 1994, the Court denied the appeal with finality in G.R. No. L-111118 (New India Assurance Company Ltd. vs. Court of Appeals).

Petitioner Rizal Insurance and private respondent Transworld, interposed a Motion for Reconsideration before the Court of Appeals, and on October 22, 1993, the Court of Appeals reconsidered its decision of July 15, 1993, as regards the imposition of interest, ruling thus:

> "WHEREFORE, the Decision of July 15, 1993 is amended but only insofar as the imposition of legal interest is concerned, that, on the assessment against New India Assurance Company on the amount of P1,818,604.19 and that against Rizal Surety & Insurance Company on the amount of P470,328.67, from May 26, 1982 when the complaint was filed until payment is made. The rest of the said decision is retained in all other respects.SO ORDERED."[10]

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Undaunted, petitioner Rizal Surety & Insurance Company found its way to this Court via the present Petition, contending that:

- SAID DECISION (ANNEX A) ERRED IN ASSUMING THAT THE ANNEX BUILDING WHERE THE BULK OF THE BURNED PROPERTIES WERE STORED, WAS INCLUDED IN THE COVERAGE OF THE INSURANCE POLICY ISSUED BY RIZAL SURETY TO TRANSWORLD.

- SAID DECISION AND RESOLUTION (ANNEXES A AND B) ERRED IN NOT CONSIDERING THE PICTURES (EXHS. 3 TO 7-C-RIZAL SURETY), TAKEN IMMEDIATELY AFTER THE FIRE, WHICH CLEARLY SHOW THAT THE PREMISES OCCUPIED BY TRANSWORLD, WHERE THE INSURED PROPERTIES WERE LOCATED, SUSTAINED PARTIAL DAMAGE ONLY.

- SAID DECISION (ANNEX A) ERRED IN NOT HOLDING THAT TRANSWORLD HAD ACTED IN PALPABLE BAD FAITH AND WITH MALICE IN FILING ITS CLEARLY UNFOUNDED CIVIL ACTION, AND IN NOT ORDERING TRANSWORLD TO PAY TO RIZAL SURETY MORAL AND PUNITIVE DAMAGES (ART. 2205, CIVIL CODE), PLUS ATTORNEY'S FEES AND EXPENSES OF LITIGATION (ART. 2208 PARS. 4 and 11, CIVIL CODE).[11]

The Petition is not impressed with merit.

It is petitioner's submission that the fire insurance policy litigated upon protected only the contents of the main building (four-span),[12] and did not include those stored in the two-storey annex building. On the other hand, the private respondent theorized that the so called "annex" was not an annex but was actually an integral part of the four-span building[13] and therefore, the goods and items stored therein were covered by the same fire insurance policy.

Resolution of the issues posited here hinges on the proper interpretation of the stipulation in subject fire insurance policy regarding its coverage, which reads:

> "xxx contained and/or stored during the currency of this Policy in the premises occupied by them forming part of the buildings situate (sic) within own Compound xxx"

Therefrom, it can be gleaned unerringly that the fire insurance policy in question did not limit its coverage to what were stored in the four-span building. As opined by the trial court of origin, two requirements must concur in order that the said fun and amusement machines and spare parts would be deemed protected by the fire insurance policy under scrutiny, to wit:

> "First, said properties must be contained and/or stored in the areas occupied by Transworld and second, said areas must form part of the building described in the policy xxx"[14]
> 'Said building of four-span lofty one storey in height with mezzanine portions is constructed of reinforced concrete and hollow blocks and/or concrete under galvanized iron roof and occupied as hosiery mills, garment and lingerie factory, transistor-stereo assembly plant, offices, ware house and caretaker's quarter.'

The Court is mindful of the well-entrenched doctrine that factual findings by the Court of Appeals are conclusive on the parties and not reviewable by this Court, and the same carry even more weight when the Court of Appeals has affirmed the findings of fact arrived at by the lower court.[15]

In the case under consideration, both the trial court and the Court of Appeals found that the so called "annex " was not an annex building but an integral and inseparable part of the four-span building described in the policy and consequently, the machines and spare parts stored therein were covered by the fire insurance in dispute. The letter-report of the Manila Adjusters and Surveyor's Company, which petitioner itself cited and invoked, describes

the "annex" building as follows:

> "Two-storey building
> constructed of partly
> timber and partly concrete
> hollow blocks under g.i.
> roof which is adjoining
> and intercommunicating
> with the repair of the
> first right span of the
> lofty storey building and
> thence by property fence
> wall."[16]

Verily, the two-storey building involved, a permanent structure which adjoins and intercommunicates with the "first right span of the lofty storey building",[17] formed part thereof, and meets the requisites for compensability under the fire insurance policy sued upon.

