



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

**MULTI-WARE MANUFACTURING,
CORPORATION,**

Petitioner,

- versus -

**CIBELES INSURANCE
CORPORATION, WESTERN
GUARANTY CORPORATION, and
ERNESTY SY, doing business under
the name and style "PAN OCEANIC
INSURANCE SERVICES,**

Respondents.

G.R. No. 230528

Present:

LEONEN, J.,
Chairperson.

HERNANDO,
INTING,
DELOS SANTOS, and
LOPEZ, J. Y., JJ.

Promulgated:
February 1, 2021

Mis-DCBatt

X-----X

DECISION

HERNANDO, J.:

This Petition for Review on *Certiorari*¹ assails the November 29, 2016 Decision² and the March 9, 2017 Resolution³ of the Court of Appeals (CA) in CA-G.R. CV No. 106334, affirming the August 26, 2015 Joint Decision⁴ of the Regional Trial Court (RTC) of Manila, Branch 25 in Civil Case Nos. 02-105291 and 02-105317.

The undisputed facts are as follows:

¹ *Rollo*, pp.11-44.

² *Id.* at 46-60; penned by Associate Justice Agnes Reyes-Carpio and concurred in by then Presiding Justice Andres B. Reyes, Jr. (now a retired member of this Court) and Associate Justice Romeo F. Barza

³ *Id.* at 80-82; penned by Associate Justice Romero F. Barza and concurred in by Presiding Justice Andres B. Reyes, Jr. (now a retired member of this Court) and Associate Justice Rodil V. Zalameda (now a member of this Court).

⁴ *Id.* at 154-186; penned by Presiding Judge Marlina M. Manuel.

Petitioner Multi-Ware Manufacturing Corporation (Multi-Ware) is a domestic corporation engaged in the manufacture of various plastic products.⁵ On December 14, 1999, petitioner took out Fire Policy Insurance No. 50-118320 from respondent Western Guaranty Corporation (Western Guaranty) in the amount of ₱10,000,000.00. The properties insured were the pieces of machinery and equipment, tools, spare parts and accessories stored at Buildings 1 and 2, PTA Compound, No. 26 Isidro Francisco Street, Malinta, Valenzuela, Metro Manila.⁶

On February 20, 2000, petitioner secured another fire insurance policy, this time from respondent Cibeles Insurance Corporation (Cibeles Insurance) under Fire Insurance Policy No. 80-43032 for ₱7,000,000.00, covering the pieces of machinery and equipment, tools, spare parts and accessories excluding mould, and stocks of manufactured goods and/or goods still in process, raw materials and supplies found in the PTA Central Warehouse Compound, Building 1, No. 26 Isidro Francisco Street, Brgy. Vicente Reales, Dalandan, Valenzuela, Metro Manila.⁷

Subsequently, petitioner obtained from Prudential Guarantee Corp. (Prudential Guarantee) Fire Insurance Policy Nos. FLMLAY 00000174NA and FLMLAY 00000284NA⁸ covering the same machinery and equipment located at Building 1, PTA Compound, No. 26 Francisco St., Malinta, Valenzuela, Metro Manila.

On April 21, 2000, a fire broke out in the PTA Compound causing damage and loss on the properties of petitioner covered by the fire insurance policies. Consequently, petitioner filed insurance claims with respondents Cibeles Insurance and Western Guaranty, but these were denied on the ground of Multi-Ware's violation of Policy Condition Nos. 3, on non-disclosure of co-insurance; 15, on fraudulent claims; and 21, on arson.⁹

Its insurance claims for payment having been denied by Cibeles Insurance and Western Guaranty, petitioner filed separate civil actions against these insurance companies before the RTC of Manila. These cases were eventually consolidated for trial.¹⁰

Ruling of the Regional Trial Court:

On August 26, 2015, the RTC rendered its Joint Decision, the dispositive portion of which reads:

WHEREFORE, in the light of the foregoing, considering that plaintiff violated Policy Condition No. 3 of Fire Insurance Policy No. 50-118230 issued

⁵ Id. at 12.

⁶ Id. at 47.

⁷ Id.

⁸ See id. at 206.

⁹ Id. at 47.

¹⁰ Id.

by defendant Western Guaranty and Fire Insurance Policy No. 80-43032 issued by defendant Cibeles, all the benefits due to plaintiff under the policies are deemed forfeited.

These two complaints are therefore, ordered DISMISS[ED] for lack of merit.

Likewise, the counter-claims of the defendants are dismissed. No cost.

SO ORDERED.¹¹ (Emphasis supplied)

Multi-Ware filed a motion for reconsideration but it was denied by the RTC in an Order¹² dated January 8, 2016.

Ruling of the Court of Appeals:

On appeal, the CA sustained the RTC judgment, *viz.*:

WHEREFORE, premises considered, the appeal of Multi-Wave Manufacturing Corporation is hereby **DENIED** for lack of merit. Accordingly, the Joint Decision dated 26 August 2015 and Order dated 8 January 2016 of the RTC in Civil Cases Nos. 02-105291 & 02-105317 are **AFFIRMED**.

