

NORMAN NODA, PETITIONER, VS. HONORABLE GREGORIA CRUZ--ARNALDO, IN HER CAPACITY AS INSURANCE COMMISSIONER, AND ZENITH INSURANCE CORPORATION, RESPONDENTS.

G.R. No. 57322. June 22, 1987

Ponente: FERNAN, J.

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FERNAN, J.:

This is a petition to review the decision of the Insurance Commissioner in I.C. No. 1070, entitled "Norman Noda vs. Zenith Insurance Corporation" regarding the enforcement of two fire insurance policies.

In 1977, petitioner Norman R. Noda obtained from respondent Zenith insurance Corporation, through its general agent, Alico General Insurance Agency, two fire insurance policies: [1] No. F-03724 with a face value of P30,000 covering the goods and stocks in trade in his business establishment at the market site in Mangagoy, Bislig, Surigao del Sur for the period from March 3, 1977 to March 3, 1978 and [2] No. F-03734 with a face value in the aggregate amount of P100,000 for the period from May 10, 1977 to May 10, 1978 and consisting of Item 1 for P40,000 on household furniture, fixtures, fittings and other personal effects, and Item 2 for P60,000 on stocks in trade usual to petitioner's retail business situated in a two-storey building at 039 Barreda St., also in Mangagoy, Bislig, Surigao del Sur, the ground floor of which the petitioner used as store and the second floor as family quarters.[1]

While both policies were in force, fire destroyed petitioner's insured properties at the market site on September 5, 1977 and at Barreda St. on November 9, 1977. When petitioner failed to obtain indemnity on his claims from respondent Zenith, he filed a complaint with the Insurance Commission on October 6, 1978 praying that respondent company be ordered to pay him "the sum of P130,000 representing the value of the two [2] policies insured by respondent with interest at 12% per annum, plus damages, attorney's fees and other expenses of litigation x x x".[2]

In its answer Zenith interposed that petitioner had no cause of action; that Policy No. F-03724 was not in full force and effect at the time of the fire because the premium on the policy was not paid; that Zenith's liability under Policy No. F-03734, if any, was limited to P15,472.50 in view of the co-insurance; and that petitioner failed to substantiate his claim as to the value of the goods reputedly destroyed by fire and consequently, Zenith could not be held answerable, for the same.[3]

While the case was pending with the Insurance Commission, Zenith, on March 4, 1980, settled petitioner's fire loss claim under Item 1 of Policy No. 03734 in the amount of P15,472.50.[4]

On March 3, 1981, the Insurance Commissioner rendered the assailed decision. Brushing aside as unfounded Zenith's allegation that Policy No. F--03724 was ineffectual because of non-payment of premium, respondent Commissioner allowed petitioner to recover under said policy and ordered Zenith to pay him the amount of

P20,000 with legal interest from the date the complaint was filed, including P1,000 as attorney's fees but excluding the actual, moral and exemplary damages prayed for.[5] As for petitioner's claim under Policy No. F-03734, she held that in view of the payment of P15,472.50 to petitioner, Zenith had fully discharged its liability under said policy which covered furniture, fixtures, fittings and other personal belongings of petitioner.

It must be noted that in allowing recovery under Policy No. F-03724, respondent Commissioner placed much weight on the final report prepared by Dela Merced Adjustment Corporation, an independent fire, marine and casualty adjuster contracted by Zenith to investigate the claims of its various policyholders. Said report concluded that "the sound value of P26,666.67 represent[ed] the whole loss and damage" incurred by petitioner, but with the application of the three-fourths loss clause, Zenith's liability was reduced to P20,000.[6]

Maintaining that respondent Commissioner failed to take into account that there were two separate items under Policy No. F-03734 and that his P60,000 claim under Item 2, covering stocks in trade, at Barreda Street, still remained unresolved despite, payment to him of P15,472.50, petitioner asked for a reconsideration. Upon its denial, petitioner filed the instant petition for certiorari contending that the Insurance Commissioner erred [1] in finding that with Zenith's payment of P15,472.50 under Policy No. F-03734, that aspect of petitioner's claim had been fully settled, leaving only the claim of P30,000 under Policy No. F-03724 unsatisfied; [2] in denying petitioner's demand for P60,000 under Item 2 of Policy No. F-03734 and [3] in not awarding in favor of petitioner exemplary damages for Zenith's unjustified and wanton refusal to pay petitioner's claim under the said two insurance contracts. Petitioner did not dispute in his appeal the award of P20,000 under Policy No. F-03724 and the denial of actual and moral damages.

