Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution Dated **August 22, 2022** *which reads as follows:*

"**G.R. No. 242553** ***(Kogyo Trading Corporation v. Philippine Charter Insurance Corp. [now known as Charter Ping An Insurance Corporation]).***— Challenged in this *Petition for Review on Certiorari*[1] are the *Decision*[2] dated 18 May 2018 and the *Resolution*[3] dated 4 October 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 107403. The assailed *Decision* granted respondent Philippine Charter Insurance Corp.'s appeal (now known as Charter Ping An Insurance Corporation) (PCIC) and dismissed petitioner's complaint for Breach of Contract and Damages; whereas, the impugned *Resolution* denied petitioner's motion for reconsideration thereof.

The material operative facts are as follows:

Petitioner lodged a complaint[4] for Breach of Contract and Damages against respondent.

It asseverated, inter alia, that it is engaged in the business of manufacturing and trading handicraft products for local and foreign markets. It procured from respondent a fire insurance policy for its handicraft products/stocks for Twenty Million Pesos (₱20,000,000.00) under Policy No. FI-REG-DS-5-0000001-01 for one year from 3 January 2005 to 3 January 2006. Subsequently, it renewed said policy effective from 2006 to 2007. On

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1 *Rollo*, Vol. 1, pp. 3-58.
2 Id. at 60-70. Penned by Associate Justice Victoria Isabel A. Paredes, concurred in by Associate Justices Mario V. Lopez (now a member of this Court) and Pablito A. Perez.
3 Id. at 72-73.
4 Id., Vol. II, pp. 984-989.

5 July 2006, it paid the premium thereof in the amount of One Hundred Eight Thousand Eight Hundred Sixty-Three and 10/100 Pesos (₱108,863.10).[5]

On 1 May 2007, a fire broke out at its compound and totally destroyed its handicraft products/stocks kept in its five warehouses in the total amount of ₱20,000,000.00. The following day, through its president, Willy Sia (Sia), it informed respondent of the unfortunate incident and its damage for indemnification.[6]

Still and all, respondent denied its claim for non-payment of premium under fire insurance contract no. FI-REG-HO-07-0000172,[7] which was clearly a different contract.

Thereafter, in the 8 June 2007 letter,[8] it demanded the payment of the value of the fire insurance in the amount of ₱20,000,000.00. Notwithstanding its submission of the Notice of Loss,[9] respondent rejected[10] said claim, basing it once again on the foregoing distinct fire insurance contract.

Ensuingly, it received respondent's letter[11] dated 11 September 2007, declaring that when the fire broke out on 1 May 2007, Policy No. FI-REG-DS-5-0000001-01 covering the same had already expired given that it was effective only from the period 3 January 2006 to 3 January 2007.

This denial of respondent was unwarranted. Having paid the premium for Fire Insurance Policy No. FI-REG-DS-5-0000001-01 on 5 July 2006, the one-year period should be reckoned therefrom and thus, valid up to 5 July 2007. Respondent cannot legally make the effectivity of their contract prior to 5 July 2006 since before said date, respondent was never exposed to any risk due to the non-payment of premium and its liability attached only after the payment thereof. This being so, respondent breached their fire insurance contract when it unjustly rebuffed its claim. Consequently, respondent should be liable to pay actual, moral and exemplary damages as well as interests, attorney's fees, expenses of litigation, and costs of suit.

Refusing to be bested in this legal battle,[12] respondent avowed that the instant complaint should be dismissed for lack of merit and absolute want of

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5 Id., Vol. I, p. 198.
6 Id. at 199.
7 Id. at 200.
8 Id. at 201.
9 Id. at 202.
10 Id. at 203.
11 Id. at 204- 207.
12 Id., Vol. II, pp. 990-1001.

cause. It maintained that based on its records, petitioner had insured its stocks located at 350 Irma St., Marick Subdivision, Cainta, Rizal, against fire and lightning, as follows:

