

ACME SHOE RUBBER & PLASTIC CORPORATION, PETITIONER, VS. THE COURT OF APPEALS AND DOMESTIC INSURANCE COMPANY OF THE PHILIPPINES, RESPONDENTS.

G.R. No. 56718. January 17, 1985

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

On hand is a Petition for Review on Certiorari of the Decision of the then Court of Appeals (CA-G.R. No. 58917-R), denying recovery on an insurance policy, thereby, reversing the judgment of the Court of First Instance of Rizal, Branch XII, at Caloocan City, which had allowed such recovery.

Since 1946, petitioner ACME Shoe Rubber and Plastic Corporation (ACME, for brevity) had been insuring yearly against fire its building, machines and general merchandise, located at Caloocan City, with respondent Domestic Insurance Company of the Philippines (the INSURER, for short). On May 14, 1962, ACME continued to insure its properties with the INSURER and was issued Policy No. 24887 in the amount of P200,000.00 for the period May 15, 1962 up to May 15, 1963. On May 14, 1963, the INSURER issued Renewal Receipt No. 22989 to cover the period May 15, 1963 to May 15, 1964 (Exhibit "D"). On January 8, 1964, ACME paid P3,331.26 as premium. The INSURER applied the payment as renewal premium for the period May 15, 1963 to May 15, 1964.

On May 15, 1964, the INSURER issued Renewal Receipt No. 30127 (Exhibit "E") for the renewal premium of P3,331.26 for the period May 15, 1964 to May 15, 1965. Stamped on it was the

"Note: Subject to 'Receipt of Payment Clause' and 'Credit Agreement' attached hereto and forming part hereof."

The clauses mentioned, which were attached as riders to Renewal Receipt No. 30127, respectively read as follows:

"RECEIPT OF PAYMENT CLAUSE

"IT IS HEREBY DECLARED AND AGREED that notwithstanding anything to the contrary contained in the within policy, this insurance will be deemed valid and binding upon the Company only when the premium and documentary stamps therefor have actually been paid in full and duly acknowledged in an official receipt signed by an authorized official/representative of the Company" (Exhibit 'E-1')

"CREDIT AGREEMENT

"The premium corresponding to the first ninety days of the term of this policy or any renewal thereof is hereby considered paid for the purpose only of making this Policy valid and binding during said portion of the term. Thereafter, this Policy shall automatically become void and ineffective (without prejudice to the obligation of the Insured to pay the corresponding short period premium for the said 90 days) unless prior to the expiration of said period the Insured shall have actually paid to the Company the total premium and the documentary stamps stipulated in this Policy." (Exhibit 'E-2')

On May 26, 1964, ACME, through its President, signed the following

"PROMISSORY NOTE

18th May, 1964

"Received RR #30127 to be applied on Policy No. 24887 for which I/we promise to pay DOMESTIC INSURANCE CO. OF THE PHILIPPINES or order, within ninety days from the effective date of this policy, 15th May, 1964, the premium and documentary stamps in the sum of P3,331.26. Should I/we fail to pay this promissory note when due, I/we agree that the said policy should stand automatically cancelled, without further notice by the Company or election on my/our part, and I/we shall then be liable to pay only the short period premium corresponding to 90 days.

ACME SHOE RUBBER & PLASTIC CORP.

(Signed)"

(Exhibit 'H')

ACME's properties were completely destroyed by fire on October 13, 1964. ACME filed its insurance claim but the INSURER disclaimed liability on the ground that as of the date of loss, the properties burned were not covered by insurance.

On March 20, 1965, ACME sued on the policy before the Court of First Instance of Rizal, Branch XII, Caloocan City, for the collection of the insurance proceeds and for damages in the form of lost profits by reason of the delay in payment.

The Trial Court found the INSURER liable in the amount of P200,000.00, representing the insurance coverage with legal interest thereon, plus P57,500.00 as consequential damages, "and the sum of P7,500.00 and 25% of whatever amount may be recovered as attorney's fees plus cost." The Trial Court opined that there was a clear intention on the INSURER's part to grant ACME a credit extension for the payment of the premium due; and that to allow the INSURER to apply the premium ACME paid on January 8, 1964 to a policy which had become automatically cancelled according to the INSURER's own theory, would be to allow it to unjust-ly enrich itself at ACME's expense.

