

**SUMMIT GUARANTY AND INSURANCE COMPANY, INC., PETITIONER,
VS. HON. JOSE C. DE GUZMAN, IN HIS CAPACITY AS PRESIDING
JUDGE OF BRANCH III, CFI OF TARLAC, GERONIMA PULMANO AND
ARIEL ...**

G.R. No. 50997. June 30, 1987

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

These three consolidated cases arose from three separate complaints filed against Summit Guaranty and Insurance Company, Inc., herein petitioner, for the payment of insurance on insurance policies issued by the latter.

The facts are as follows:

G.R. No. L-48679

Private respondent Jose Ledesma was the owner of a tractor which was bumped by a minibus insured with petitioner company for purposes of Third Party Liability. The incident took place on March 10, 1977.

Immediately thereafter, private respondent made a notice of claim with petitioner company for the damage and loss suffered by the tractor. Petitioner company then advised private respondent to have the tractor repaired at G.A. Machineries which estimated the job at Twenty-One Thousand Pesos (P21,000.00).[1] Later, petitioner company through its officials, made an assurance of payment of the said amount.[2]

When G.A. Machineries was finally through with the repair, private respondent made several demands on petitioner company because of the repair shop's warning that failure to pay would result in the auctioning of the tractor to cover the mechanic's lien. However, private respondent only received additional assurances of payment.

On June 8, 1977, due to the failure of petitioner company to settle his claim, private respondent submitted a letter-complaint to the Insurance Commission.[3] The latter, in turn, wrote petitioner company to inquire about the status of the claim.[4]

Again, in March, 1978, petitioner company promised to pay[5]

On April 26, 1978, for not having received any payment of its credit, private respondent filed a formal complaint with the Insurance Commission[6] which petitioner company moved to dismiss on the ground of prescription. The Commission, through an order of respondent Commissioner Gregoria Arnaldo, deferred the resolution of the motion to dismiss causing petitioner company to file a motion for reconsideration which was later denied. Hence, this petition for certiorari and prohibition.

G.R. No. 50997

Private respondent Geronima Pulmano was the owner of a jeep insured with petitioner company in the amount of Twenty Thousand Pesos (P20,000.00). On Sept. 5, 1977, while being driven by private respondent Ariel Pulmano

this jeep got involved in a vehicular accident which resulted in the death of one of the victims.

Private respondent immediately filed a notice of accident and claim with the petitioner company and diligently submitted all the required documents with it.[7] However, petitioner company did not take any steps to process the claim.

Because of this, private respondents brought their claim to the Insurance Commission and the latter wrote petitioner company three letters dated October 11, 13 and 21, 1977.[8] On December 22, 1977, the heirs of the victim themselves filed a letter-complaint with the Insurance Commission[9] a copy of which was sent to petitioner company by registered mail.[10] Still, petitioner company failed to settle the claim.

Since all the waiting for petitioner company to act proved to be futile, private respondents were constrained to file a complaint with the Court of First Instance of Tarlac dated October 5, 1978. Petitioner company moved to dismiss on the ground of prescription but respondent Judge Jose C. de Guzman denied the motion. Hence, this petition for certiorari and prohibition.

G.R. No. L-48758

Private respondent Amelia Generao owned a passenger jeepney that was insured with petitioner company under a Vehicle Comprehensive Policy. On June 23, 1976, while being driven by private respondent Carlos Pagkalinawan, this jeepney struck the van of a certain Mr. Hahn.

Two days after the accident or on June 25, 1976, Generao notified petitioner company of the vehicular accident and demanded from it payment of damages on both vehicles[11] Thereafter, Generao submitted to petitioner company all the necessary papers in support of the claim and required of her by the latter.[12] Following this, Generao and petitioner company had a dialogue at the office of the insurance company to settle the claim.[13] Then, in the initial hearing of the criminal case that arose out of the incident, accused Pagkalinawan was represented by a lawyer of petitioner company[14]

Nonetheless, time passed without petitioner company taking any final action on Generao's claim.

On August 3, 1977, Mr. Hahn filed a complaint for damages against herein respondents Generao and Pagkali-nawan with the Court of First Instance of Rizal, Branch XXVI. Private respondents, on the other hand, filed a third party complaint against petitioner company which in turn filed a motion to dismiss on the ground of prescription. Respondent Judge Ramon V. Jabson, however, denied the said motion. Subsequently, petitioner company filed a motion for reconsideration which again was denied. Hence, this petition for certiorari and prohibition.

The only issue at bar is whether or not the causes of action of private respondents have already prescribed.