(1) First Policy
Assured: Kogyo Trading Corporation
Policy No. F1-REG-DS-05-000000-01
Policy Period: January 3, 2005 to January 3, 2006
Location of Risk: No. 350 Irma Street, Marick Subdivision, Cainta, Rizal
Sum Insured: P20,000,000.00
Property Insured: Stocks of finished and unfinished goods including raw materials of broom sticks
Premium, etc.: P120,910.50
Dates of Payment: 01/20/05; 02/14/05; 03/14/05; 04/13/05; 05/13/05

(2) Renewal Policy
Assured: Kogyo Trading Corporation
Policy No. F1-REG-DS-05-000000-01
Policy Period: January 3, 2006 to January 3, 2007
Location of Risk: No. 350 Irma Street, Marick Subdivision, Cainta, Rizal
Sum Insured: P20,000,000.00
Property Insured: Stocks of finished and unfinished goods including raw materials of broom sticks
Premium, etc.: P108,853.10

(3) 2nd Renewal / 3rd policy
Upon request of plaintiff's Mr. Willy Sia, the 2nd renewal or 3rd policy was issued with the following particulars:
Assured: Pancy Accessories Corporation
Policy No. F1-REG-HO-07-0000172-00
Policy Period: January 3, 2007 to January 3, 2008
Location of Risk: No. 350 Irma Street, Marick Subdivision, Cainta, Rizal
Sum Insured: P20,000,000.00
Property Insured: Stocks of finished and unfinished goods including raw materials of broom sticks
Premium, etc.: P110,606.10
Dates of Payment: NOT PAID[13]

The premium on Fire Policy No. F1-REG-HO-07-0000172-00 was not paid and therefore deemed to be invalid and of no effect. Anent the second

[13] Id. at 994-995.

policy, petitioner's theory that the payment of the premium thereof on 5 July 2006 altered its effectivity period from 3 January 2006- 3 January 2007 to 5 July 2006-5 July 2007, has no legal and factual bases. A scrutiny of petitioner's manner of paying the premiums on the first two insurance policies would show that it was always late or delayed in the payment of premiums and yet the policies expired on their respective termination dates.

Moreover, assuming that indeed there was a change in the coverage of the second policy, petitioner's claim would still fail. *For one,* it did not submit the requisite proof of loss within sixty (60) days therefrom pursuant to Condition No. 13[14] of the fire insurance policy. *For another,* it violated Condition No. 3[15] of the insurance policy in not disclosing that the same property was insured with Philam Insurance Company, Inc. for the same period and for the same interest. Given the forgoing, petitioner must be held liable for moral and exemplary damages as well as attorney's fees and costs of litigation.

After the pre-trial conference,[16] trial on the merits ensued with each of the parties presenting their testimonial and documentary evidence corroborating substantially their respective postures.

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[14] Id. at 822. "13. The insured shall give immediate written notice to the Company of any loss, protect the property from further damage, forthwith separate the damaged and undamaged personal property, put in the best possible order. Furnish a complete inventory of the destroyed, damaged and undamaged personal property, showing in detail quantities, costs, actual cash value and the amount of loss claimed AND WITHIN SIXTY DAYS AFTER THE LOSS, UNLESS SUCH TIME IS EXTENDED IN WRITING BY THE COMPANY, THE INSURED SHALL RENDER TO THE COMPANY A PROOF OF LOSS signed and sworn to by the insured, stating the knowledge and belief of the insured as to the following: the time and origin of the loss, the interest of the insured and of all others in the property, the actual cash value of each item thereof and the amount of loss thereto, all encumbrances thereon, all other contracts of insurance, whether valid or not, covering any of the said property, any changes in the title, use occupation, location, possession, or exposures of said property since the issuing of this policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of loss and whether or not in then stood on leased ground and shall furnish a copy of all the descriptions and scheduled in all policies and, if required, verified plans and specifications of any building, fixtures or machinery destroyed or damaged. The insured, as often as ay may be reasonably required, shall exhibit to any person designated by the Company all the remains of any property herein described, and submit to examination under oath by any person named by the Company and subscribe the same, and as often as may be reasonably required, shall produce for examination all books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or its representative, and shall permit extracts and copies thereof to be made.
No claim under this policy shall be payable unless the terms of this condition have been complied with."

