

THIRD DIVISION

[G.R. No. 181375, July 13, 2016]

PHIL-NIPPON KYOEI, CORP., PETITIONER, VS. ROSALIA T. GUDELOSÃO, ON HER BEHALF AND IN BEHALF OF MINOR CHILDREN CHRISTY MAE T. GUDELOSÃO AND ROSE ELDEN T. GUDELOSÃO, CARMEN TANCONTIAN, ON HER BEHALF AND IN BEHALF OF THE CHILDREN CAMELA B. TANCONTIAN, BEVERLY B. TANCONTIAN, AND ACE B. TANCONTIAN, RESPONDENTS.

DECISION

JARDELEZA, J.:

This is a petition for review on *certiorari*^[1] under Rule 45 of the Revised Rules of Court filed by Phil-Nippon Kyoei, Corp. (Petitioner) from the Decision^[2] of the Court of Appeals (CA) dated October 4, 2007 (CA Decision) and its Resolution^[3] dated January 11, 2008 in CA-G.R. SP No. 95456. The CA reinstated the Labor Arbiter's Decision^[4] dated August 5, 2004 (LA Decision) with the modification, among others, that petitioner is liable to respondents under the insurance cover it procured from South Sea Surety & Insurance Co., Inc. (SSSICI). The CA ruled that petitioner's liability would be extinguished only upon payment by SSSICI of the insurance proceeds to respondents.^[5]

Facts

Petitioner, a domestic shipping corporation, purchased a "Ro-Ro" passenger/cargo vessel "MV Mahlia" in Japan in February 2003.^[6] For the vessel's one month conduction voyage from Japan to the Philippines, petitioner, as local principal, and Top Ever Marine Management Maritime Co., Ltd. (TMCL), as foreign principal, hired Edwin C. Gudeloso, Virgilio A. Tancontian, and six other crewmembers. They were hired through the local manning agency of TMCL, Top Ever Marine Management Philippine Corporation (TEMMPC). TEMMPC, through their president and general manager, Capt. Oscar Orbeta (Capt. Orbeta), and the eight crewmembers signed separate contracts of employment. Petitioner secured a Marine Insurance Policy (Maritime Policy No. 00001) from SSSICI over the vessel for P10,800,000.00 against loss, damage, and third party liability or expense, arising from the occurrence of the perils of the sea for the voyage of the vessel from Onomichi, Japan to Batangas, Philippines. This Marine Insurance Policy included Personal Accident Policies for the eight crewmembers for P3,240,000.00 each in case of accidental death or injury.^[7]

On February 24, 2003, while still within Japanese waters, the vessel sank due to extreme bad weather condition. Only Chief Engineer Nilo Macasling survived the incident while the rest of the crewmembers, including Gudeloso and Tancontian, perished.^[8]

Respondents, as heirs and beneficiaries of Gudelosao and Tancontian, filed separate complaints for death benefits and other damages against petitioner, TEMMPC, Capt. Orbeta, TMCL, and SSSICI, with the Arbitration Branch of the National Labor Relations Commission (NLRC).^[9]

On August 5, 2004, Labor Arbiter (LA) Pablo S. Magat rendered a Decision^[10] finding solidary liability among petitioner, TEMMPC, TMCL and Capt. Orbeta. The LA also found SSSICI liable to the respondents for the proceeds of the Personal Accident Policies and attorney's fees. The LA, however, ruled that the liability of petitioner shall be deemed extinguished only upon SSSICI's payment of the insurance proceeds. The dispositive portion of the LA Decision reads:

WHEREFORE, premises considered, **CAPT. OSCAR ORBETA, [TEMMPC], [TMCL], and PHIL-NIPPON KYOEI CORPORATION** are hereby directed to pay solidarily the complainants as follows:

	Death Benefits	Burial Expenses	10% atty's [fees]
1. ROSALIA T. GUDELOSAO:	US\$50,000	US\$1,000	US\$5,100
2. CARMEN B. TANCONTIAN:	US\$50,000	US\$1,000	US\$5,100
3. CARMELA B. TANCONTIAN:	US\$7,000		US\$700
4. BEVERLY B. TANCONTIAN:	US\$7,000		US\$700
5. ACE B. TANCONTIAN:	US\$7,000		US\$700

Further, respondent SOUTH SEA SURETY & INSURANCE CO., INC. is hereby directed to pay as beneficiaries complainants ROSALIA T. GUDELOSAO and CARMEN B. TANCONTIAN [P]3,240,000.00 each for the proceeds of the Personal Accident Policy Cover it issued for each of the deceased seafarers EDWIN C. GUDELOSAO and VIRGILIO A. TANCONTIAN plus 10% attorney's fees thereof at [P]324,000.00 each thereof or a total of [P]648,000.00.