SO ORDERED.¹³

Petitioner's motion for reconsideration was denied by the CA in a Resolution dated March 9, 2017. Hence, this petition before Us.

Issues:

This petition which is hinged on the following grounds:

- I. THE HONORABLE [CA] SERIOUSLY ERRED IN HOLDING THAT PETITIONER VIOLATED POLICY CONDITION NO. 3, DESPITE UTTER LACK OF COMPETENT EVIDENCE TO SUPPORT RESPONDENTS' STANCE;
- II. THE HONORABLE [CA] SERIOUSLY ERRED IN HOLDING THAT POLICY CONDITION NO. 3 APPLIES TO MACHINERIES, EQUIPMENT AND TOOLS.¹⁴

Stated otherwise, the issue is whether petitioner violated Policy Condition No. 3 or the "other insurance clause" uniformly contained in the subject insurance contracts resulting to avoidance of the said policies.

Our Ruling

We deny the Petition for lack merit.
Policy Condition No. 3 reads:

¹¹ Id. at 186.

¹² See id. at 49.

¹³ Id. at 60.

¹⁴ Id. at 26.

3. The insured shall give notice to the Company of any insurance or insurances already effected, or which may subsequently be effected, covering any of the property or properties consisting of stocks in trade, goods in process and/or inventories only hereby insured and unless such notice be given and the particulars of such insurance or insurances be stated therein or endorsed on this policy pursuant to Section 50 of the Insurance Code, by or on behalf of the company before the occurrence of any loss or damage, all benefits under this policy shall be deemed forfeited, provided however, that this Condition shall not apply when the total insurance or insurances in force at the time of loss or damage is not more than P200,000.00.¹⁵

Petitioner insists that there was no violation of Policy Condition No. 3 when it did not disclose to Cibeles Insurance and Western Guaranty the existence of the other insurance policies that it procured covering its machinery and equipment since said condition only prohibits non-disclosure of co-insurance on stocks in trade, goods in process and inventories.

We do not agree.

Policy Condition No. 3 is clear that it obligates petitioner, as insured, to notify the insurer of any insurance effected to cover the insured items which involve any of its property or stocks in trade, goods in process and/or inventories and that non-disclosure by the insured of other insurance policies obtained covering these items would result in the forfeiture of all the benefits under the policy. To be regarded as a violation of Policy Condition No. 3, the other existing but undisclosed policies must be upon the same matter and with the same interest and risk.

The records of this case show that petitioner obtained fire insurance policies from Cibeles Insurance simultaneously with Western Guaranty and Prudential Guarantee covering the same matter and the same risk, *i.e.*, the policies uniformly cover fire losses of petitioner's machinery and equipment. Although Policy Condition No. 3 does not specifically state "machinery and equipment" as among the subject of disclosure, it is apparent that the disclosure extends to pieces of machinery and equipment as well since Policy Condition No. 3 speaks of disclosure of other insurance obtained covering "any of the property".

The word "property" is a generic term. Hence, it could include machinery and equipment which are assets susceptible of being insured. Inasmuch as machinery and equipment are included under the term "property", petitioner must give notice to the insurer of any other fire insurance policies on said machinery and equipment. As established during trial, petitioner did not notify Cibeles Insurance and Western Guaranty that it had procured other fire insurance policies covering its property consisting of the same machinery and equipment. Consequently, the insurers could validly deny the insurance claim of petitioner for violation of Policy Condition No. 3.

¹⁵ Id. at 50.

In *American Home Assurance Company v. Chua*,¹⁶ the Court held that where the insurance policy specifies as a condition the disclosure of existing co-insurers, non-disclosure thereof is a violation that entitles the insurer to avoid the policy. This condition is common in fire insurance policies and is known as the "other insurance clause".

In *Geagonia v. Court of Appeals*,¹⁷ the Court explained that the rationale behind the incorporation of "other insurance" clause in fire policies is to prevent over-insurance and thus avert the perpetration of fraud. When a property owner obtains insurance policies from two or more insurers in a total amount that exceeds the property's value, the insured may have an inducement to destroy the property for the purpose of collecting the insurance. The public as well as the insurer is interested in preventing a situation in which a fire would be profitable to the insured.

Petitioner contends that the insurers in this case failed to prove by preponderance of evidence that the insurance policies it procured from them covered the same subject matter. It insists that the findings of the courts below that the properties insured under the policies obtained by petitioner from the three insurance firms were one and the same since they were all located in the same place, is unsubstantiated by the evidence and grounded entirely on surmises or conjectures. This is not so.

In ruling that the properties subject of the insurance policies obtained by petitioner from different insurers were identical, the RTC correctly held that:

[A]ment to the Fire Insurance Policy Nos. FLMLAY 00000175NA (Exhibit '4' to '4-G') and FLMLAY 00000283NA (Exhibit '5' to '5-G') procured by plaintiff from Prudential Guarantee on its machineries and equipment located at Building 1, defendant Western Guaranty and defendant Cibeles alleged that plaintiff failed to disclose or notify them of these fire insurance policies taken from Prudential Guarantee.

