



REPUBLIC OF THE PHILIPPINES  
SUPREME COURT  
Manila

SECOND DIVISION

**NOTICE**

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated 17 February 2021 which reads as follows:*

**“G.R. No. 204703 (*Multi-Ware Manufacturing Corporation v. Philippine General Insurance Corporation and Ernesto S. Sy, Doing Business Under the Name and Style “Pan Oceanic Insurance Services”*)**. — This Petition for Review on *Certiorari*<sup>1</sup> assails the Decision<sup>2</sup> dated July 20, 2012 and Resolution<sup>3</sup> dated November 19, 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 90304, which reversed and set aside the Decision<sup>4</sup> dated September 14, 2007 of the Regional Trial Court (RTC) of Manila, Branch 20, in Civil Case No. 02-105314. The case involves petitioner Multi-ware Manufacturing Corp.’s (Multi-ware) complaint for collection of insurance proceeds from respondent Philippine General Insurance Corp. (Philgen).

Multi-ware is a corporation engaged in the manufacture of plastic wares.<sup>5</sup> It insured with Philgen various machineries, stocks in trade, raw materials for its plastic manufacturing business, and buildings, where these are stored and operated, against any damage or loss arising from fire or lightning under Fire Insurance Policy No. 000003666.<sup>6</sup> Specifically, the insurance covers Multi-ware’s machineries, equipment, building, stock-in-trade and raw materials to be used in its plastic wares manufacturing business located in the Philippine Tobacco Administration Compound at No. 26, Isidro Street, Balubaran, Valenzuela City, Metro Manila.<sup>7</sup> The policy was valued at ₱60,000,000.00, covering a period of one year from December 14, 1999 until December 14, 2000.<sup>8</sup>

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<sup>1</sup> *Rollo*, pp. 10-62.

<sup>2</sup> *Id.* at 64-84; penned by Justice Myra V. Garcia-Fernandez, with the concurrence of Associate Justices Magdangal M. De Leon and Stephen C. Cruz.

<sup>3</sup> *Id.* at 119-122.

<sup>4</sup> *Id.* at 124-160.

<sup>5</sup> *Id.* at 13.

<sup>6</sup> *Id.* at 65.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

Aside from that taken from Philgen, Multi-ware also procured fire insurance policies from other insurance companies,<sup>9</sup> including one from Prudential Guarantee Assurance, Inc. (Prudential Guarantee) through respondent Ernesto S. Sy (Ernesto), doing business under the name of “Pan Oceanic Insurance Services.”<sup>10</sup>

On April 21, 2000, Multi-ware’s buildings, including their contents, subject of the Philgen policy were completely razed by fire.<sup>11</sup> Multi-ware then demanded payment of the full amount of the insurance proceeds from Philgen. Philgen, however, denied the claim on December 4, 2001 on the ground that Multi-ware violated three policy conditions as stated in the report of its claims adjuster. One of which is policy Condition 3, which requires Multi-ware to inform Philgen of additional insurance/s it secured or will secure over its properties insured with Philgen.<sup>12</sup> Condition 3 provides:

The insured shall give notice to the Company of any insurance or insurances already effected, or which may be 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 and 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 the condition shall not apply when the total insurance or insurances in force at the time of loss or damage is not more than ₱200,000.00.<sup>13</sup> (Emphasis supplied.)

On December 10, 2002, Multi-ware filed a complaint against Philgen and Ernesto for breach of contract and/or collection of sum of money with damages before the RTC, demanding payment of the face value of the policy in the amount of ₱60,000,000.00 plus interest, damages, attorney’s fees and litigation expenses.<sup>14</sup> It alleged that Philgen unjustly refused to pay the insurance proceeds<sup>15</sup> while Ernesto failed to fulfill his promise that he will inform the other insurance companies of the insurance Multi-ware procured from Prudential Guarantee.<sup>16</sup> Philgen and Ernesto separately filed their Answers with counterclaims.<sup>17</sup>

During the trial, Philgen presented Fire Insurance Policy No. FLMLAY 00000174NA issued by Prudential Guarantee as evidence.<sup>18</sup> It also offered in evidence several fire insurance policies procured by Multi-

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<sup>9</sup> *Id.* at 79.