[15] Id. at 820. "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 herein or endorsed in 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 P200,00.00."

[16] Id. at 945-948.

In due course, the Regional Trial Court, Fourth Judicial Region, Antipolo City, Branch 74 rendered a Decision[17] dated 23 September 2015, the *fallo* of which reads:

> WHEREFORE, judgment is hereby rendered **ORDERING** (respondent) Philippine Charter Insurance Corporation, now known as Charter Ping An Insurance Corporation to **PAY** (petitioner) Kogyo Trading Corporation the following:
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> 1. The amount of Twenty Million Pesos (P20,000,000.00) with interest at the rate of twelve per cent (12%) per annum from July 29, 2007 up to the finality of this Decision.
> 2. The amount of Fifty Thousand Pesos (P50,000.00) as moral damages;
> 3. The amount of Twenty Five Thousand Pesos (P25,000.00) as exemplary damages;
> 4. The amount of Fifty Thousand Pesos (P50,000.00) as attorney's fees;
> 5. The amount of Four Hundred Ninety Two Thousand Sixty Two Pesos (P492,062.00) litigation expenses and costs of suit.
>
> Further, (respondent's) counterclaims are hereby DISMISSED for lack of basis.
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> SO ORDERED.[18]

In arriving at such conclusion, the RTC made the following disquisition:

> It bears stressing that (petitioner) was never exposed to any risk of loss prior to the payment of premium. It is as if there is nothing to insure against, hence, not binding. Stated otherwise, (petitioner) was only exposed to risk after the premium was paid on July 5, 2006. Certainly, Fire Policy No. FI-REG-DS-05-0000001-01 came into force only upon the payment of its premium. This is so because pending payment of the premium, the insurance contract between the parties is not in force as stipulated in Section 2 of the policy. To be sure, a contract of insurance is executory after the payment of premiums, that is, executed on the part of the insured upon payment of the premium and wholly executory on the part of the insurer xxx. Thus, to make the contract retroactive or effective even prior to the payment of premium is an absurd interpretation as it obviously runs counter with (*sic*) the Insurance Code and jurisprudence as well as the stipulation of the parties. More so, a different interpretation will result to (*sic*) unfair situation as it will negate the essence of mutuality in contracts and this Court cannot countenance defendant's posturing that the subject insurance was already binding on January 3, 2006 since defendant is not under obligation to assume any risk pending payment of the premium hence, not fair to make the policy effective from January 3, 2006 to January 3, 2007. Consistent with Section 77 of the Insurance Code, the contract of insurance between the parties became valid and binding only after the payment of its premium

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[17] Id., Vol. I, pp. 123-174.
[18] Id. at 173.

> on July 5, 2006 and not before. To be clear, the contract became effective only on July 5, 2006 and considering that the policy is valid for one (1) year, the policy should be made to be effective until July 5, 2007, not until January 3, 2007 only. To add, if (respondent's) argument will be taken into consideration, the same will unjustly shorten the period of coverage to only six (6) months i.e., July 5, 2006 to January 3, 2007 and to permit the same will unjustly penalize the plaintiff as the latter will not be able to enjoy the full year's equivalent of the premium it paid. Stated differently, the policy will only be valid for six months (6) months although the premium was paid for one (1) whole year. xxx[19]
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> In sum, based on the above, this Court found sufficient justification to rule that defendant cannot evade liability by simply negating the existence of any indorsement changing the policy period from the time the premium of Fire Policy No. FI-REG-DS-05-0000001-01 was paid. Plaintiff should not be faulted as it merely relied in good faith with the representation and words of Ms. Christine Salonga who said that no indorsement extending or changing the policy period is needed. Mr. Sia reasoned that aside from the explanation given to him by said agent as he was told that it is stated very clearly in the official receipt that a loss is not covered if the same occurred prior to the payment of the premium and the validity of the policy shall take effect only after payment. plaintiff's honest reliance with said agent cannot be used against him. With this, this Court believes that defendant is now estopped from claiming that the policy period of Fire Policy No. FI-REG-DS-05-0000001-01should be reckoned from January 3, 2006 and should end from January 3, 2007. To hold otherwise is patently unsound exercise of judicial determination.[20]