An examination of these two fire insurance policies issued by Prudential Guarantee to the plaintiff, reveals that the property subject of insurance are machineries and equipment located at Building 1, PTA Compound, No. 26, Francisco St. Malinta, Valenzuela, Metro Manila. Likewise, the properties subject of insurance in the fire insurance policies issued by Western Guaranty are machineries and equipment located at Warehouse 1 & 2 within PTA Compound No. 26 Isidro Francisco Street, Malinta, Valenzuela, M.M. and machineries and equipment insured by defendant Cibeles were contained in Building 1, within Phil. Tobacco Adm. Central Warehouse Cpd. along No. 26 Isidro Francisco St. Brgy. Vicente Reales, Dalandanan, Valenzuela, M.M.

Based on the foregoing, the court finds that the properties such as the machineries and equipment subject of these four insurance policies are one and the same properties considering that the location of these machineries and equipment are all contained in Building 1 within the PTA Compound. The

¹⁶ 368 Phil. 555 (1999).

¹⁷ 311 Phil. 152 (1995).

7

allegation therefore of the plaintiff that the properties mentioned in all the insurance policies are not the same properties holds no water. Thus, for failure of the plaintiff to disclose to defendants Western Guaranty and Cibeles of the fire insurance policies it procured over its machineries and equipment from Prudential Guarantee and vice-versa, the plaintiff has violated Policy Condition No. 3 of its insurance policies.”¹⁸

Well-entrenched in jurisprudence is the rule that factual findings of the trial court, especially when affirmed by the appellate court, are accorded the highest degree of respect and considered conclusive between the parties, save for certain exceptional and meritorious circumstances, such as: (1) when the findings of a trial court are grounded entirely on speculation, surmises or conjectures; (2) when a lower court’s inference from its factual findings is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion in the appreciation of facts; (4) when the findings of the appellate court go beyond the issues of the case, or fail to notice certain relevant facts which, if properly considered, will justify a different conclusion; (5) when there is a misappreciation of facts; (6) when the findings of fact are conclusions without mention of the specific evidence on which they are based, are premised on the absence of evidence, or are contradicted by evidence on record.¹⁹ Not one of these exceptional circumstances is present in this case.

As discussed earlier, it is apparent that Policy Condition No. 3, or the “other insurance clause”, was violated since petitioner failed to notify the insurers of the fire insurance policies it procured from the different insurers covering the same subject and interest. Petitioner utterly failed to disprove the RTC’s reasonable conclusion that the machinery and equipment covered by all the fire insurance policies were identical considering that all these properties were located in the same building inside the PTA Compound. It is significant to note that aside from its bare allegations, petitioner did not adduce adequate proof to show that the buildings and/or warehouses referred to in each of the policies pertain to distinct and separate structures inside the PTA Compound.

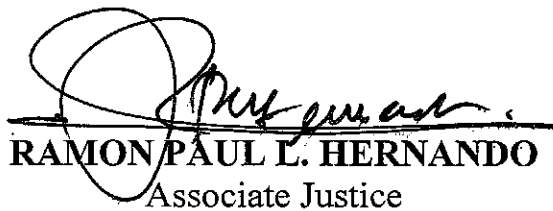
Since the policy procured by petitioner from Cibeles Insurance covered the same subject and interest as that covered by the policies issued by Western Guaranty and Prudential Guarantee, the existence of other insurance policies referred to under Policy Condition No. 3 is undeniable. The non-disclosure of these policies to the insurers was fatal to petitioner's right to recover on the insurance policies.

WHEREFORE, the petitions are **DENIED** for lack of merit. The November 29, 2016 Decision and March 9, 2017 Resolution of the Court of Appeals in CA-G.R. CV No. 106334 are hereby **AFFIRMED**. Costs on the petitioner.


¹⁸ *Rollo*, p. 179.

¹⁹ *Philippine Health-Care Providers, Inc. (MAXICARE) v. Estrada*, 566 Phil. 603, 609-610 (2008), citing *Ilao-Quianay v. Mapile*, 510 Phil. 736 (2005).

SO ORDERED.


RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:


MARVIC M. V. F. LEONEN
Associate Justice
Chairperson



HENRI JEAN PAUL B. INTING
Associate Justice


EDGARDO L. DELOS SANTOS
Associate Justice


JHOSEP V. LOPEZ
Associate Justice

ATTESTATION

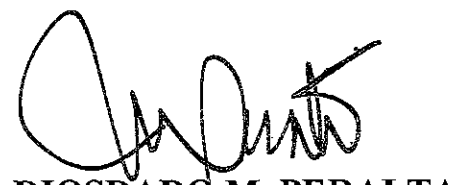
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARVIC M. V. F. LEOEN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Chief Justice