<sup>10</sup> *Id.* at 126.

<sup>11</sup> *Id.* at 65.

<sup>12</sup> *Id.* at 17 and 147.

<sup>13</sup> *Id.* at 77-78.

<sup>14</sup> *Id.* at 65

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 127.

<sup>17</sup> *Id.* at 125, 127.

<sup>18</sup> *Id.* at 133.

ware from other insurance companies, namely, Cibeles Insurance Corporation, Asia Traders Insurance Corporation, Western Guaranty Corporation, and Philippine Pryce Insurance Corporation.<sup>19</sup> In addition, Jaime Dela Merced (Dela Merced), a representative of Philgen's claims adjuster, testified that Multi-ware also procured a fire insurance policy from Reliance Surety and Insurance Company, Inc., covering the same stocks insured by Philgen.<sup>20</sup>

Multi-ware admitted the existence of fire insurance policies from Prudential Guarantee,<sup>21</sup> Asia Traders Insurance Corporation,<sup>22</sup> Western Guaranty Corporation,<sup>23</sup> Cibeles Insurance Corporation,<sup>24</sup> and Pryce Insurance Corporation.<sup>25</sup> It, however, posited that these insurance policies do not cover the same subject matter and interest insured by Philgen.

In its Decision<sup>26</sup> dated September 14, 2007, the RTC ruled that Philgen failed to establish its grounds for denying payment. Philgen cannot rely on the supposed violation of Condition 3 because it failed to prove that the other insurance policies procured by Multi-ware were on the same subject matter, interest, and risk since Philgen did not present and offer as evidence the supposed insurance policy procured by Multi-ware from Prudential Guarantee.<sup>27</sup> It was also held that Multi-ware (and not Ernesto) had the obligation to inform Philgen of other insurance policies procured under Condition 3, and that Ernesto had no participation in the denial of Multi-ware's claim. The RTC disposed, thus:

Premises considered, judgment is hereby rendered in favor of the plaintiff, Multi-ware Manufacturing Corporation and against defendant Philippine General Insurance Corporation ordering the latter to pay the plaintiff the following:

1. [P]60M representing the amount of the insurance coverage plus 6% interest from the date of the filing of the case.
2. [P]30,000.00 for attorney's fees.

The case against defendant Ernesto Sy and his counterclaim as well as Philgen's counterclaim are hereby ordered DISMISSED.

SO ORDERED.<sup>28</sup>

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<sup>19</sup> *Id.* at 132-133.

<sup>20</sup> *Id.* at 148-149.

<sup>21</sup> *Id.* at 135; Fire Insurance Policy No. FLMLAN 00000174NA.

<sup>22</sup> *Id.*; Fire Insurance Policy Nos. 8043532, F-034458, F-0344682, and SBMP0000000144.

<sup>23</sup> *Id.*; Fire Insurance Policy No.50-119001.

<sup>24</sup> *Id.*; Fire Insurance Policy No. F 80-42261.

<sup>25</sup> *Id.*; Fire Insurance Policy No. 30973.

<sup>26</sup> *Id.* at 124-160.

<sup>27</sup> *Id.* at 158.

<sup>28</sup> *Id.* at 160.

Multi-ware moved for partial reconsideration<sup>29</sup> but the RTC denied it.<sup>30</sup> Dissatisfied, both Philgen and Multi-ware appealed to the CA.<sup>31</sup>

In its Decision<sup>32</sup> dated July 20, 2012, the CA reversed the RTC Decision. It granted Philgen's appeal and accordingly dismissed Multi-ware's complaint.<sup>33</sup> The CA ruled that Multi-ware violated Condition 3 because "the factual findings of the trial court and the admission of the witnesses for Multi-ware clearly show that the latter obtained other fire insurance coverage from Prudential Guarantee, among other insurance companies, for its buildings, machineries, equipment, stocks in trade, goods and raw materials x x x however, Multi-ware admittedly failed to disclose this fact to [Philgen] or any of its agents or representatives before the occurrence of the fire and loss of property."<sup>34</sup> Multi-ware's appeal, on the other hand, was denied, thus:

**WHEREFORE**, the decision of the Regional Trial Court, Branch 20, Manila in *Civil Case No. 02-105314* dated September 14, 2007 is **REVERSED and SET ASIDE**. The complaint of Multi-Ware Manufacturing Corporation for breach of contract and/or collection of sum of money with damages against Philippine General Insurance Corporation and Ernesto Sy is dismissed. The counterclaim of Philippine General Insurance Corporation is dismissed for lack of merit.

**SO ORDERED.**<sup>35</sup>

Multi-ware sought partial reconsideration, but the CA denied it.<sup>36</sup>

Hence, this petition.

Multi-ware argues that the CA erred in ruling that it violated Condition 3 because there was no proof that the other insurance policies it obtained were upon the same subject matter, interest and risk.<sup>37</sup> Also, the CA erred in applying Condition 3 because the insurance it procured from Prudential Guarantee does not cover stocks in trade, goods in process and/or inventories, which are the subject of Condition 3. Multi-ware also claims attorney's fees and interest for the unreasonable delay in the payment of the insurance proceeds.<sup>38</sup>

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<sup>29</sup> *Id.* at 162-173.

<sup>30</sup> *Id.* at 175-176.

<sup>31</sup> *Id.* at 66.

<sup>32</sup> *Id.* at 64-84.

<sup>33</sup> *Id.* at 84.

<sup>34</sup> *Id.* at 79.

<sup>35</sup> *Id.* at 84.

<sup>36</sup> *Id.* at 119-122.

<sup>37</sup> *Id.* at 10-62.

<sup>38</sup> *Id.* at 36-62.

In its Comment,<sup>39</sup> Philgen points out that the CA's finding that Multi-ware procured another insurance from Prudential Guarantee covering the same properties insured with Philgen is supported by the evidence on record, which includes the admissions of Multi-ware's witnesses.<sup>40</sup> For his part, Ernesto asserts that the petition should be dismissed for raising questions of fact which are beyond the ambit of a petition for review on *certiorari*.<sup>41</sup> In addition, it was Multi-ware's obligation to comply with Condition 3 of Philgen's policy and thus, he could not be held liable if Multi-ware failed to comply with it.<sup>42</sup> Ernesto also calls the Court's attention to the other similar cases involving Multi-ware where it was held to have violated a similarly worded co-insurance clause.<sup>43</sup>

In response, Multi-ware reiterates Condition 3 should not apply as the insurance policy from Prudential Guarantee only covered machineries, tools, spare parts, and buildings, and excludes stocks in trade;<sup>44</sup> and that the other cases that Ernesto cited cannot be applied in this case either by the law of the case or *res judicata*.<sup>45</sup>

The issues for the resolution of the Court are the following:

- I. Whether the CA erred in ruling that Multi-ware violated Condition 3; and
- II. Whether the CA erred in ruling that Multi-ware is not entitled to the insurance proceeds.

The Petition lacks merit.

We stress, only questions of law may be raised in a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court since the Court is not a trier of facts. While there are exceptions, as when the findings of the appellate court are contrary to those of the trial court, these must be alleged, substantiated, and proved by the parties so this Court may evaluate and review the facts of the case. Granting that the case falls under the exceptions, this alone does not automatically warrant a review of factual findings by this Court.<sup>46</sup> In any event, the Court retains full discretion on whether to review the factual findings of the CA.<sup>47</sup>

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<sup>39</sup> *Id.* at 188-208.

<sup>40</sup> *Id.* at 94.

<sup>41</sup> *Id.* at 376-377.

<sup>42</sup> *Id.* at 387-388.

<sup>43</sup> *Id.* at 392-493.

<sup>44</sup> *Id.* at 355-365.

<sup>45</sup> *Id.* at 412-416.