Disgruntled, respondent appealed the foregoing Decision to the CA, interposing in the main that the RTC erred in finding that petitioner is entitled to its claims for fire insurance and damages.

Finding respondent's appeal meritorious, the CA in the 18 May 2018 *Decision* reversed and set aside the RTC's Decision and dismissed the complaint. It ratiocinated—

> In granting (petitioner's) claim under the subject insurance policy, the RTC found that the payment of the premium on July 5, 2006 had the effect of changing the period of effectivity of the subject policy from January 3, 2006 -January 3, 2007, to July 5, 2006-July 5,2007 pursuant to Section 77 of the Insurance Code. The RTC reasoned that the insurance contract became effective only on the date the premium was paid, or on July 5, 2006; and since the policy was valid for one (1) year, it should be effective until July 5, 2007, not January 3, 2007. *We disagree.*
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> xxxx

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[19] Id. at 160-161.
[20] Id. at 166.

Two conditions must concur for (respondent's) liability to attach. (1) full payment of the premium; and (2) the loss must have occurred during the state covered period/term of the policy. (Petitioner) fully paid the premium for the subject policy only on July 5, 2006; the covered period/term of the policy was from January 3, 2006 to January 3, 2997; the loss occurred on May 1, 2007; hence, (respondent's) liability did not arise as the loss occurred after the covered period.

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Evidently, there is nothing in the contract that would suggest that the period of coverage of the policy is subject to change depending on the date of the payment of the premium. Hence, there is no basis for the RTC's conclusion that the payment of the premium on July 5, 2006 had the effect of changing the effectivity period of the subject policy from January 3, 2006- January 3, 2007, to July 5, 2006- July 5, 2007. If we adopt the RTC's interpretation, we would be unduly stretching the meaning of the contract beyond its express language and intent. The rule that contracts of insurance will be construed in favor of the insured and most strongly against the insurer should not be permitted to have the effect of making a plain agreement, ambiguous, and then construe it in favor of the insured.

The underlying circumstances likewise show that it was indeed the intention of the parties that the coverage period of the renewed policy would only be from January 3, 2006 to January 3, 2007, regardless of the date of the payment of the premium. The insurance policy previously obtained be (petitioner), which is the first insurance contract with Policy No. FI-REG-DS-05-0000001-01, reveals that the petitioner was also late in paying the premium. The said policy was for a period of one (1) year, from January 3, 2005 to January 3, 2006. (Petitioner)[21] completed its installment payment of the premium on May 13, 2005, yet the policy expited, without any agreement or modification thereof, on the stated period – January 3, 2006. The renewal policy contained the term period of January 3, 2006- January 3, 2007, apparently so as not to create a gap in insurance coverage. The premium of this renewed policy was only paid on July 5, 2006. There is no showing that the subject renewal policy had been cancelled and a new one issued setting its commencement period on the date of payment of the premium on July 5, 2006, hence, it is reasonable to conclude that the parties intended to allow the subject policy to expire on its original term. Contrary to the RTC's position, this interpretation will not unjustly shorten the period of the policy to only six (6) months. If appellee, indeed, wanted to be insured for the entire one (1) year duration of the policy, it should have instead, paid the premium promptly on the day of the commencement period.

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There is also no merit in the contention that (petitioner) is entitled to its claim on account of the representations of (respondent's) alleged agent, Christine Salonga, (Petitioner's) witness, Ma. Theresa Costales, stated that she was given a business card by the said Christine Salonga

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[21] Erroneously referred to as Appellant. Id. at 67.