Zenith has admitted in its comment on the petition that its payment of P15,472.50 was only in satisfaction of petitioner's claim under Item 1 of Policy No. F-03734. What is now in contention before us is petitioner's claim under Item 2 of that policy which respondent Commissioner rejected because petitioner allegedly relied merely on the report of Zenith's adjuster without bothering to produce supporting documents indicating that he had made several purchases and suffered immense losses by reason of the fire.

We find that respondent Commissioner acted with grave abuse of discretion when she denied petitioner's claim for indemnity under Policy No. F-03734 because of what she perceived as insufficient proof.

To prove the existence of the stocks in trade covered by Policy No. F-03734, petitioner offered his testimony and that of his wife as well as documentary exhibits.⁶ The foregoing evidence for petitioner preponderantly showed the presence of some P590,000 worth of goods in his retail store during the fire of November 9, 1977.

While the insurer, and the Insurance Commissioner for that matter, have the right to reject proofs of loss if they are unsatisfactory, they may not set up for themselves an arbitrary standard of satisfaction. Substantial compliance with the requirements will always be deemed sufficient.[7]

More significantly, this Court has observed that respondent Zenith introduced in evidence the final report on Policy No. F-03734 submitted by its own adjuster, Dela Merced Adjustment Corporation.[8] Respondent Commissioner however ignored such report, reasoning that with regard to Item 2 of Policy No. F-03734, the claim for loss of the stocks in trade was not successfully proven in view of petitioner's failure to present evidence; that the adjuster's report deserved scant consideration since the allegations therein were not substantiated, and that said report did not even make a recommendation for payment.

We disagree. A scrutiny of the above-mentioned adjuster's report reveals that together with the formal demand for full indemnity, petitioner submitted his income tax return for 1978, purchase invoices, certification from his suppliers as to his purchases, and other supporting papers. The report even took into account the appraisals of the

other adjusters and concluded that the total loss sustained by petitioner in his household effects and stocks in trade reached P379,302.12. But after apportioning said amount among petitioner's six different insurers [the co-insurance being known to Zenith], the liability of Zenith was placed at P60,592.10. It therefore recommended that Zenith pay the petitioner the amount of P60,592.10.

Indeed, petitioner had every reason to expect that respondent Commissioner would give equal weight and credence to the adjuster's report [on Policy No. F-03734] as she had done with the other. After all, said document was offered as evidence by Zenith itself and could very well be considered as an admission of its liability up to the amount recommended. It would have been pointless for Zenith to have introduced said report as its evidence if it did not agree with its findings and ultimate proposals. Being in the nature of an admission against interest, it is the best evidence which affords the greatest certainty of the facts in dispute.[9] Respondent Commissioner should not have perfunctorily dismissed that particular evidence as a worthless piece of paper.

We are convinced that petitioner has satisfactorily established his claim for indemnity under Policy No. F-03734. In that respect, judgment was improperly rendered against him and the same must accordingly be modified.

The denial of petitioner's demand for exemplary damages by respondent Commissioner must, however, be sustained. There is no showing that Zenith, in contesting payment, had acted in a wan-ton, oppressive or malevolent manner to warrant the imposition of corrective damages.[10]

WHEREFORE, judgment is hereby rendered ordering respondent Zenith Insurance Corporation to pay petitioner Norman R. Noda the sum of P60,592.10 with legal interest from the filing of the complaint until full payment, but deducting therefrom the amount of P15,472.50 which it had earlier paid to petitioner.

SO ORDERED.

Gutierrez, Jr., Paras, Padilla, Bidin, and Cortes, JJ., concur.

[1] Rollo, p. 22

[2] Rollo, p. 20

[3] Rollo, pp. 23-25

[4] Rollo, p. 38

[5] Rollo, p. 31

[6] Exh. 3, Rollo, p. 29

6 Exh. C to C-44, E to E-3 and F to I-135

[7] Vance, Handbook on the Law of Insurance, 3rd Edition, p. 897

[8] Exh. 4, Rollo, pp. 39 and 41

[9] See Unson vs. Court of Appeals, L-25084, May 16, 1983, 122 SCRA 95.

[10] Articles 2229 and 2232, Civil Code

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