So also, considering that the two-storey building aforementioned was already existing when subject fire insurance policy contract was entered into on January 12, 1981, having been constructed sometime in 1978,[18] petitioner should have specifically excluded the said two-storey building from the coverage of the fire insurance if minded to exclude the same but if did not, and instead, went on to provide that such fire insurance policy covers the products, raw materials and supplies stored within the premises of respondent Transworld which was an integral part of the four-span building occupied by Transworld, knowing fully well the existence of such building adjoining and intercommunicating with the right section of the four-span building.

After a careful study, the Court does not find any basis for disturbing what the lower courts found and arrived at.

Indeed, the stipulation as to the coverage of the fire insurance policy under controversy has created a doubt regarding the portions of the building insured thereby. Article 1377 of the New Civil Code provides:

> "Art.1377. The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity"

Conformably, it stands to reason that the doubt should be resolved against the petitioner, Rizal Surety Insurance Company, whose lawyer or managers drafted the fire insurance policy contract under scrutiny. Citing the aforecited provision of law in point, the Court in Landicho vs. Government Service Insurance System,[19] ruled:

> "This is particularly true as regards insurance policies, in respect of which it is settled that the 'terms in an insurance policy, which are ambiguous, equivocal, or uncertain x x x are to be construed strictly and most strongly against the insurer, and liberally in favor of the insured so as to effect the dominant purpose of indemnity or payment to the insured, especially where forfeiture is involved' (29 Am. Jur., 181), and the reason for this is that the 'insured usually has no voice in the selection or arrangement of the words employed and that the language of the contract is selected with great care and deliberation by experts and legal advisers employed by, and acting exclusively in the interest of, the insurance company.' (44 C.J.S., p. 1174).""[20]

Equally relevant is the following disquisition of the Court in Fieldmen's Insurance Company, Inc. vs. Vda. De Songco,[21] to wit:

> "'This rigid application of the rule on ambiguities has become necessary in view of current business practices. The courts cannot ignore that nowadays monopolies, cartels and concentration of capital, endowed with overwhelming economic power, manage to impose upon parties dealing with them cunningly prepared

> 'agreements' that the weaker party may not change one whit, his participation in the 'agreement' being reduced to the alternative to 'take it or leave it' labelled since Raymond Saleilles 'contracts by adherence' (contrats [sic] d'adhesion), in contrast to these entered into by parties bargaining on an equal footing, such contracts (of which policies of insurance and international bills of lading are prime example) obviously call for greater strictness and vigilance on the part of courts of justice with a view to protecting the weaker party from abuses and imposition, and prevent their becoming traps for the unwary (New Civil Code, Article 24; Sent. of Supreme Court of Spain, 13 Dec. 1934, 27 February 1942.)'"[22]

The issue of whether or not Transworld has an insurable interest in the fun and amusement machines and spare parts, which entitles it to be indemnified for the loss thereof, had been settled in G.R. No. L-111118, entitled New India Assurance Company, Ltd., vs. Court of Appeals, where the appeal of New India from the decision of the Court of Appeals under review, was denied with finality by this Court on February 2, 1994.

The rule on conclusiveness of judgment, which obtains under the premises, precludes the relitigation of a particular fact or issue in another action between the same parties based on a different claim or cause of action. "xxx the judgment in the prior action operates as estoppel only as to those matters in issue or points controverted, upon the determination of which the finding or judgment was rendered. In fine, the previous judgment is conclusive in the second case, only as those matters actually and directly controverted and determined and not as to matters merely involved therein."[23]

Applying the abovecited pronouncement, the Court, in Smith Bell and Company (Phils.), Inc. vs. Court of Appeals,[24] held that the issue of negligence of the shipping line, which issue had already been passed upon in a case filed by one of the insurers, is conclusive and can no longer be relitigated in a similar case filed by another insurer against the same shipping line on the basis of the same factual circumstances. Ratiocinating further, the Court opined:

> "In the case at bar, the issue of which vessel ('Don Carlos' or 'Yotai Maru') had been negligent, or so negligent as to have proximately caused the collision between them, was an issue that was actually, directly and expressly raised, controverted and litigated in C.A.-G.R. No. 61320-R. Reyes, L.B., J., resolved that issue in his Decision and held the 'Don Carlos' to have been negligent rather than the 'Yotai Maru' and, as already noted, that Decision was affirmed by this Court in G.R. No. L-48839 in a Resolution dated 6 December 1987. The Reyes Decision thus became final and executory approximately two (2) years before the Sison Decision, which is assailed in the case at bar, was promulgated. Applying the rule of conclusiveness of judgment, the question of which vessel had been negligent in the collision between the two (2) vessels, had long been settled by this Court and could no longer be relitigated in C.A.-G.R. No. 61206-R. Private respondent Go Thong was certainly bound by the ruling or judgment of Reyes, L.B., J. and that of this Court. The Court of Appeals fell into clear and reversible error when it disregarded the Decision of this Court affirming the Reyes Decision."[25]

The controversy at bar is on all fours with the aforecited case. Considering that private respondent's insurable interest in, and compensability for the loss of subject fun and amusement machines and spare parts, had been adjudicated, settled and sustained by the Court of Appeals in CA-G.R. CV NO. 28779, and by this Court in G.R. No. L-111118, in a Resolution, dated February 2, 1994, the same can no longer be relitigated and passed upon in the present case. Ineluctably, the petitioner, Rizal Surety Insurance Company, is bound by the ruling of the Court of Appeals and of this Court that the private respondent has an insurable interest in the aforesaid fun and amusement machines and spare parts; and should be indemnified for the loss of the same.

So also, the Court of Appeals correctly adjudged petitioner liable for the amount of P470,328.67, it being the total loss and damage suffered by Transworld for which petitioner Rizal Insurance is liable.[26]

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All things studiedly considered and viewed in proper perspective, the Court is of the irresistible conclusion, and so finds, that the Court of Appeals erred not in holding the petitioner, Rizal Surety Insurance Company, liable for the destruction and loss of the insured buildings and articles of the private respondent.

WHEREFORE, the Decision, dated July 15, 1993, and the Resolution, dated October 22, 1993, of the Court of Appeals in CA-G.R. CV NO. 28779 are AFFIRMED in toto. No pronouncement as to costs.

SO ORDERED.

Melo, (Chairman), Vitug, Panganiban, and Gonzaga-Reyes, JJ., concur.

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[1] Annex "A"; Rollo, pp. 27-49.

[2] Annex "B"; Rollo, pp. 51- 52.

[3] Special Tenth Division; composed of Associate Justices: Cezar D. Francisco (Ponente), Gloria C. Paras (Chairman), and Ricardo P. Galvez (Member)

[4] Penned by Judge Efren D. Villanueva.

[5] Decision, Annex "A"; Rollo, pp. 28-29.

[6] Rollo, p. 59.

[7] Rollo, p. 62.

[8] Decision, Rollo, pp. 78-79.

[9] Decision, Rollo, p. 49.

[10] Resolution, Rollo, p. 52.

[11] Petition, Rollo, pp. 12-13.

[12] Answer, Rollo, p. 62.

[13] Rollo, p. 76.

[14] Rollo, p. 77.

[15] Borromeo vs. Court of Appeals, G.R. No. 75908, October 22, 1999; citing: Meneses vs. Court of Appeals, 246 SCRA 162, p.171; Coca Cola Bottlers Phil., Inc vs. Court of Appeals, 229 SCRA 533; and Binalay vs. Manalo, 195 SCRA 374.

[16] Petitioner, Rollo, p. 17.

[17] Rollo, p. 17.

[18] Decision, Rollo, p. 69.

[19] 44 SCRA 7.

[20] Ibid., pp. 12-13, citing: Calanoc vs. Court of Appeals, 98 Phil. 79, 84. See, also, H.E. Heacock Co. vs. Macondray, 42, Phil. 205; Rivero vs. Robe, 54 Phil. 982; Asturias Sugar Central vs. The Pure Cane Molasses Co., 57 Phil. 519; Gonzales vs. La Previsora Filipina, 74 Phil. 165; Del Rosario vs. The Equitable Insurance, 620 O.G.

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5400, 5403-04.

[21] 25 SCRA 70.

[22] Ibid., p. 75.

[23] Smith Bell and Company (Phils.), Inc. vs. Court of Appeals, 197 SCRA 201, p. 209; citing: Tingson vs. Court of Appeals, 49 SCRA 429.

[24] Smith Bell and Company (Phils.), Inc. vs. Court of Appeals, supra.

[25] Ibid., pp. 210-211.

[26] Rollo, p. 43.

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