> showing that she is a representative of (respondent) albeit she was unsure what position Christine Salonga held as stated in the business card; the business card was not presented in court. Moreover, Christine Salonga was never presented as witness for (petitioner) nor was there an attempt to summon her in court. It is a settled rule that persons dealing with an agent are bound at their peril, if they would hold the principle liable, to ascertain not only the fact of agency but also the nature and extent of authority, and in case either is controverted, the burden of proof is upon them to establish it. The basis for agency is representation and a person dealing with an agent is put upon inquiry and must discover upon his peril the authority of the agent, If he does not make such an inquiry, he is chargeable with knowledge of the agents' authority and his ignorance of that authority will not be any excuse. Indeed, agency is never presumed and he who alleges that it exists has the burden of proof. (Petitioner) on whose shoulders such burden rests, fell short of proving the existence of such agency. [22]

Taking umbrage at the reversal of the RTC's Decision and the consequent dismissal of its complaint, petitioner moved for the reconsideration[23] thereof, which however, was denied by the CA in its 4 October 2018 *Resolution.*

Hence, petitioner comes to the Court through the present recourse postulating that being a contract of adhesion, the provisions of the fire insurance contract must be read strictly against respondent and liberally in its favor. Moreover, respondent is now estopped from denying that Christine Salonga (Christine) was its agent, upon whose apparent authority it properly relied. Given that respondent unjustly denied its insurance claim, it is entitled as well to damages and attorney's fees.[24]

The Petition lacks merit.

The controversy, in this case, revolves around the determination of the inception of the one-year coverage period of the policy— should it be from 3 January 2006 as provided in the subject contract or from 5 July 2006, the date when petitioner paid the premium, and so end a year after, i.e., on 5 July 2007?

Given that the fire insurance policy entered into between petitioner and respondent is the law between them,[25] the Court must hearken to its

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22 Id. at 64,66, and 68.
23 Id. at 74-121.
24 Id. at 15.
25 See *Alpha Plus International Enterprises Corp. v. Philippine Charter Insurance Corp.*, G.R. No. 203756, 10 February 2021.

provisions for a judicious resolution of the dispute. Upon this point, the pertinent provisions thereof state:

> THIS POLICY OF INSURANCE WITNESSETH, THAT **only after payment to the Company in accordance with Policy Condition No. 2 of the total premiums** by the insured as stipulated above **for the period aforementioned for insuring against Loss or Damage by Fire or Lightning** as herein appears, the Property herein described, and contained, or described herein, and not elsewhere in the sum or several sums opposite thereto.
>
> THE COMPANY HEREBY AGREES with the Insured (subject to the terms and conditions, endorsed or otherwise expressed hereon, which are to be taken as part of this policy), that if the Property above described, or any part thereof, shall be destroyed or damaged by Fire or Lightning, **after payment of the premium by the insured to the Company, during the term of this policy as above indicated** or before 4:00 P.M. of the last day of any subsequent period in respect of which the insured, or a successor in interest to whom the insurance is by an endorsement herein declared to be or is otherwise continued, shall pay to the Company, and the Company shall accept the sum required for the renewal of this policy, the Company will pay or make good all such loss or Damage to an amount not exceeding during any one period of Insurance I respect of the several matters above-specified the sums set opposite thereto respectively, and not exceeding in the whole the total of the aforementioned sums insured in Philippine currency.
>
> POLICY CONDITIONS
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> 2. This policy including any renewal thereof and/or any endorsement thereon is not in force until the premium has been fully paid to and duly receipted by the Company in the manner provided herein.
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> Any supplementary agreement seeking to amend this condition prepared by agent, broker or Company official, shall be deemed invalid and of no effect. Except only in those specific cases where corresponding rules and regulations which now are or may hereafter be in force provide for the payment of the stipulated premiums in periodic installments of fixed percentages, it is hereby declared, agreed and warranted that this policy shall be deemed effective valid and binding upon the Company only when the premiums therefor have actually been paid in full and duly acknowledged in a receipt signed by an authorized official or representative/agent of the Company in such manner as provided herein.[26]

After an insightful perusal of the foregoing terms and conditions, the Court finds the same unambiguous. It categorically provides that respondent shall be liable to pay petitioner the amount agreed upon **if after the payment of premium**, the property insured is destroyed by fire or lightning **during the term of the policy,** which is from 4:00 o'clock in the afternoon of 3 January

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[26] Rollo, Vol. I, p. 184.

