

**INTEGRATED MICRO ELECTRONICS, INC., PETITIONER, VS.
STANDARD INSURANCE CO., INC., RESPONDENT.***G.R. No. 210302. August 27, 2020*

Ponente: LOPEZ, J.

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The proper interpretation of the terms of a contract and the validity of service of summons are the main issues in this Petition for Review on Certiorari under Rule 45 of the Rules of Court assailing the Court of Appeals' (CA) Decision[1] dated March 26, 2013 in CA-G.R. SP No. 124433, which reversed the findings of the Regional Trial Court (RTC).

ANTECEDENTS

Sometime in March 2009, a panel of insurers composed of Standard Insurance Co., Inc. (Standard Insurance), together with United Coconut Planters Bank (UCPB) General Insurance, Co. Inc., Pioneer Insurance and Surety Corporation, Bank of Philippine Islands (BPI) M/S Insurance Corporation, and Malayan Insurance Co., Inc., issued Policy No. HOF09FD-FAR086036[2] in favor of Integrated Micro Electronics, Inc. (Integrated Micro), insuring all of its properties against "all risks of physical loss, destruction of, or damage, including fire" for the period March 31, 2009 to March 31, 2010.[3]

On May 24, 2009, a fire broke out at Integrated Micro's building causing damage to its production equipment and machineries.[4] Thus, on May 25, 2009, Integrated Micro filed a claim for indemnity from Standard Insurance[5] but was rejected on February 24, 2010[6] on the ground that the cause of the loss was an excluded peril. Aggrieved, Integrated Micro sought reconsideration.[7] In a letter dated April 12, 2010,[8] Standard Insurance denied the reconsideration which Integrated Micro received on April 15, 2010. Almost a year thereafter, on April 11, 2011, Integrated Micro filed a complaint[9] for specific performance and damages against Standard Insurance before the RTC asking actual damages of US\$1,117,056.84, or its peso equivalent at the time of loss, or the amount of P52,892,641.35.

Standard Insurance moved to dismiss[10] the complaint for invalid service of summons, lack of cause of action, and prescription. Allegedly, the summons was served upon the legal assistant or the secretary of Standard Insurance's in-house counsel, who was not authorized to receive summons under Section 11, Rule 14 of the 1997 Rules of Court. Also, mere allegation of occurrence of fire is insufficient to establish a cause of action. The policy requires that the fire must be unforeseen, sudden, and accidental. At any rate, Integrated Micro's cause of action had prescribed because it filed the complaint beyond the 12-month period from the rejection of the claim. Standard Insurance notified Integrated Micro about the denial of its claim on February 24, 2010. However, Integrated Micro commenced the complaint on April 11, 2011, about two months after the cause of action has prescribed.

On November 9, 2011,[11] the RTC denied the motion to dismiss and directed Standard Insurance to file a responsive pleading. Dissatisfied, Standard Insurance sought reconsideration but was denied. Hence, Standard

Insurance filed a petition for certiorari with the CA docketed as CA-G.R. SP No. 124433. On March 26, 2013,[12] the CA granted the petition and ruled that Integrated Micro's cause of action had prescribed and that the summons was improperly served, viz.:

Under the insurance policy x x x, "if a claim be made and rejected and an action or suit be not commenced either in the Insurance Commission[,] or any Court of competent jurisdiction within twelve (12) months from receipt of notice of such rejection, or in case of arbitration taking place as provided herein within twelve (12) months after due notice of the award made by the arbitrator or arbitrators or umpire, then the claim shall for all purposes be deemed to have been abandoned and shall not be thereafter be recoverable x x x."

Undoubtedly, the complaint was filed out of time.

Jurisprudence dictates that the aforementioned period must be reckoned from the date the claim was rejected or denied. This doctrine was highlighted by the Supreme Court in Summit Guarantee, et al. VS, Hon. De Guzman, viz.:

"The one-year period should instead be counted from the date of rejection by the insurer as this is the time when the cause of action accrues."

In the instant case, the respondent had until 24 February fill to file a complaint against the petitioner. However, the records reveal that the case was filed on 11 April 2011 or a period of one and a half (1 ½) months after the cause of action has prescribed. Thus, it is evident that the respondent had lost its right to file its claim from the petitioner.

x x x x

Further, We find that the instant complaint is likewise dismissible on the ground that the service of summons was invalid as it was served on the legal assistant of the in-house counsel.

x x x x

WHEREFORE, premises considered, the instant Petition is GRANTED. Accordingly, the Orders dated 9 November 2011 and 13 February of the court a quo are hereby NULLIFIED and SET ASIDE.[13] (Emphases-supplied.)