According to the petitioner company, the complaints of private respondents, having been filed beyond the one-year period provided in Section 384 of the Insurance Code, can no longer prosper. Said law reads as follows:

SECTION 384. Any person having any claim upon the policy issued pursuant to this chapter shall, without any unnecessary delay, present to the insurance company concerned a written notice of claim setting forth the amount of his loss, and/or the nature, extent and duration of the injuries sustained as certified by a duly licensed physician. Notice of claim must be filed within six months from date of the accident, otherwise, the claim shall be deemed waived. Action or suit for recovery of damage due to loss or injury must be brought, in proper cases, with the Commission or the Courts within one year from date of accident, otherwise the claimant's right of action shall prescribe. (Emphasis supplied.)[15]

Petitioner company contends that the two periods prescribed in the aforementioned law - that is, the six-month

period for filing the notice of claim and the one-year period for bringing an action or suit - are mandatory and must always concur. Petitioner company argues that under this law, even if the notice of claim was timely filed with the insurance company within the six-month period, as what happened in the three cases before Us, the action or suit that follows, if filed beyond the one-year period should necessarily be dismissed on the ground of prescription.

We find no merit in the contention of petitioner company. There is absolutely nothing in the law which mandates that the two periods must always concur. On the contrary, it is very clear that the one-year period is only required "in proper cases". It appears that petitioner company disregarded this very significant phrase when it made its own interpretation of the law. Had the lawmakers intended it to be the way petitioner company assumes it to be, then the phrase "in proper cases" would not have been inserted. At this point, it is but appropriate for Us to reiterate our ruling in *Aisporna vs. Court of Appeals*,^[16] to wit:

"Legislative intent must be ascertained from a consideration of the statute as a whole. The particular words, clauses and phrases should not be studied as detached and isolated expressions, but the whole and every part of the statute must be considered in fixing the meaning of any of its parts and in order to produce a harmonious whole. A statute must be so construed as to harmonize and give effect to all its provisions whenever possible."

It is very obvious that petitioner company is trying to use Section 384 of the Insurance Code as a cloak to hide itself from its liabilities. The facts of these cases evidently reflect the deliberate efforts of petitioner company to prevent the filing of a formal action against it. Bearing in mind that if it succeeds in doing so until one year lapses from the date of the accident it could set up the defense of prescription, petitioner company made private respondents believe that their claims would be settled in order that the latter will not find it necessary to immediately bring suit. In violation of its duties to adopt and implement reasonable standards for the prompt investigation of claims and to effectuate prompt, fair and equitable settlement of claims,^[17] and with manifest bad faith, petitioner company devised means and ways of stalling the settlement proceedings. In G.R. No. L-50997, no steps were taken to process the claim and no rejection of said claim was ever made even if private respondent had already complied with all the requirements. In G.R. No. L-48758 - petitioner company even provided legal assistance to one of the private respondents in the criminal case filed against him leading private respondents to believe that it was ready to pay. In the same case, petitioner company admits that it took no final action or adjudication of the claim.^[18] Worse still, in G.R. No. L-48679, assurances of payment were constantly given and petitioner company even said that a check was ready for release.

This Court has made the observation that some insurance companies have been inventing excuses to avoid their just obligations^[19] and it is only the State that can give the protection which the insuring public needs from possible abuses of the insurers.^[20]

In view of the foregoing, We hold that these three cases do not fall within the meaning of "proper cases" as contemplated in Section 384 of the Insurance Code. To hold otherwise would enable petitioner company to evade its responsibility through a clever scheme it had contrived.

To strengthen its position, petitioner company cites the following principle laid down in the case of *Ang vs. Fulton Fire Insurance*,^[21] to wit:

"The condition contained in an insurance policy that claims must be presented within one year after rejection is not merely a procedural requirement but an important matter essential to a prompt settlement of claims against insurance companies as it demands that insurance suits be brought by the insured while the evidence as to the origin and cause of destruction have not yet disappeared. It is in the nature of a condition precedent to the liability of the insurer, or in other terms, a resolatory clause, the purpose of which is to terminate all liabilities in case the action is not filed by the insured within the period stipulated."

Suffice it to say that the aforementioned case has no application to the present cases as in that case the claim of the plaintiffs was denied as early as April 18, 1956 and the action was brought only on May 5, 1958 or almost 2 years after. As we have already noted earlier, in the cases at bar, no denial of the claims was ever made and on the contrary, private respondents were made to believe that they will be paid by petitioner company. The alleged delay, which is quite insignificant compared to the length of time that the plaintiffs took in the Ang case in bringing suit, was not caused by herein private respondents but by the petitioner company itself.

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. Since in these cases there has yet been no accrual of cause of action, We hold that prescription has not yet set in.

