FIRST DIVISION

[G.R. No. 210302, August 27, 2020]

INTEGRATED MICRO ELECTRONICS, INC., PETITIONER, VS. STANDARD INSURANCE CO., INC., RESPONDENT.

DECISION

LOPEZ, J.:

The proper interpretation of the terms of a contract and the validity of service of summons are the main issues in this Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Court of Appeals' (CA) Decision[1] dated March 26, 2013 in CA-G.R. SP No. 124433, which reversed the findings of the Regional Trial Court (RTC).

ANTECEDENTS

Sometime in March 2009, a panel of insurers composed of Standard Insurance Co., Inc. (Standard Insurance), together with United Coconut Planters Bank (UCPB) General Insurance, Co. Inc., Pioneer Insurance and Surety Corporation, Bank of Philippine Islands (BPI) M/S Insurance Corporation, and Malayan Insurance Co., Inc., issued Policy No. HOF09FD-FAR086036[2] in favor of Integrated Micro Electronics, Inc. (Integrated Micro), insuring all of its properties against "*all risks of physical loss, destruction of, or damage, including fire*" for the period March 31, 2009 to March 31, 2010.[3]

On May 24, 2009, a fire broke out at Integrated Micro's building causing damage to its production equipment and machineries.[4] Thus, on May 25, 2009, Integrated Micro filed a claim for indemnity from Standard Insurance[5] but was rejected on February 24, 2010[6] on the ground that the cause of the loss was an excluded peril. Aggrieved, Integrated Micro sought reconsideration.[7] In a letter dated April 12, 2010,[8] Standard Insurance denied the reconsideration which Integrated Micro received on April 15, 2010. Almost a year thereafter, on April 11, 2011, Integrated Micro filed a complaint[9] for specific performance and damages against Standard Insurance before the RTC asking actual damages of US$1,117,056.84, or its peso equivalent at the time of loss, or the amount of P52,892,641.35.

Standard Insurance moved to dismiss[10] the complaint for invalid service of summons, lack of cause of action, and prescription. Allegedly, the summons was served upon the legal assistant or the secretary of Standard Insurance's in-house counsel, who was not authorized to receive summons under Section 11, Rule 14 of the 1997 Rules of Court. Also, mere allegation of occurrence of fire is insufficient to establish a cause of action. The policy requires that the fire must be unforeseen, sudden, and accidental. At any rate, Integrated Micro's cause of action had

prescribed because it filed the complaint beyond the 12-month period from the rejection of the claim. Standard Insurance notified Integrated Micro about the denial of its claim on February 24, 2010. However, Integrated Micro commenced the complaint on April 11, 2011, about two months after the cause of action has prescribed.

On November 9, 2011,[11] the RTC denied the motion to dismiss and directed Standard Insurance to file a responsive pleading. Dissatisfied, Standard Insurance sought reconsideration but was denied. Hence, Standard Insurance filed a petition for *certiorari* with the CA docketed as CA-G.R. SP No. 124433. On March 26, 2013,[12] the CA granted the petition and ruled that Integrated Micro's cause of action had prescribed and that the summons was improperly served, *viz*.:

> Under the insurance policy x x x, "if a claim be made and rejected and an action or suit be not commenced either in the Insurance Commission[,] or any Court of competent jurisdiction within twelve (12) months from receipt of notice of such rejection, or in case of arbitration taking place as provided herein within twelve (12) months after due notice of the award made by the arbitrator or arbitrators or umpire, then the claim shall for all purposes be deemed to have been abandoned and shall not be thereafter be recoverable x x x."
>
> Undoubtedly, the complaint was filed out of time.
>
> Jurisprudence dictates that the aforementioned period must be reckoned from the date the claim was rejected or denied. This doctrine was highlighted by the Supreme Court in *Summit Guarantee, et al. VS, Hon. De Guzman*, *viz*:.
>
> **"The one-year period should instead be counted from the date of rejection by the insurer as this is the time when the cause of action accrues."**
>
> In the instant case, the respondent had until 24 February fill to file a complaint against the petitioner. However, the records reveal that the case was filed on 11 April 2011 or a period of one and a half (1 ½) months after the cause of action has prescribed. Thus, it is evident that the respondent had lost its right to file its claim from the petitioner.
>
> x x x x
>
> Further, We find that the instant complaint is likewise dismissible on the ground that the service of summons was invalid as it was served on the legal assistant of the in-house counsel.
>
> x x x x
>
> **WHEREFORE**, premises considered,: the instant Petition is **GRANTED**. Accordingly, the Orders dated 9 November 2011 and 13 February of the court *a quo* are hereby **NULLIFIED** and **SET ASIDE**.[13] (Emphases-supplied.)

Integrated Micro's motion for reconsideration was denied.[14] Hence, this petition for review on *certiorari* arguing that the CA gravely erred in finding that:

> A. THE CLAIM OF PETITIONER x x x HAS PRESCRIBED;
>
> B. THE SERVICE OF SUMMONS RESPONDENT x x x WAS INVALID.[15]

Integrated Micro cites *Eagle Star., Co., Ltd, et al. V. Chia Yu*[16] and insists that its arose of action has not prescribed. The cause of action only accrues when the insurer finally rejects the claim.[17] Accordingly, Standard Insurance's Letter dated February 24, 2010 denying Integrated Micro's claim is only initial and did not prejudice any request for reconsideration. The 12-month-prescriptive period should be reckoned from April 15, 2010 when Integrated Micro received the final rejection of its for reconsideration. Also, the service of summons upon the legal assistant or secretary of insurer's in-house counsel is considered substantial compliance since Standard Insurance actually received the summons.

RULING

The petition is unmeritorious.

Contracts of insurance must be construed according to the sense and meaning of the terms which the parties themselves have used. If the provisions are clear and unambiguous, they must be taken and understood in their plain, ordinary and popular sense.[18] This is consistent with the cardinal rule of interpretation that "*[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control*[19]. Here, the insurance policy provides the manner and period of filing of a claim, thus:

> GENERAL CONDITIONS APPLICABLE UNDER ALL SECTIONS
>
> x x x x
>
> Claim
>
> x x x x
>
> If a claim be made and rejected and an action or suit be not commenced either in the Insurance Commission or any Court of competent jurisdiction **within twelve (12) months from receipt of notice of such rejection**, or in case of arbitration taking place as provided herein within twelve (12) months after due notice of the award made by the arbitrator or arbitrators or umpire, **then the claim shall for all purposes be deemed to have been abandoned and shall not thereafter be recoverable hereunder**.[20] (Emphasis supplied.)

It is explicit that if a claim is made and rejected, an action or suit should be commenced within a period of 12 months. There is no qualification nor distinction whether it is the insurer's initial or final rejection. The parties did not agree that the