

COUNTRY BANKERS INSURANCE CORP., (FORMERLY COUNTRY BANKERS INSURANCE & SURETY CO. INC.), PETITIONER, VS. THE TRAVELLERS INSURANCE AND SURETY CORP., AND THE HONORABLE COURT OF AP...

G.R. No. 82509. August 16, 1989

Ponente: CORTES, J.

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CORTES, J.:

In the instant case, the Court is once again asked to resolve the issue of whether the one-year prescriptive period under Section 384 of the Insurance Code, prior to its amendment by Batas Pambansa Blg. 874, should commence to run from the date of the accident or from the rejection of the claim by the insurer.

The Court, after a careful examination of the pleadings filed in this case, i.e., the Petition and its Annexes, the Comment, Reply, Rejoinder and Sur-Rejoinder, considered the issues joined and the case submitted for decision.

The pertinent facts of this case are undisputed:

On May 24, 1979, a vehicular accident occurred involving a Toyota Land Cruiser with Plate No. KE-890 H '78 owned by Philippine Technical Consultants Inc. (PTCI) and an Isuzu Cargo Truck bearing Plate No. 6M-116 T Pil. '78 registered in the name of Avelino Matundan. The Toyota Land Cruiser, which was driven by Norlito R. Limen, had stopped at a red light along Epifanio de los Santos Avenue when it was bumped from behind by the Isuzu Cargo Truck driven by Alfredo Sion. The Toyota Land Cruiser suffered extensive damage so that its owner declared a total loss and claimed the proceeds of the insurance policy issued by petitioner Country Bankers Insurance Corporation. Finding the claim to be meritorious, petitioner paid PTCI the amount of eighty-three thousand four hundred seventy pesos (P83,470.00). As subrogee to all rights and causes of action of PTCI, petitioner demanded reimbursement from the driver and owner of the Isuzu Cargo truck and from private respondent Travellers Insurance as the insurer of the truck, but the latter failed to act on petitioner's claim.

On October 14, 1980, petitioner filed a complaint in the Regional Trial Court (RTC) of Manila against the private respondent, the driver and the owner of the truck. On August 2, 1985, the RTC rendered a decision in favor of the petitioner and ordered private respondent to pay petitioner the amount paid to PTCI, but dismissed the complaint as against the other two defendants. The dispositive portion of the decision reads as follows:

WHEREFORE, judgment is hereby rendered:

1. Ordering defendant corporation to pay plaintiff corporation the total amount of P83,470.00 with interest thereon at the legal rate computed from the time of the filing of this case until full payment is made;
2. Ordering defendant corporation to pay plaintiff corporation twenty (20%) percent of the principal amount awarded, as attorney's fees; and
3. Ordering defendant corporation to pay costs of this suit. [Rollo, p. 13.]

On appeal, the Court of Appeals (CA) affirmed the finding of the RTC that it was the negligence and recklessness of Alfredo Sion, the driver of the Isuzu Cargo Truck, which led to the vehicular accident. The CA also held that as the insurer of the truck, private respondent is liable to herein petitioner as the subrogee to all the rights and causes of action of the owner of the damaged Toyota Land Cruiser. Nevertheless, the CA dismissed the complaint on the ground that petitioner's cause of action had prescribed. Respondent court held that:

* * *

Defendant's defense that the action has prescribed is found meritorious. The accident occurred on 24 May 1979, but the complaint was not filed until 14 October 1980, or almost seventeen (17) months after the accident. Section 384 of the Insurance Code mandates that the "(a)ction or suit for recovery of damage due to loss or injury must be brought, in proper cases, with the courts within one year from the date of the accident, otherwise the claimant's right or action shall prescribe."

* * *

[CA Decision, p. 4; Rollo, p. 26]

Petitioner moved to reconsider the CA's decision but on March 14, 1988 the CA issued a resolution denying petitioner's motion for reconsideration. Petitioner now comes before this Court by way of petition for review on certiorari.

There is no dispute that respondent insurance company is liable as the insurer of the Isuzu Cargo Truck and should reimburse to petitioner the amount paid by the latter to PTCI for the damage sustained by the Toyota Land Cruiser. The sole issue in the instant case is whether or not petitioner's cause of action had prescribed.

Section 384 of the Insurance Code (prior to its amendment by B.P. 874) provides that:

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 [Underscoring supplied.]

In its decision, the CA held that the two periods provided for in Section 384 are mandatory and must always concur. Respondent Court argues that no claim will prosper even if a notice of claim is filed within six (6) months from the date of the accident if the action in court is filed more than one year therefrom. Neither will an action filed within one year from the date of the accident prosper, if no claim was filed with the insurer within six (6) months from the said accident. The CA then concluded that since the complaint was filed only after almost seventeen (17) months from the date of the accident, petitioner's cause of action had prescribed.