<sup>46</sup> *Pascual v. Burgos*, 776 Phil. 167, 188 (2016).

<sup>47</sup> *Id.* at 169.

Here, Multi-ware certainly raised questions of fact when it asked the Court to resolve “whether there is preponderance of evidence that there was co-insurance on properties covered by other existing insurance contracts upon the same subject matter and with the same interest and risk.”<sup>48</sup> However, Multi-ware failed to show that the factual findings of the CA are without basis for the Court to reverse them.<sup>49</sup> Worse, Multi-ware failed to attach to the petition such material portions of the record as would support its claims in compliance with Rule 45, Sec. 4 of the Rules of Court.<sup>50</sup> Hence, the finding of the CA shall be deemed conclusive.

That Multi-ware failed to disclose to Philgen the existence of other insurance policies over the same subject matter, interest and risk in violation of Condition 3 is supported by the evidence on record. Hence, the CA correctly ruled that, for such violation, Multi-ware is not entitled to the insurance proceeds.

Condition 3 requires the disclosure of existing insurance coverage and those which may subsequently be effected, and provides that non-disclosure in this regard entitles the insurer to avoid the policy.<sup>51</sup> This stipulation is commonly known as “other insurance clause” (also called “additional insurance” and “double insurance”).<sup>52</sup> It has been recognized to be valid<sup>53</sup> and sanctioned by Section 75 of the Insurance Code, which provides that “[a] policy may declare that a violation of specified provisions thereof shall avoid it x x x.”<sup>54</sup> Such condition is common in fire insurance policies and is intended to prevent an increase in the moral hazard,<sup>55</sup> *i.e.*, opportunity to defraud the insurer.<sup>56</sup> In order to constitute as a violation, the other insurance must be upon the same subject matter, interest, and risk.<sup>57</sup>

In this case, it is clear from the Status/Valuation Report dated December 20, 2001, which claims adjuster Dela Merced submitted to

<sup>48</sup> *Rollo*, p. 30.

<sup>49</sup> *Pascual v. Burgos*, *supra* note 46, at 191.

<sup>50</sup> RULES OF COURT, Rule 45, Sec. 4. Contents of petition. — The petition shall be filed in eighteen (18) copies, with the original copy intended for the court being indicated as such by the petitioner and shall (a) state the full name of the appealing party as the petitioner and the adverse party as respondent, without impleading the lower courts or judges thereof either as petitioners or respondents; (b) indicate the material dates showing when notice of the judgment or final order or resolution subject thereof was received, when a motion for new trial or reconsideration, if any, was filed and when notice of the denial thereof was received; (c) set forth concisely a statement of the matters involved, and the reasons or arguments relied on for the allowance of the petition; (d) be accompanied by a clearly legible duplicate original, or a certified true copy of the judgment or final order or resolution certified by the clerk of court of the court a quo and the requisite number of plain copies thereof, and such **material portions of the record as would support the petition**; and (e) contain a sworn certification against forum shopping as provided in the last paragraph of section 2, Rule 42. (Emphasis supplied.)

<sup>51</sup> *American Home Assurance Co. v. Chua*, 368 Phil. 555, 364-365 (1999).

<sup>52</sup> *Malayan Insurance Co., Inc. v. Philippine First Insurance Co., Inc.*, 690 Phil. 621, 635 (2012).

<sup>53</sup> *Geagonia v. CA*, 311 Phil. 152, 164 (1995).

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*; and *American Home Assurance Co. v. Chua*, *supra* note 51, at 566.

<sup>56</sup> *Fortune Insurance and Surety Co., Inc. v. CA*, 314 Phil. 184, 196 (1995).

<sup>57</sup> *Geagonia v. CA*, *supra*.