Integrated Micro's motion for reconsideration was denied.[14] Hence, this petition for review on certiorari arguing that the CA gravely erred in finding that:

A. THE CLAIM OF PETITIONER x x x HAS PRESCRIBED;

B. THE SERVICE OF SUMMONS RESPONDENT x x x WAS INVALID.[15]

Integrated Micro cites Eagle Star, Co., Ltd, et al. V. Chia Yu[16] and insists that its arose of action has not prescribed. The cause of action only accrues when the insurer finally rejects the claim.[17] Accordingly, Standard Insurance's Letter dated February 24, 2010 denying Integrated Micro's claim is only initial and did not prejudice any request for reconsideration. The 12-month-prescriptive period should be reckoned from April 15, 2010 when Integrated Micro received the final rejection of its for reconsideration. Also, the service of summons upon the legal assistant or secretary of insurer's in-house counsel is considered substantial compliance since Standard Insurance actually received the summons.

RULING

The petition is unmeritorious.

Contracts of insurance must be construed according to the sense and meaning of the terms which the parties

themselves have used. If the provisions are clear and unambiguous, they must be taken and understood in their plain, ordinary and popular sense.[18] This is consistent with the cardinal rule of interpretation that "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control"[19]. Here, the insurance policy provides the manner and period of filing of a claim, thus:

GENERAL CONDITIONS APPLICABLE UNDER ALL SECTIONS

x x x x

Claim

x x x x

If a claim be made and rejected and an action or suit be not commenced either in the Insurance Commission or any Court of competent jurisdiction within twelve (12) months from receipt of notice of such rejection, or in case of arbitration taking place as provided herein within twelve (12) months after due notice of the award made by the arbitrator or arbitrators or umpire, then the claim shall for all purposes be deemed to have been abandoned and shall not thereafter be recoverable hereunder.[20] (Emphasis supplied.)

It is explicit that if a claim is made and rejected, an action or suit should be commenced within a period of 12 months. There is no qualification nor distinction whether it is the insurer's initial or final rejection. The parties did not agree that the insurer should first deny any request for reconsideration before a suit for indemnity may be filed. Thus, based on the plain and ordinary context of the agreement, the parties contemplated that the cause of action for loss or damages arising from the insurance contract shall accrue from rejection of the claim at the first instance.

True, in the *Eagle Star* case that *Integrated Micro* cited, we ruled that the accrual of the cause of action for filing an insurance claim shall commence when there is a final rejection by the insurance company to avoid unnecessary suit. As to when such final rejection occurs, however, we did not go beyond the terms of the insurance contract to simplify the prompt settlement of insurance claims. In that case, the insurance policy provided that the insured should file his claim, first, with the carrier, and then with the insurer. The "final rejection" refers to the rejection by the insurance company. Although the *Eagle Star* case used the phrase "final rejection," the same cannot be taken to mean the rejection of a petition for reconsideration. Thus, in the subsequent case of *Sun Insurance Office, Ltd. v. Court of Appeals, et al.*, [21] we clarified that once there is a refusal conveyed by the insurer to the claimant, expressly or impliedly, the 12-month prescriptive period should commence to run, [22] without awaiting any reconsideration, lest new body of rules be promulgated to resolve the conflict, thus:

x x x the rejection referred to should be construed as the rejection, in the first instance, for if what is being referred to is a reiterated rejection conveyed in a resolution of a petition for reconsideration, such should have been expressly stipulated.

Thus, to allow the filing of a motion for reconsideration to suspend the running of the prescriptive period of twelve months, a whole new body of rules on the matter should be promulgated so as to avoid any conflict that may be brought by it, such as:

a) whether the mere filing of a plea for reconsideration of a denial is sufficient or must it be supported by arguments/affidavits/material evidence;

b) how many petitions for reconsideration should be permitted?[23] (Emphases supplied.)