On the other hand, petitioner company contends that the finding of respondent court that its cause of action had prescribed is erroneous since the one-year prescriptive period under Section 384 of the Insurance Code is counted not from the date of the accident but from the date of the rejection of the claim by the insurer. Petitioner further argues that even assuming that the one-year prescriptive period should be counted from the date of the accident, the running of the period of prescription was interrupted when petitioner filed a notice of claim with respondent insurance company since under the Civil Code an extra-judicial demand is sufficient to interrupt the running of the prescriptive period.

The Court finds merit in the petition.

The controversy on the proper interpretation of Section 384 of the Insurance Code before its amendment by B.P. 874 has already been settled by this Court in the case of *Summit Guaranty & Insurance Co., Inc. v. De Guzman* [G.R. Nos. 50997, L-48679, L-48758, June 30, 1987, 151 SCRA 389,] which involves similar facts. In rejecting the insurance company's defense of prescription, the Court held 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 with manifest bad faith, petitioner company devised means and ways of stalling settlement proceedings [Summit, supra, at 395.]

To prevent the insurance company from evading its responsibility to the insured through this clever scheme, and to protect the insuring public against similar acts by other insurance companies, the Court held that the one-year period under Section 384 should be counted not from the date of the accident but from the date of the rejection of the claim by the insurer [Summit, supra, at 397.] The Court further held that it is only from the rejection of the claim by the insurer that the insured's cause of action accrued since a cause of action does not accrue until the party obligated refuse, expressly or impliedly, to comply with its duty [ACCFA v. Alpha Insurance and Surety Co., G.R. No. L-24566, July 29, 1968, 24 SCRA 151.]

In the instant case, petitioner sent a notice of claim to respondent insurance company as early as July 26, 1979 or two months after the accident. This was followed by a letter dated August 3, 1979 urging respondent insurance company to take "appropriate action" on petitioner's claim. However, it was only a year later, on August 3, 1980 that respondent replied to petitioner's letter informing it that they could not take appropriate action on petitioner's claim because the attending adjuster was still negotiating the case. Two months later, when respondent insurance company still failed to act on its claim, petitioner filed the present case in court. During the hearing before the RTC, respondent insurance company never raised the defense of prescription. It was only on appeal that Section 384 of the Insurance Code was invoked by respondent insurance company and the CA, relying on the plain language of the law, dismissed the case on the ground of prescription.

In the light of the Court's decision in the Summit case, respondent insurance company can no longer invoke Section 384 to defeat petitioner's claim. As aforesaid, it was precisely to prevent unscrupulous insurance companies from using Section 384 in evading their responsibilities that the Court applied Section 384 strictly against insurance companies in the Summit case.

The requirement that any claim or action for recovery of damage under an insurance policy must be brought within one year from the date of the accident was intended to ensure that suits be brought by the insured while evidence as to the origin and cause of destruction have not yet disappeared [See *Ang v. Fulton Fire Ins., Co.*, G.R. No. L-15862, July 31, 1961, 2 SCRA 945.] This is to enable the insurance companies to make proper assessment of whether or not the insured can recover and, if so, to determine the amount recoverable. However, where, as in this case, the delay in bringing the suit against the insurance company was not caused by the insured or its subrogee but by the insurance company itself, it is unfair to penalize the insured or its subrogee by dismissing its action against the insurance company on the ground of prescription. The latter should bear the consequences of its failure to act promptly on the insured's claim. Under the law, insurance companies are duty bound to adopt and implement reasonable standards for the prompt, fair and equitable settlement of claims [Section 241, Insurance Code.]

Therefore, considering the attendant facts of this case, the Court finds that the doctrine laid down in the Summit case is applicable, and accordingly holds that petitioner's cause of action has not prescribed.

It might not be amiss to state that Section 384 was amended in 1985 by Batas Pambansa Blg. 874. The amendment was inserted by the then Batasang Pambansa after realizing that Section 384 of the Insurance Code has created so many problems for the insuring public [Summit, supra at p. 398.] Thus, as amended, the law now provides that:

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 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 Commissioner or the Courts within one year from denial of the claim, otherwise the claimant's right of action shall prescribe [Underscoring supplied.]

WHEREFORE, the petition for certiorari is GRANTED. The appealed decision of the Court of Appeals is hereby REVERSED and that of the Regional Trial Court REINSTATED.

SO ORDERED.

Gutierrez, Jr., Feliciano, and Bidin, JJ., concur.
Fernan, C.J., on official leave.

* The Summit case is a consolidation of three separate motor vehicle insurance cases involving the same insurance company.

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