

**WESTERN GUARANTY CORPORATION, PETITIONER, VS.
HONORABLE COURT OF APPEALS, PRISCILLA E. RODRIGUEZ, AND
DE DIOS TRANSPORTATION CO., INC., RESPONDENTS.**

G.R. No. 91666. July 20, 1990

Ponente: FELICIANO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-91666/>

FELICIANO, J.:

At around 4:30 in the afternoon of 27 March 1982, while crossing Airport Road on a pedestrian lane on her way to work, respondent Priscilla E. Rodriguez was struck by a De Dios passenger bus owned by respondent De Dios Transportation Co., Inc. then driven by one Walter Saga y Aspero. The bus driver disregarded the stop signal given by a traffic policeman to allow pedestrians to cross the road. Priscilla was thrown to the ground, hitting her forehead. She was treated at the Protacio Emergency Hospital and later on hospitalized at the San Juan De Dios Hospital. Her face was permanently disfigured, causing her serious anxiety and moral distress.

Respondent bus company was insured with petitioner Western Guaranty Corporation ("Western") under its Master Policy which provided, among other things, for protection against third party liability, the relevant section reading as follows:

"Section 1. Liability to the Public --- Company will, subject to the Limits of Liability, pay all sums necessary to discharge liability of the insured in respect of -

(a) death of or bodily injury to or damage to property of any passenger as defined herein.

(b) death of or bodily injury or damage to property of any THIRD PARTY as defined herein in any accident caused by or arising out of the use of the Schedule Vehicle, provided that the liability shall have first been determined. In no case, however, shall the Company's total payment under both Section I and Section II combined exceed the Limits of Liability set forth herein. With respect to death of or bodily injury to any third party or passenger, the company's payment per victim in any one accident shall not exceed the limits indicated in the Schedule of Indemnities provided for in this policy excluding the cost of additional medicines, and such other burial and funeral expenses that might have been incurred." (Under-scoring supplied)

Respondent Priscilla Rodriguez filed a complaint for damages before the Regional Trial Court of Makati against De Dios Transportation Co. and Walter A. Saga. Respondent De Dios Transportation Co., in turn, filed a third-party complaint against its insurance carrier, petitioner Western.

On 6 August 1985, the trial court rendered a decision in favor of respondent Priscilla E. Rodriguez, the dispositive portion of which read:

"WHEREFORE, judgment is hereby rendered in favor of plaintiff and against the defendants, ordering the latter to pay the former, jointly and severally, and for the third-party defendant to pay to the plaintiff, by way of contribution, indemnity or subrogation whatever amount may be left unpaid by the defendant De Dios Transportation Company, Inc. to the extent of not more than P50,000.00, as follows:

- a) the sum of P2,776.00 as actual damages representing doctor's fees, hospitalization and medicines;
- b) the sum of P1,500.00 by way of compensation for loss of earning during plaintiff's incapacity to work;
- c) the sum of P10,000.00 as and by way of moral damages;
- d) the sum of P10,000.00 as and by way of attorney's fees; and
- e) the cost of suit."

On appeal, the Court of Appeals affirmed in toto the decision of the trial court. Petitioner moved for the reconsideration of the appellate court's decision. In a Resolution dated 10 January 1990, the Court of Appeals denied the motion for reconsideration for lack of merit.

Petitioner Western is now before us on a Petition for Review alleging that the Court of Appeals erred in holding petitioner liable to pay beyond the limits set forth in the Schedule of Indemnities and in finding Western liable for loss of earnings, moral damages and attorney's fees. Succinctly stated, it is petitioner Western's position that it cannot be held liable for loss of earnings, moral damages and attorney's fees because these items are not among those included in the Schedule of Indemnities set forth in the insurance policy.

Deliberating on the instant Petition for Review, we consider that petitioner Western has failed to show any reversible error on the part of the Court of Appeals in rendering its Decision dated 26 April 1989 and its Resolution dated 10 January 1990.

An examination of Section 1 entitled "Liability to the Public", quoted above, of the Master Policy issued by petitioner Western shows that that Section defines the scope of the liability of insurer Western as well as the events which generate such liability. The scope of liability of Western is marked out in comprehensive terms: "all sums necessary to discharge liability of the insured in respect of [the precipitating events] ---". The precipitating events which generate liability on the part of the insurer, either in favor of a passenger or a third party, are specified in the following terms: (1) death of, or (2) bodily injury to, or (3) damage to property of, the passenger or the third party. Where no death, no bodily injury and no damage to property resulted from the casualty ("any accident caused by or arising out of the use of the Schedule Vehicle"), no liability is created so far as concerns the insurer, petitioner Western.

The "Schedule of Indemnities for Death and/or Bodily Injury" attached to the Master Policy, which petitioner Western invokes, needs to be quoted in full:

"Schedule of Indemnities for Death and/or Bodily Injury:

The following schedule of indemnities should be observed in the settlement of claims for death, bodily injuries of, professional fees and hospital charges, for services rendered to traffic accident victims under CMVLI coverage:

DEATH INDEMNITY.....

P12,000.00

PERMANENT DISABLEMENT -

DESCRIPTION OF DISABLEMENT

Amount

Loss of two limbs P

6,000.00

Loss of both hands, or all fingers

and both thumbs

6,000.00

Loss of both feet

6,000.00

Loss of one hand and one foot

6,000.00

Loss of sight of both eyes

6,000.00

Injuries resulting in being

permanently bedridden

6,000.00

Any other injury causing permanent

total disablement

6,000.00

Loss of arm or above elbow

4,200.00

Loss of arm between elbow and wrist.....

3,000.00

Loss of hand

2,550.00

Loss of four fingers and thumb of one hand ...