In *Eagle Star Insurance Co., Ltd., et al. vs. Chia Yu*,^[22] this Court ruled:

"The plaintiff's cause of action did not accrue until his claim was finally rejected by the insurance company. This is because, before such final rejection, there was no real necessity for bringing suit."

The philosophy of the above pronouncement was pointed out in the case of *ACCFA vs. Alpha Insurance and Surety Co.*,^[23] viz:

"Since a 'cause of action' requires, as essential elements, not only a legal right of the plaintiff and a correlative obligation of the defendant but also 'an act or omission of the defendant in violation of said legal right', the cause of action does not accrue until the party obligated refuses, expressly or implied-ly, to comply with its duty."

Finally, We are pleased to note that the now defunct Batasang Pambansa, after having recognized that Section 384 of the Insurance Code, has created so many problems for the insured^[24] amended the law to read as follows:

SEC. 384. Any person having any claim upon the policy issued pursuant to this chapter shall, without any unnecessary delay, present to the insurance company concerned a written notice of claim setting forth the nature, extent and duration of the injuries sustained as certified by a duly licensed physician. Notice of claim must be filed within six months from date of the accident other-wise, the claim shall be deemed waived. Action or suit for recovery of damage due to loss or injury must be brought in proper cases, with the Commissioner or the Courts within one year from denial of the claim, otherwise the claimant's right of action shall prescribe. (Emphasis supplied.)^[25]

WHEREFORE, the instant petitions are hereby dismissed for lack of merit. The temporary restraining order dated July 18, 1979 issued in G.R. No. 50997 is hereby lifted. With costs against petitioner company. Let the records of these cases be immediately remanded for prompt determination of the claims. This decision is immediately executory.

SO ORDERED.

Teehankee, C.J., Yap, Fernan, Narvasa, Melencio-Herrera, Gutierrez, Jr., Cruz, Paras, Feliciano, Padilla, Bidin, Sarmiento, and Cortes, JJ., concur.

[1] Page 7, Rollo.

[2] Page 6, Rollo.

[3] Pages 34 and 38, Rollo.

[4] Page 34, Rollo.

[5] Page 7, Rollo.

[6] Annex "A", pages 6-8, Rollo.

[7] Page 9, Rollo.

[8] Pages 30-31, Rollo.

[9] Page 31, Rollo.

[10] Page 31, Rollo.

[11] Pages 14, 18 and 33, Rollo.

[12] Page 33, Rollo.

[13] Page 33, Rollo.

[14] Pages 18 and 33, Rollo.

[15] Section 384 of the Insurance Code (Presidential Decree No. 612) has been amended by P.D. No. 1814 and B.P. Blg. 874. The above-quoted provision is in the original text.

[16] 113 SCRA 459.

[17] Section 241 of the Insurance Code provides: (1) No insurance company doing business in the Philippines shall refuse, without just cause, to pay or settle claims arising under coverages provided by its policies, nor shall any such company engage in unfair claim settlement practices. Any of the following acts by an insurance company, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices;

(a) knowingly misrepresenting to claimants pertinent facts or policy provisions relating to coverages at issue;

(b) failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies;

(c) failing to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies;

(d) not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; or

(e) compelling policyholders to institute suits to recover amounts due under its policies by offering without justifiable reason substantially less than the amounts ultimately recovered in suits brought by them.

(2) Evidence as to numbers and types of valid and justifiable complaints to the Commissioner against an insurance company, and the Commissioner's complaint experience with other insurance companies writing similar lines of insurance shall be admissible in evidence in an administrative or judicial proceeding brought under this section.

(3) If it is found, after notice and an opportunity to be heard, that an insurance company has violated this section, each instance of non-compliance with paragraph (1) may be treated as a separate violation of this section and shall be considered sufficient cause for the suspension or revocation of the company's certificate authority. (Emphasis supplied)

[18] Page 39, Rollo of G.R. No. L-48758.

[19] American Home Insurance Co. vs. Court of Appeals, 109 SCRA 180.

[20] Campos, Insurance, 1983 Ed., p. 7.

[21] 2 SCRA 945; page 73, Rollo of G.R. No. 50997.

[22] G.R. No. 5915, March 31, 1955.

[23] G.R. No. 24566, July 29, 1968.

[24] Pages 770-771, Record of the Batasan, Proceedings and Debates, First Division (1984-1985), Volume 4.

[25] Assemblyman H. Perez, who was the sponsor of the Bill (Parliamentary Bill No. 1340) that embodied the proposed amendment of changing the period of prescription to run not from the date of the accident but from the date of the denial of the claim, explained that the latter is the date of accrual of the cause of action.

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