On appeal, respondent Appellate Court reversed the Trial Court and dismissed the suit on the ground that, as of the moment of loss, ACME's properties were not insured and the INSURER could not be held liable for any indemnity as a result of the loss.

ACME then filed the present Petition contending that:

I

"The Court of Appeals erred in failing to resolve the issue of unjust enrichment.

II

"The Court of Appeals erred in ruling that there was no insurance contract since respondent insurer accepted a one-year premium on January 8, 1964.

III

"The Court of Appeals erred in ruling that petitioner and the lower court gave Republic Act 3540 retro-active application.

IV

"The Court of Appeals erred in deciding this case on the issue of intention express or implied since the issue is one of effect of the new law whose policy is superior to the intention of the parties."

Upon the facts, the evidence, and the law, we sustain the Appellate Court. By the express terms of the Promissory Note signed by its President, ACME was fully aware that the policy would be automatically cancelled on August 13, 1964, the 90th day from March 14, 1964, if it did not pay the premium before the former date. There is also evidence to the effect that various reminders by the INSURER for payment remained unheeded (Exhibit "10"). Not having paid the 1964-1965 premium within the extension granted, and pursuant to R.A. No. 3540, the policy was automatically cancelled and there was no insurance coverage to speak of as of the date of the fire on October 13, 1964.

ACME contends, however, that the INSURER 'accepted (the) one-year premium on January 8, 1964 and it had no right to apply it to the payment of a period of coverage prior thereto when under Republic Act 3540 the policy was void and respondent insurer could have validly disclaimed liability for loss had one occurred then".

The pertinent provision of Republic Act No. 3540, ap-proved on June 20, 1963, and put into effect by the Office of the Insurance Commissioner beginning October 1, 1963 (Exhibit "11"), reads:

"SEC. 72. An insurer is entitled to payment of the premium as soon as the thing insured is exposed to the peril insured against, unless there is clear agreement to grant the insured credit extension of the premium due. No policy issued by an insurance company is valid and binding unless and until the premium thereof has been paid."

Since Republic Act No. 3540 was approved only on June 20, 1963 and was put into effect only beginning October 1, 1963, it could not retroactively affect the renewal of the insurance policy on May 15, 1963, or prior to the Act's effective date. ACME's premium payment of January 8, 1964, therefore, was properly applied to the 1963-1964 premium. The Trial Court's opinion that there was a clear agreement to grant ACME credit extension for 1964-1965 is negated by ACME's Promissory Note binding itself to pay "within ninety days from the effective date of this policy, 15th May, 1964 the premium and documentary stamps in the sum of P3,331.26....". Indubitably, the credit extension granted ACME was only for 90 days.

If, in the past, ACME had been granted credit ex-tensions, the Promissory Note it had signed did away with such credit arrangement. Moreover, it was prior to the advent of Republic Act No. 3540 when renewal receipts that the INSURER had issued did not contain the "Receipt of Payment" and "Credit Agreement" clauses. By 1964, however, the situation had changed by the passage of said Act by the express provision of which no policy could be valid and binding unless and until the premium thereof had been paid.

ACME's claim that the INSURER would unjustly enrich itself if it were to be allowed to apply the one-year pre-mium it received to a past period when the policy was void and the INSURER had incurred no risk, is flawed for the reason already stated that Renewal Receipt No. 22989 for 1963-1964 had been issued on May 14, 1963 before R.A. No. 3540 was approved on June 20, 1963 and implemented on October 1, 1963 (Exhibit "11"). It is axiomatic that laws have no retroactive effect unless the contrary is provided (Article 4, Civil Code; Manila Trading & Supply Company vs. Santos, et al., 66 Phil. 237 [1938]). What became automa-tically cancelled by R.A. No. 3540 was the 1964-1965 policy for ACME's failure to pay the premium within the 90-day extension granted, and in accordance with the express terms of the Promissory Note that it had signed.

WHEREFORE, the judgment under review is hereby, affirmed. Without pronouncement as to costs.

SO ORDERED.

Plana, Relova, Gutierrez, Jr., and De la Fuente, JJ., concur.

Teehankee, J., (Chairman), no part.

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