Philgen, that Multi-ware “did not declare to Philgen that it was also insured with the Reliance Surety and Insurance Company, Inc. under Fire Policy No. 146092 dated February 8, 2001 in the amount of ₱10,000,000.00 over the same stocks covered by”<sup>58</sup> Philgen’s insurance policy. Multi-ware failed to refute this. It is also undisputed that Multi-ware procured several other fire insurance policies, but failed to prove that these insurance policies do not cover the same properties insured by Philgen. Moreover, Multi-ware avers that it “agreed to secure additional insurance for its machineries, equipment, raw materials and stocks” with Prudential Guarantee because Ernesto assured Multi-ware “that he would inform the other insurance companies of the co-insurance that would arise.”<sup>59</sup> This militates against Multi-ware’s claim that Prudential Guarantee’s insurance did not cover the same subject matter, interest, and risk with those insured with Philgen. In other words, blaming Ernesto for the non-disclosure of the co-insurance constitutes an implied recognition that the procurement of the insurance from Prudential Guarantee needed to be disclosed as it will violate Condition 3.

In addition to these independent findings, we also take note of our findings in the related case of *Multi-ware Manufacturing Corporation and Multi-growth Corporation v. Prudential Guarantee and Assurance Inc., and Ernesto Sy, doing business under the name and style of “Pan Oceanic Services,”*<sup>60</sup> that the insurance policies which Multi-ware procured from Asia Traders Insurance Corporation, Western Guaranty Corporation, and Cibeles Insurance Corporation covered the same finished and unfinished stocks within Multi-ware’s Building Nos. 2, 3, 4, 5, and 6 insured by Prudential Guarantee, thus:

Here, it was established that the petitioners [including Multi-ware] violated Condition No. 3 of the Fire Insurance Policies, since it procured insurances from other insurance companies without giving notice to [Prudential Guarantee], or having the particulars of other insurance endorsed on the policy pursuant to Section 50 of the Insurance Code. The records showed that [Prudential Guarantee] was not informed of the other insurances procured from other insurance companies, such as Western Guaranty Corporation, Asia Traders Corporation, and Cibeles Insurance.

Contrary to petitioners’ claim, the other insurances they secured cover the same subject matter with the same interest and risk as the one contracted with [Prudential Guarantee]. FLMLAY00000174NA and FLMLA Y00000284NA covering stocks of finished and unfinished, raw materials, goods in process, packaging materials and supplies usual to the insured’s business within Building Nos. 2, 3, 4, 5, and 6. The insured property encompasses those insured under the policy with

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<sup>58</sup> *Rollo*, p. 149.

<sup>59</sup> *Id.* at 126.

<sup>60</sup> G.R. No. 240498, September 25, 2019.

Cibeles Insurance, Asia Traders, and Western Guaranty.<sup>61</sup> (Citations omitted.)

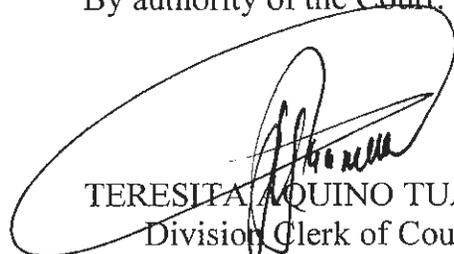
This reinforces the CA's finding that Multi-ware insured with Prudential Guarantee and other insurance companies its finished and unfinished stocks within Building Nos. 2 and 5, which are the same properties insured by Philgen in this case.

Evidently, Multi-ware violated Condition 3 as Multi-ware procured several insurance policies covering the same subject matter, interest, and risk insured by Philgen; and Multi-ware admittedly did not disclose this information to Philgen as it was expecting Ernesto to discharge such obligation. Due to this breach, we agree with the CA that "all benefits under [the] policy shall be deemed forfeited" in accordance with the explicit stipulation in Condition 3 or the "other insurance clause."

**FOR THESE REASONS**, the Petition is **DENIED**. The Decision dated July 20, 2012 and Resolution dated November 19, 2012 of the Court of Appeals in CA-G.R. CV No. 90304 are **AFFIRMED**.

**SO ORDERED.**"

By authority of the Court:

  
TERESITA AQUINO TUAZON  
Division Clerk of Court  
28 MAY 2021 P 5/28

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Manila  
(Civil Case No. 02-105314)

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<sup>61</sup> *Id.*