

Title: Benguet Exploration, Inc. vs. Court of Appeals, Switzerland General Insurance Co., Ltd., and Seawood Shipping, Inc.

Facts:

1. **Initial Filing and Procedural History:** On November 29, 1985, Benguet Exploration, Inc. (Benguet) filed a complaint for damages against Seawood Shipping, Inc. in the RTC of Makati, Branch 149. Then on March 4, 1986, Benguet lodged a similar complaint against Switzerland General Insurance Co., Ltd. (Switzerland Insurance) in the RTC's Branch 148. The cases, docketed as Civil Case Nos. 12394 and 13085 respectively, were consolidated for joint trial.

2. **Consolidation and Trial:**

- Switzerland Insurance filed a third-party complaint against Seawood Shipping for indemnification.
- Witnesses from Benguet included Rogelio Lumibao and Ernesto Cayabyab. Lumibao, an employee of Benguet, testified about the existence of a shipping contract with Seawood Shipping to deliver copper concentrates insured by Switzerland Insurance, stating a shortage reported by a surveyor in Japan and the refusal of the defendants to compensate Benguet. However, he admitted that he had not witnessed the weighing or loading processes.

3. **Evidence and Testimonies:**

- Ernesto Cayabyab witnessed the loading process and authenticated documents stating the loaded amount of 2,243.496 wet metric tons. However, he admitted distraction during the loading and could not verify if the entire process was spillage-free.
- Respondents compelled witnesses like Eduardo Pantoja, who emphasized provisions in the marine insurance, focusing on the vessel missing a steel centerline bulkhead.
- Anastacio Fabian and Edgardo Diño from Certified Adjusters testified that moisture and potential inaccuracies in weighing could have resulted in observed shortages.

4. **Lower Court Rulings and Appeals:**

- Initially, the Regional Trial Court dismissed Benguet's complaint and the third-party complaint of Switzerland Insurance.
- The Court of Appeals affirmed the RTC's decision prompting Benguet to move for reconsideration, which was denied, thus leading to an appeal to the Supreme Court.

Issues:

1. Whether the Petitioner, Benguet Exploration, Inc., objectively proved the alleged loss of cargo.
2. Whether the documents presented by Benguet create a prima facie presumption of truth regarding the weight discrepancy.
3. Determining whether non-compliance with insurance conditions affects the validity of the insurance contract.

****Court's Decision**:**

1. ****Proof of Loss**:** The Court ruled that Benguet failed to establish the alleged loss of copper concentrates since their witnesses had no firsthand knowledge of the loading and unloading process, making their testimonies hearsay. Documents presented by Benguet, such as the bill of lading, could not substantiate their claim without corroboration from firsthand accounts or observable evidence.
2. ****Prima Facie Evidence**:** The Court held that genuineness and execution of any documents were insufficient to substantiate the alleged loss or discrepancy in cargo weight carried. The evidential weight of the documents was undermined by apparent inconsistencies and lack of verification from reliable firsthand accounts.
3. ****Insurance Terms**:** The absence of the steel centerline bulkhead, a warranted provision under the insurance contract which Benguet unfulfilled, justified Switzerland Insurance's annulment of the policy. The insurance was premised on utmost good faith, and deviation invalidates any assumption of risk by the insurer.

****Doctrine**:**

- ****Hearsay Rule**:** The ruling reinforces that evidence must be grounded on personal knowledge; otherwise, it's rendered hearsay.
- ****Presumption of Regularity**:** Mere execution of documents does not equate to truthfulness of the contents, particularly when falsities or inconsistencies are demonstrated.
- ****Insurance Contracts**:** Emphasizes strict compliance to stipulated conditions under marine insurance policies for such contracts to be enforceable.

****Class Notes**:**

1. ****Hearsay Evidence**:** Inadmissible unless it falls under exceptions; firsthand evidence is

required to substantiate factual claims.

2. **Bill of Lading**: Presumed correct but rebuttable—only prima facie evidence until disproven by contradicting facts.

3. **Doctrine of Uberrimae Fidei**: Insured must adhere to utmost good faith, performing outlined warranties in insurance contracts to retain coverage validity.

4. **Key Statutory Provision**: Insurance Act on marine insurance particularly on warranties and policy conditions.

Historical Background: The decision falls within an era commuting toward enlightenment on shipping and insurance practices amid global trade expansion, reflecting increased legal scrutiny on marine insurance contracts as globalization burgeoned trade risks and documentations in the 1980s.