2006 to 4:00 o'clock in the afternoon of 3 January 2007. Conspicuously, there is no declaration that the one-year period coverage would begin on the date when petitioner pays the premium of the insurance.

Rivetingly, Condition number 2 thereof which provides that "This policy including any renewal thereof and/or any endorsement thereon **is not in force until the premium has been fully paid** xxx" [27] even when juxtaposed with the agreed term of one year, did not create any ambiguity at all. Certainly, petitioner's payment of the premium on 5 July 2006 cannot be interpreted to mean that the life of the policy was adjusted and extended up to 5 July 2007 to have a period of one year as agreed upon. **Such payment on 5 July 2006 simply signified that the subject fire insurance contract had become operative on said date and it was then and only then that the obligation of respondent arose to indemnify petitioner in case a loss occurs within the agreed period which, in this case, is up to 4:00 o'clock of 3 January 2007.**

The next query then leaps to the eye — would it not be unfair on the part of the petitioner if the policy would only be valid for six months, i.e., 5 July 2006 to 3 January 2007 considering that it paid the premium for one whole year?

The Court answers in the negative.

To begin with, it bears accentuating that like any other contract, parties to a contract of insurance could stipulate on terms and conditions that would govern them as long as these stipulations are not contrary to law. [28] In this case, petitioner and respondent have agreed that the period of coverage of the policy was from 3 January 2006 to 3 January 2007. In actual fact, when petitioner sought the renewal of its fire insurance contract with respondent, it should have paid its premium upon the expiration of the previous fire insurance policy on 3 January 2006 since its obligation to pay the premium is conditioned on the *mere exposure of the thing insured to the peril insured against.*[29] But, regrettably, it did not. Thus, the contract failed to be effective immediately. It could not now, therefore, claim that it would shorten the life of the policy if its coverage would not begin on 5 July 2006. **To emphasize, the terms and conditions of the policy constitute the measure of the insurer's liability and compliance therewith is a condition precedent to the insured's right to recovery from the insurer.**[30]

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27 Id.

28 *Supra* note 25.

29 See *Chartis Philippines Insurance, Inc. v. Cyber City Teleservices, Ltd.*, G.R. No. 234299, 3 March 2021.

30 *Supra* note 25, citing *Enriquez v. The Mercantile Insurance, Co., Inc.*, 836 Phil. 816-839 (2018).

Moreover, it must be borne in mind that in an insurance contract, both the insured and insurer undertake risks —on one hand there is the insured, a member of a group exposed to a particular peril, who contributes premiums under the risk of receiving nothing in return in case the contingency does not happen; on the other, there is the insurer, who undertakes to pay the entire sum agreed upon in case the contingency happens.[31] Thus, conversely, if petitioner paid the premium on 3 January 2006 and right on the same day, the loss occurred, the respondent would have been liable to indemnify **the whole amount** stated in the policy and not merely a percentage thereof even if it was operative only for a while. Hence, precisely because the contract of insurance is a risk-distributing mechanism, there is nothing inequitable in the foregoing situation.