Nevertheless, upon payment of said proceeds to said widows by respondent **SOUTH SEA SURETY & INSURANCE CO., INC.**, respondent PHIL-NIPPON CORPORATION'S liability to all the complainants is deemed extinguished.

Any other claim is hereby dismissed for lack of merit.

SO ORDERED.^[11]

On appeal, the NLRC modified the LA Decision in a Resolution^[12] dated February 28, 2006, the dispositive portion of which reads:

WHEREFORE, premises considered, the Appeals of Complainants and PNKC are GRANTED but only partially in the case of Complainants' Appeal, and the Appeal of [SSSICI] is DISMISSED for lack of merit.

Accordingly, the Decision is SUSTAINED subject to the modification that [SSSICI] is DIRECTED to pay Complainants in addition to their awarded claims, in the appealed decision, additional death benefits of US\$7,000 each to the minor children of Complainant Gudelosao, namely, Christy Mae T. Gudelosao and Rose Elden T. Gudelosao.

As regards the other issues, the appealed Decision is SUSTAINED.

SO ORDERED.^[13]

The NLRC absolved petitioner, TEMMPC and TMCL and Capt. Orbeta from any liability based on the limited liability rule.^[14] It, however, affirmed SSSICI's liability after finding that the Personal Accident Policies answer for the death benefit claims under the Philippine Overseas Employment Administration Standard Employment Contract (POEA-SEC).^[15] Respondents filed a Partial Motion for Reconsideration which the NLRC denied in a Resolution dated May 5, 2006.^[16]

Respondents filed a petition for *certiorari*^[17] before the CA where they argued that the NLRC gravely abused its discretion in ruling that TEMMPC, TMCL, and Capt. Orbeta are absolved from the terms and conditions of the POEA-SEC by virtue of the limited liability rule. Respondents also argued that the NLRC gravely abused its discretion in ruling that the obligation to pay the surviving heirs rests solely on SSSICI. The CA granted the petition, the dispositive portion thereof reads:

WHEREFORE for being impressed with merit the petition is hereby GRANTED. Accordingly, the Resolution dated February 28, 2006, and Resolution, dated May 5, 2006, of the public respondent NLRC are hereby **SET ASIDE**. The Decision of the Labor Arbiter dated [August 5, 2004] is **REINSTATED**, subject to the following modifications:

(1) [Respondents CAPT. OSCAR ORBETA, [TEMMPC] and [TMCL] (the manning agency), are hereby directed to pay solidarily the complainants as follows:

	Death Benefits	Burial Expenses	10% atty's [fees]
ROSALIA T. GUELOSAO:	US\$50,000	US\$1,000	US\$5,100
CARMEN B. TANCONTIAN:	US\$50,000	US\$1,000	US\$5,100
CARMELA B. TANCONTIAN:	US\$7,000		US\$700
BEVERLY B. TANCONTIAN:	US\$7,000		US\$700
ACE B. TANCONTIAN:	US\$7,000		US\$700

Further, [respondents] CAPT. OSCAR ORBETA, [TEMMPC] and [TMCL] (the manning agency) are hereby directed to pay solidarity the complainants in addition to their awarded claims, additional death benefits of US\$7,000 each to the minor children of petitioner Rosalia T. Gudelosao, namely, Christy Mae T. Gudelosao and Rose Elden T. Gudelosao.

Respondent SOUTH SEA SURETY & INSURANCE CO., INC. is hereby directed to pay as beneficiaries complainants ROSALIA T. GUDELOSAO and CARMEN B. TANCONTIAN [P]3,240,000.00 each for the proceeds of the Personal Accident Policy Cover it issued for each of the deceased seafarers EDWIN C. GUDELOSAO and VIRGILIO A. TANCONTIAN plus 10% attorney's fees thereof at [P]324,000.00 each thereof or a total of [P]648,000.00.

Nevertheless, upon payment of said proceeds to said widows by respondent SOUTH SEA SURETY & INSURANCE CO., INC. respondent PHIL-NIPPON CORPORATION'S liability to all the complainants is deemed extinguished.

