

DOMINION INSURANCE CORPORATION, PETITIONER, VS. COURT OF APPEALS, RODOLFO S. GUEVARRA, AND FERNANDO AUSTRIA, RESPONDENTS.

G.R. No. 129919. February 06, 2002

Ponente: PARDO, J.

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PARDO, J.:

The Case

This is an appeal via certiorari[1] from the decision of the Court of Appeals[2] affirming the decision[3] of the Regional Trial Court, Branch 44, San Fernando, Pampanga, which ordered petitioner Dominion Insurance Corporation (Dominion) to pay Rodolfo S. Guevarra (Guevarra) the sum of P156,473.90 representing the total amount advanced by Guevarra in the payment of the claims of Dominion's clients.

The Facts

The facts, as found by the Court of Appeals, are as follows:

“On January 25, 1991, plaintiff Rodolfo S. Guevarra instituted Civil Case No. 8855 for sum of money against defendant Dominion Insurance Corporation. Plaintiff sought to recover thereunder the sum of P156,473.90 which he claimed to have advanced in his capacity as manager of defendant to satisfy certain claims filed by defendant's clients.

“In its traverse, defendant denied any liability to plaintiff and asserted a counterclaim for P249,672.53, representing premiums that plaintiff allegedly failed to remit.

“On August 8, 1991, defendant filed a third-party complaint against Fernando Austria, who, at the time relevant to the case, was its Regional Manager for Central Luzon area.

“In due time, third-party defendant Austria filed his answer.

“Thereafter the pre-trial conference was set on the following dates: October 18, 1991, November 12, 1991, March 29, 1991, December 12, 1991, January 17, 1992, January 29, 1992, February 28, 1992, March 17, 1992 and April 6, 1992, in all of which dates no pre-trial conference was held. The record shows that except for the settings on October 18, 1991, January 17, 1992 and March 17, 1992 which were cancelled at the instance of defendant, third-party defendant and plaintiff, respectively, the rest were postponed upon joint request of the parties.

“On May 22, 1992 the case was again called for pre-trial conference. Only plaintiff and counsel were present. Despite due notice, defendant and counsel did not appear, although a messenger, Roy Gamboa, submitted to the trial court a handwritten note sent to him by defendant's counsel which instructed him to request for postponement. Plaintiff's counsel objected to the desired postponement and moved to have defendant declared as in default. This was granted by the trial court in the following order:

“ORDER

“When this case was called for pre-trial this afternoon only plaintiff and his counsel Atty. Romeo Maglalang appeared. When shown a note dated May 21, 1992 addressed to a certain Roy who was requested to ask for postponement, Atty. Maglalang vigorously objected to any postponement on the ground that the note is but a mere scrap of paper and moved that the defendant corporation be declared as in default for its failure to appear in court despite due notice.

“Finding the verbal motion of plaintiff’s counsel to be meritorious and considering that the pre-trial conference has been repeatedly postponed on motion of the defendant Corporation, the defendant Dominion Insurance Corporation is hereby declared (as) in default and plaintiff is allowed to present his evidence on June 16, 1992 at 9:00 o’clock in the morning.

“The plaintiff and his counsel are notified of this order in open court.

“SO ORDERED.

“Plaintiff presented his evidence on June 16, 1992. This was followed by a written offer of documentary exhibits on July 8 and a supplemental offer of additional exhibits on July 13, 1992. The exhibits were admitted in evidence in an order dated July 17, 1992.

“On August 7, 1992 defendant corporation filed a ‘MOTION TO LIFT ORDER OF DEFAULT.’ It alleged therein that the failure of counsel to attend the pre-trial conference was ‘due to an unavoidable circumstance’ and that counsel had sent his representative on that date to inform the trial court of his inability to appear. The Motion was vehemently opposed by plaintiff.

“On August 25, 1992 the trial court denied defendant’s motion for reasons, among others, that it was neither verified nor supported by an affidavit of merit and that it further failed to allege or specify the facts constituting his meritorious defense.

“On September 28, 1992 defendant moved for reconsideration of the aforesaid order. For the first time counsel revealed to the trial court that the reason for his nonappearance at the pre-trial conference was his illness. An Affidavit of Merit executed by its Executive Vice-President purporting to explain its meritorious defense was attached to the said Motion. Just the same, in an Order dated November 13, 1992, the trial court denied said Motion.

“On November 18, 1992, the court a quo rendered judgment as follows:

“WHEREFORE, premises considered, judgment is hereby rendered ordering:

“1. The defendant Dominion Insurance Corporation to pay plaintiff the sum of P156,473.90 representing the total amount advanced by plaintiff in the payment of the claims of defendant’s clients;

“2. The defendant to pay plaintiff P10,000.00 as and by way of attorney’s fees;

“3. The dismissal of the counter-claim of the defendant and the third-party complaint;

“4. The defendant to pay the costs of suit.”[4]

On December 14, 1992, Dominion appealed the decision to the Court of Appeals.[5]

On July 19, 1996, the Court of Appeals promulgated a decision affirming that of the trial court.[6] On September 3, 1996, Dominion filed with the Court of Appeals a motion for reconsideration.[7] On July 16, 1997, the Court of Appeals denied the motion.[8]

Hence, this appeal.[9]

The Issues

The issues raised are: (1) whether respondent Guevarra acted within his authority as agent for petitioner, and (2) whether respondent Guevarra is entitled to reimbursement of amounts he paid out of his personal money in settling the claims of several insured.