We echoed the same reasons in *H.H. Hollero Construction, Inc. v. GSIS, et al.*, [24] and maintained that "x x x 'final rejection' simply means denial by the insurer of the claims of the insured and not the rejection or denial by the insurer of the insured's motion or request for reconsideration. The rejection referred to should be construed as

the rejection in the first instance x x x." [25] Accordingly, the CA did not err in ruling that Integrated Micro's cause of action had prescribed. To be sure, Integrated Micro received the notice rejecting its claim on February 24, 2010, but the complaint was filed only on April 11, 2011, which is beyond the 12-month prescriptive period.

Likewise, the CA is correct in finding that the service of summons upon the legal assistant of Standard Insurance's in-house counsel is improper. Rule 14, Section 11 of the 1997 Rules of Court provides the manner of serving summons to a corporation, thus —

Sec. 11. Service upon domestic private juridical entity. — When the defendant is a corporation, partnership or association organized under the laws of the Philippines with a juridical personality, service may be made on the president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel. (Emphasis supplied.)

Notably, this provision amended Rule 14, Section 13 [26] of the 1964 Rules of Court that allowed service to an agent of a corporation. The new rule, however, has specifically identified and limited the persons to whom service of summons must be made. [27] Contrary to Integrated Micro's assertion, the amendment effectively abandoned the substantial compliance doctrine and restricted the persons authorized to receive summons for juridical entities. As aptly discussed in *Sps. Mason v. Court of Appeals*, [28] viz.:

The question of whether the substantial compliance rule is still applicable under Section 11, Rule 14 of the 1997 Rules of Civil Procedure has been settled in *Villarosa* which applies squarely to the instant case, x x x We held that there was no valid service of summons on *Villarosa* as service was made through a person not included in the enumeration in Section 11, Rule 14 of the 1997 Rules of Civil Procedure, which revised the Section 13, Rule 14 of the 1964 Rules of Court. We discarded the trial court's basis for denying the motion to dismiss, namely, private respondent's substantial compliance with the rule on service of summons, and fully agreed with petitioner's assertions that the enumeration under the new rule is restricted, limited and exclusive following the rule in statutory construction that *expressio imios est exclusio cilterius*. Had the Rules of Court Revision Committee intended to liberalize the rule on service of summons, we said, it could have easily done so by clear and concise language. Absent a manifest intent to liberalize the rule, we stressed strict compliance with Section 11, Rule 14 of the 1997 Rules of Civil Procedure. [29] (Emphasis supplied.)

FOR THESE REASONS, the petition is DENIED. The Court of Appeals' Decision dated March 26, 2013 in CA-G.R. SP No. 124433 is AFFIRMED.

SO ORDERED.

Caguioa, (Acting Chairperson), Reyes, J., Jr., Hernando, [*] and Lazaro-Javier, JJ., concur.

[*] Designated additional Member per raffle dated June 29, 2020, in lieu of Chief Justice Peralta (no part).

[1] Rollo, pp. 57-66; penned by Associate Justice Francisco P. Acosta, with the concurrence of Associate Justices Fernanda Lampas-Peralta and Angelita A. Gacutan.

[2] *Id.* at 30, 131-183.

[3] *Id.* at 31.

[4] *Id.* at 103-104.

[5] *Id.*

[6] Rollo, pp. 112-113.

- [7] Id. at 114.
- [8] Id. at 115-117.
- [9] Id. at 118-123.
- [10] Id. at 124-147.
- [11] Id. at 69-70.
- [12] Supra note 1.
- [13] Rollo, pp. 61-65.
- [14] Id. at 25-26.
- [15] Id. at 35.
- [16] 96 Phil. 696 (1955).
- [17] Id. at 701.
- [18] Alpha Insurance and Surety Co. v. Castor, 717 Phil. 131, 137-138 (2013).
- [19] CIVIL CODE OF THE PHILIPPINES, Art. 1370, par. (1).
- [20] Rollo, p. 174.
- [21] 272-A Phil. 155 (1991).
- [22] Id. at 158.
- [23] Id. at 160-161.
- [24] 744 Phil. 11 (2014).
- [25] Id. at 18.
- [26] RULES OF COURT (1964), Rule 14, Section 13 stated: Service upon private domestic corporation or partnership. — If the defendant is a corporation organized under the laws of the Philippines or a partnership duly registered, service may be made on the president, manager, secretary, cashier, agent, or any of its directors.
- [27] G. V. Florida Transport, Inc. v. Tiara Commercial Corp., 820 Phil. 235, 252 (2017).
- [28] 459 Phil. 689 (2003).
- [29] Id. at 697-698.

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