2,550.00

Loss of four fingers

2,100.00

Loss of leg at or above knee.....

3,600.00

Loss of leg below knee.....

2,400.00

Loss of one foot.....

2,400.00

Loss of toes - all of one foot.....

900.00

Loss of thumb

900.00

Loss of index finger

600.00

Loss of sight of one eye.....

1,800.00

Loss of hearing - both ears

3,000.00

Loss of hearing - one ear

450.00

Total of Accommodation of Professional Attendance

Extended

Services Rendered

Fees or Charges

HOSPITAL

ROOM

Maximum of 45 days/

year

P 36.00/day

Laboratory fees, drugs x-rays, etc.....

300.00

SURGICAL EXPENSES

Major Operation.....

Medium Operation...

Minor Operation.....

1,000.00

500.00

100.00

ANAESTHESIOLOGISTS' FEE

Major Operation.....

Medium Operation...

Minor Operation.....

300.00

150.00

50.00

OPERATING ROOM

Major Operation.....

Medium Operation...

Minor Operation.....

150.00

100.00

40.00

MEDICAL EXPENSES

For daily visits of

Practitioner or

Specialist.....

20.00/day

Total amount of medical
expenses must not exceed
(for single period of

confinement) 400.00"[1]

It will be seen that the above quoted Schedule of Indemnities establishes monetary limits which Western may invoke in case of occurrence of the particular kinds of physical injury there listed, e.g.:

loss of both feet P6,000.00;

loss of one foot P2,400.00;

loss of sight of one eye P1,800.00.

It must be stressed, however, that the Schedule of Indemnities does not purport to limit, or to enumerate exhaustively, the species of bodily injury occurrence of which generate liability for petitioner Western. A car accident may, for instance, result in injury to internal organs of a passenger or third party, without any accompanying amputation or loss of an external member (e.g., a foot or an arm or an eye). But such internal injuries are surely covered by Section 1 of the Master Policy, since they certainly constitute bodily injuries.

Petitioner Western in effect contends before this Court, as it did before the Court of Appeals, that because the Schedule of Indemnities limits the amount payable for certain kinds of expenses -- "hospital room", "surgical expenses", "anaesthesiologists' fee", "operating room" and "medical expenses" -- that Schedule should be read as excluding liability for any other type of expense or damage or loss even though actually sustained or incurred by the third party victim. We are not persuaded by Western's contention.

Firstly, the Schedule of Indemnities does not purport to restrict the kinds of damages that may be awarded against Western once liability has arisen. Section 1, quoted above, does refer to certain "Limits of Liability" which in the case of the third party liability section of the Master Policy, is apparently P50,000.00 per person per accident. Within this over-all quantitative limit, all kinds of damages allowable by law -- "actual or compensatory damages"; "moral damages"; "nominal damages"; "temperate or moderate damages"; "liquidated damages"; and "exemplary damages"[2] -- may be awarded by a competent court against the insurer once liability is shown to have arisen, and the essential requisites or conditions for grant of each species of damages are present. It appears to us self-evident that the Schedule of Indemnities was not intended to be an enumeration, much less a closed enumeration, of the specific kinds of damages which may be awarded under the Master Policy Western has issued. Accordingly, we agree with the Court of Appeals that:

"x x x we cannot agree with the movant that the schedule was meant to be an exclusive enumeration of the nature of the damages for which it would be liable under its policy. As we see it, the schedule was merely meant to set limits to the amounts the movant would be liable for in cases of 'claims for death, bodily injuries of, professional services and hospital charges, for services rendered to traffic accident victims,' and not necessarily exclude claims against the insurance policy for other kinds of damages, such as those in question."

Secondly, the reading urged by Western of the Schedule of Indemnities comes too close to working fraud upon both the insured and the third party beneficiary of Section 1, quoted above. For Western's reading would drastically and without warning limit the otherwise unlimited (save for the over-all quantitative limit of liability of P50,000.00 per person per accident) and comprehensive scope of liability assumed by the insurer Western under Section 1: "all sums necessary to discharge liability of the insured in respect of [bodily injury to a third party]". This result -- which is not essentially different from taking away with the left hand what had been given with the right hand -- we must avoid as obviously repugnant to public policy. If what Western now urges is what Western intended to achieve by its Schedule of Indemnities, it was incumbent upon Western to use language far more specific and precise than that used in fact by Western, so that the insured, and potential purchasers of its Master Policy, and the Office of the Insurance Commissioner, may be properly informed and act accordingly.

Petitioner Western would have us construe the Schedule of Indemnities as comprising contractual limitations of liability which, as already noted, is comprehensively defined in Section 1 -- "Liability to the Public" -- of the Master Policy. It is well-settled, however, that contractual limitations of liability found in insurance contracts should be regarded by courts with a jaundiced eye and extreme care and should be so construed as to preclude the insurer from evading compliance with its just obligations.[3]

Finally, an insurance contract is a contract of adhesion. The rule is well entrenched in our jurisprudence that the terms of such contract are to be construed strictly against the party which prepared the contract, which in this case happens to be petitioner Western.[4]

ACCORDINGLY, the Court Resolved to DENY the Petition for Review for lack of merit. Costs against petitioner.

Fernan, C.J., Gutierrez Jr., Bidin, and Cortes, JJ., concur.

[1] Rollo, pp. 5-6.

[2] Article 2197, Civil Code.

[3] *Taurus Taxi v. Capital Insurance*, 24 SCRA 454 (1968); *Eagle Star v. Chia Yu*, 96 Phils. 696 (1955).

[4] *Landicho v. Government Service Insurance System*, 44 SCRA 7 (1972); *Qua Chee Gan v. Law Union and Rock Insurance Co., Ltd.*, 98 Phil. 85 (1955).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.