The Court

The petition is without merit.

By the contract of agency, a person binds himself to render some service or to do something in representation or on behalf of another, with the consent or authority of the latter.[10] The basis for agency is representation.[11] On the part of the principal, there must be an actual intention to appoint[12] or an intention naturally inferrable from his words or actions;[13] and on the part of the agent, there must be an intention to accept the appointment and act on it,[14] and in the absence of such intent, there is generally no agency.[15]

A perusal of the Special Power of Attorney[16] would show that petitioner (represented by third-party defendant Austria) and respondent Guevarra intended to enter into a principal-agent relationship. Despite the word “special” in the title of the document, the contents reveal that what was constituted was actually a general agency. The terms of the agreement read:

“That we, FIRST CONTINENTAL ASSURANCE COMPANY, INC.,[17] a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, xxx represented by the undersigned as Regional Manager, xxx do hereby appoint RSG Guevarra Insurance Services represented by Mr. Rodolfo Guevarra xxx to be our Agency Manager in San Fdo., for our place and stead, to do and perform the following acts and things:

“1.

To conduct, sign, manager (sic), carry on and transact Bonding and Insurance business as usually pertain to a Agency Office, or FIRE, MARINE, MOTOR CAR, PERSONAL ACCIDENT, and BONDING with the right, upon our prior written consent, to appoint agents and sub-agents.

“2.

To accept, underwrite and subscribed (sic) cover notes or Policies of Insurance and Bonds for and on our behalf.

“3.

To demand, sue, for (sic) collect, deposit, enforce payment, deliver and transfer for and receive and give effectual receipts and discharge for all money to which the FIRST CONTINENTAL ASSURANCE COMPANY, INC.,[18] may hereafter become due, owing payable or transferable to said Corporation by reason of or in connection with the above-mentioned appointment.

“4.

To receive notices, summons, and legal processes for and in behalf of the FIRST CONTINENTAL ASSURANCE COMPANY, INC., in connection with actions and all legal proceedings against the said

Corporation.”[19] [Emphasis supplied]

The agency comprises all the business of the principal,[20] but, couched in general terms, it is limited only to acts of administration.[21]

A general power permits the agent to do all acts for which the law does not require a special power.[22] Thus, the acts enumerated in or similar to those enumerated in the Special Power of Attorney do not require a special power of attorney.

Article 1878, Civil Code, enumerates the instances when a special power of attorney is required. The pertinent portion that applies to this case provides that:

“Article 1878. Special powers of attorney are necessary in the following cases:

“(1) To make such payments as are not usually considered as acts of administration;

“xxx xxx xxx

“(15) Any other act of strict dominion.”

The payment of claims is not an act of administration. The settlement of claims is not included among the acts enumerated in the Special Power of Attorney, neither is it of a character similar to the acts enumerated therein. A special power of attorney is required before respondent Guevarra could settle the insurance claims of the insured.

Respondent Guevarra’s authority to settle claims is embodied in the Memorandum of Management Agreement[23] dated February 18, 1987 which enumerates the scope of respondent Guevarra’s duties and responsibilities as agency manager for San Fernando, Pampanga, as follows:

“xxx xxx xxx

“1. You are hereby given authority to settle and dispose of all motor car claims in the amount of P5,000.00 with prior approval of the Regional Office.

“2. Full authority is given you on TPPI claims settlement.

“xxx xxx xxx”[24]

In settling the claims mentioned above, respondent Guevarra’s authority is further limited by the written standard authority to pay,[25] which states that the payment shall come from respondent Guevarra’s revolving fund or collection. The authority to pay is worded as follows:

“This is to authorize you to withdraw from your revolving fund/collection the amount of PESOS _____ (P) representing the payment on the _____ claim of assured _____ under Policy No. _____ in that accident of _____ at _____.

“It is further expected, release papers will be signed and authorized by the concerned and attached to the corresponding claim folder after effecting payment of the claim.

“(sgd.) FERNANDO C. AUSTRIA
Regional Manager”[26]

[Emphasis supplied]

The instruction of petitioner as the principal could not be any clearer. Respondent Guevarra was authorized to pay the claim of the insured, but the payment shall come from the revolving fund or collection in his possession.