SO ORDERED.^[18]

The CA found that the NLRC erred when it ruled that the obligation of petitioner, TEMMPC and TMCL for the payment of death benefits under the POEA-SEC was *ipso facto* transferred to SSSICI upon the death of the seafarers. TEMMPC and TMCL cannot raise the defense of the total loss of the ship because its liability under POEA-SEC is separate and distinct from the liability of the shipowner.^[19] To disregard the contract, which has the force of law between the parties, would defeat the purpose of the Labor Code and the rules and regulations issued by the Department of Labor and Employment (DOLE) in setting the minimum terms and conditions of employment for the protection of Filipino seamen.^[20] The CA noted that the benefits being claimed are not dependent upon whether there is total loss of the vessel, because the liability attaches even if the vessel did not sink.^[21] Thus, it was error for the NLRC to absolve TEMMPC and TMCL on the basis of the limited liability rule.

Significantly though, the CA ruled that petitioner is not liable under the POEA-SEC, but by virtue of its being a shipowner.^[22] Thus, petitioner is liable for the injuries to passengers even without a determination of its fault or negligence. It is for this reason that petitioner obtained insurance from SSSICI - to protect itself against the consequences of a total loss of the vessel caused by the perils of the sea. Consequently, SSSICI's liability as petitioner's insurer directly arose from the contract of insurance against liability (*i.e.*, Personal Accident Policy).^[23] The CA then ordered that petitioner's liability will only be extinguished upon payment by SSSICI of the insurance proceeds.^[24]

Petitioner filed a Motion for Reconsideration^[25] dated November 5, 2007 but this was denied by the CA in its Resolution^[26] dated January 11, 2008. On the other hand, since SSSICI did not file a motion for reconsideration of the CA Decision, the CA issued a Partial Entry of Judgment^[27] stating that the decision became final and executory as to SSSICI on October 27, 2007.

Hence, this petition where petitioner claims that the CA erred in ignoring the fundamental rule in Maritime Law that the shipowner may exempt itself from liability by abandoning the vessel and freight it may have earned during the voyage, and the proceeds of the insurance if any. Since the liability of the shipowner is limited to the

value of the vessel unless there is insurance, any claim against petitioner is limited to the proceeds arising from the insurance policies procured from SSSICI. Thus, there is no reason in making petitioner's exoneration from liability conditional on SSSICI's payment of the insurance proceeds.

On December 8, 2008, TEMMPC filed its Manifestation^[28] informing us of TEMMPC and TMCL's Joint Motion to Dismiss the Petition and the CA's Resolution^[29] dated January 11, 2008 granting it. The dismissal is based on the execution of the Release of All Rights and Full Satisfaction Claim^[30] (Release and Quitclaim) on December 14, 2007 between respondents and TEMMPC, TMCL, and Capt. Orbeta. In a Resolution^[31] dated January 28, 2009, we noted that TEMMPC, TMCL, and Capt. Orbeta will no longer comment on the Petition.

On the other hand, SSSICI filed its Comment^[32] to the petition dated September 3, 2010. It alleged that the NLRC has no jurisdiction over the insurance claim because claims on the Personal Accident Policies did not arise from employer-employee relations. It also alleged that petitioner filed a complaint for sum of money^[33] in the Regional Trial Court (RTC) of Manila, Branch 46, where it prays for the payment of the insurance proceeds on the individual Marine Insurance Policy with a Personal Accident Policy covering the crewmembers of MV Mahlia. This case was eventually dismissed and is now subject of an appeal^[34] before the CA. SSSICI prays that this matter be considered in resolving the present case.^[35]

Issues

- I. Whether the doctrine of real and hypothecary nature of maritime law (also known as the limited liability rule) applies in favor of petitioner.
- II. Whether the CA erred in ruling that the liability of petitioner is extinguished only upon SSSICI's payment of insurance proceeds.

Discussion

I. Liability under the POEA Standard Employment Contract.

At the outset, the CA erred in absolving petitioner from the liabilities under the POEA-SEC. Petitioner was the local principal of the deceased seafarers for the conduction trip of MV Mahlia. Petitioner hired them through TMCL, which also acted through its agent, TEMMPC. Petitioner admitted its role as a principal of its agents TMCL, TEMMPC and Capt. Orbeta in their Joint Partial Appeal^[36] before the NLRC.^[37] As such, it is solidarily liable with TEMMPC and TMCL for the benefits under the POEA-SEC.

Doctrine of limited liability is not applicable to claims under POEA-SEC.

In this jurisdiction, the limited liability rule is embodied in Articles 587, 590 and 837 under Book III of the Code of Commerce, viz:

Art. 587. The ship agent shall also be civilly liable for the indemnities in favor of third persons which arise from the conduct of the captain in the