To be sure, as the provisions of the fire policy are clear, the Court refuses to pander to petitioner's posture as it would patently contravene the tenor of their contract and make its effectivity dependent solely on his will. This would be a violation of the principle on mutuality of contracts which the Court cannot tolerate. On this score, while the same is a contract of adhesion as the terms thereof were prepared solely by respondent, its interpretation still aligns with the literal meaning of its terms and conditions absent any ambiguity, or with the intention of the parties, which **should be deciphered not from the unilateral *post facto* assertions of one of the parties, but, as adumbrated above, from the language used in the contract.**[32] It bears emphasis that when the language of the contract is explicit leaving no doubt as to the intention of the drafters thereof, the courts may not read into it any other intention that would contradict its plain import. Accordingly, no court, even this Court, can make new contracts for the parties or ignore those already made by them, simply to avoid seeming hardships. Neither abstract justice nor the rule of liberal construction justifies the creation of a contract for the parties which they did not make themselves or the imposition upon one party to a contract of an obligation not assumed.[33]

In sooth, the coverage of the disputatious policy is from 3 January 2006 to 3 January 2007. *Sans* any showing that they have mutually acceded to a subsequent modification thereof, this period of effectivity subsists. Whence, petitioner's postulation that it is entitled to its claim in view of the apparent authority of Christine, respondent's purported agent— which the Court curiously discerns was not even raised in its Complaint — cannot be given credence.

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31 *Supra* note 29, citing *Spouses Tibay v. Court of Appeals*, 326 Phil. 931-955 (1996).
32 See *Buenaventura v. Metropolitan Bank and Trust Co.*, 792 Phil. 237-263 (2016).
33 Id.

Well-ensconced is the rule that, persons dealing with an agent are bound at their peril, if they would hold the principal liable, to ascertain not only the fact of agency **but also the nature and extent of the agent's authority, and in case either is controverted, the burden of proof is upon them to establish it.**[34] Here, no other proof was proffered by petitioner except the bare declarations of its witnesses that Christine was respondent's agent and that she made the assurance that the one-year coverage of the policy in question would commence on 5 July 2006 with no necessity of an indorsement. Primal is the rule that a mere allegation is not evidence.[35]

Anent petitioner's reliance on the doctrine of apparent authority, the same cannot be countenanced. The doctrine of apparent authority provides that a corporation is estopped from denying the agent's authority if it knowingly permits such agent to act within the scope of an apparent authority and holds him out to the public as possessing the power to do those acts. As adumbrated above, petitioner failed to prove that Christine was truly respondent's agent. Assuming that indeed Christine was respondent's agent, it is incumbent upon petitioner to prove how respondent's acts led it to believe that Christine was duly authorized to represent it,[36] given that apparent authority is determined by the acts of the principal and not by the acts of the agent.[37] As it happened, petitioner solely averred that respondent issued its insurance policies through Christine. Plain as day, this is insufficient to conclude that she was clothed with apparent authority **to verbally modify the subject policy particularly when it involved the duration of respondent's liability under the same**. Respondent is an insurance company and ordinarily issues insurance policies. Such act could not be interpreted as acquiescence on its part for its agents to modify written contracts without its consent.

In synthesis, the Court finds no reversible error on the part of the CA in dismissing petitioner's complaint.

WHEREFORE, the *Petition* is hereby **DENIED**. The *Decision* dated 18 May 2018 and the *Resolution* dated 4 October 2018 of the Court of Appeals in CA-G.R. CV No. 10743, are **AFFIRMED.**

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[34] See *Ayala Land, Inc. v. ASB Realty Corp.*, 840 Phil. 590-611 (2018), citing *Banate v. Philippine Countryside Rural Bank (Liloan Cebu), Inc,* 639 Phil. 35-50 (2010).

[35] See *Spouses Coronel v. Quesada,* G.R. No. 237465, 7 October 2019, citing *Lopez v. Bodega City (Video-Disco Kitchen of the Philippines) and/or Torres-Yap,* 558 Phil. 666-682 (2007).

[36] See *Calubad v. Ricarcen Development Corp.*, 817 Phil 509-533 (2017).

[37] See *Agro Food and Processing Corp. v. Vitarich Corp.*, G.R. No. 217454, 11 January 2021.

SO ORDERED."

By authority of the Court:

MISAEL DOMINGO C. BATTUNG III
Division Clerk of Court

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