Having deviated from the instructions of the principal, the expenses that respondent Guevarra incurred in the settlement of the claims of the insured may not be reimbursed from petitioner Dominion. This conclusion is in accord with Article 1918, Civil Code, which states that:

“The principal is not liable for the expenses incurred by the agent in the following cases:

“(1) If the agent acted in contravention of the principal’s instructions, unless the latter should wish to avail himself of the benefits derived from the contract;

“xxx xxx xxx”

However, while the law on agency prohibits respondent Guevarra from obtaining reimbursement, his right to recover may still be justified under the general law on obligations and contracts.

Article 1236, second paragraph, Civil Code, provides:

“Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.”

In this case, when the risk insured against occurred, petitioner’s liability as insurer arose. This obligation was extinguished when respondent Guevarra paid the claims and obtained Release of Claim Loss and Subrogation Receipts from the insured who were paid.

Thus, to the extent that the obligation of the petitioner has been extinguished, respondent Guevarra may demand for reimbursement from his principal. To rule otherwise would result in unjust enrichment of petitioner.

The extent to which petitioner was benefited by the settlement of the insurance claims could best be proven by the Release of Claim Loss and Subrogation Receipts[27] which were attached to the original complaint as Annexes C-2, D-1, E-1, F-1, G-1, H-1, I-1 and J-1, in the total amount of P116,276.95.

However, the amount of the revolving fund/collection that was then in the possession of respondent Guevarra as reflected in the statement of account dated July 11, 1990 would be deducted from the above amount.

The outstanding balance and the production/remittance for the period corresponding to the claims was P3,604.84. Deducting this from P116,276.95, we get P112,672.11. This is the amount that may be reimbursed to respondent Guevarra.

The Fallo

IN VIEW WHEREOF, we DENY the Petition. However, we MODIFY the decision of the Court of Appeals[28] and that of the Regional Trial Court, Branch 44, San Fernando, Pampanga,[29] in that petitioner is ordered to pay respondent Guevarra the amount of P112,672.11 representing the total amount advanced by the latter in the payment of the claims of petitioner’s clients.

No costs in this instance.

SO ORDERED.

Davide, Jr., (Chairman), Puno, Kapunan, and Ynares-Santiago, JJ., concur.

[1] Under Rule 45, Revised Rules of Court.

- [2] In CA-G.R. CV No. 40803, promulgated on July 19, 1996, Petition, Annex “B”, pp. 12-18. Godardo A. Jacinto, J., ponente, Salome A. Montoya and Maximiano C. Asuncion, JJ., concurring..
- [3] Decision, original Record, Civil Case 8855, pp. 358-361.
- [4] Petition, Annex “B”, Rollo, pp. 12-18, at pp. 12-15.
- [5] Notice of Appeal, Original Record, Civil Case No. 8855, p. 362.
- [6] Petition, Annex “B”, Rollo, pp. 12-18.
- [7] CA Rollo, pp. 99-112.
- [8] Petition, Annex “A”, Rollo, p. 10.
- [9] Filed on September 8, 1997, Rollo, pp. 20-50. On January 31, 2000, we resolved to give due course to the petition (Rollo, pp. 79-80).
- [10] Article 1869, Civil Code.
- [11] *Bordador v. Luz*, 347 Phil. 654, 662 (1997).
- [12] *Victorias Milling Co., Inc. v. Court of Appeals*, 333 SCRA 663, 675 (2000), citing *Connell v. McLoughlin*, 28 Or. 230; 42 P. 218.
- [13] *Victorias Milling Co., Inc. v. Court of Appeals*, 333 SCRA 663, 675 (2000), citing *Halladay v. Underwood*, 90 Ill. App. 130.
- [14] *Victorias Milling Co., Inc. v. Court of Appeals*, 333 SCRA 663, 675 (2000), citing *Internal Trust Co. v. Bridges*, 57 F. 753.
- [15] *Victorias Milling Co., Inc. v. Court of Appeals*, 333 SCRA 663, 675 (2000), citing *Security Co. v. Graybeal*, 85 Iowa 543, 52 N.W. 497.
- [16] Original Record, Civil Case No. 8855, p. 235.
- [17] Now Dominion Insurance Corporation.
- [18] Now Dominion Insurance Corporation.
- [19] Original Record, Civil Case No. 8855, p. 235.
- [20] Article 1876, Civil Code.
- [21] Article 1877, Civil Code.
- [22] Tolentino, Arturo M., *Commentaries and Jurisprudence on the Civil Code of the Philippines*, Vol. V (1997), p. 405, citing 6 Llerena 137.
- [23] Original Record, Civil Case No. 8855, pp. 236-237.
- [24] Original Record, Civil Case No. 8855, pp. 236-237, at p. 236.
- [25] Original Record, Civil Case No. 8855, p. 299.
- [26] Original Record, Civil Case No. 8855, p. 299.
- [27] Original Records, Civil Case No. 8855, pp. 11, 13, 15, 17, 19, 21, 23, 25.

[28] In CA-G.R. CV No. 40803.

[29] In Civil Case No. 8855.

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