

THIRD DIVISION

[G.R. No. 230528, February 01, 2021]

**MULTI-WARE MANUFACTURING, CORPORATION, PETITIONER,
VS. CIBELES INSURANCE CORPORATION, WESTERN GUARANTY
CORPORATION, AND ERNESTY SY, DOING BUSINESS UNDER THE
NAME AND STYLE "PAN OCEANIC INSURANCE SERVICES,
RESPONDENTS.**

D E C I S I O N

HERNANDO, J.:

This Petition for Review on *Certiorari*^[1] assails the November 29, 2016 Decision^[2] and the March 9, 2017 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 106334, affirming the August 26, 2015 Joint Decision^[4] 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:

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 P10,000,000.00. 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 P7,000,000.00, 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 00000284NA^[8] 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 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 Order^[12] 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:

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.