

SECOND DIVISION

[G.R. No. 194126, October 17, 2018]

**INDUSTRIAL PERSONNEL AND MANAGEMENT SERVICES, INC.,
PETITIONER, V. COUNTRY BANKERS INSURANCE CORPORATION,
RESPONDENT.**

DECISION

CAGUIOA, J:

Before this Court is a Petition for Review on *Certiorari*^[1] (Petition) under Rule 45 of the Rules of Court filed by petitioner Industrial Personnel and Management Services, Inc. (IPAMS) assailing the Decision^[2] dated October 14, 2010 (assailed Decision) of the Court of Appeals (CA) Eleventh Division in CA-G.R. SP No. 114683, which reversed and set aside the following rulings:

1. the Resolution^[3] dated June 26, 2007 and Order^[4] dated December 4, 2007 issued by the Insurance Commission (IC);
2. the Decision^[5] dated September 17, 2008 and Resolution^[6] dated April 29, 2009 issued by the Department of Finance (DOF); and
3. the Decision^[7] dated January 8, 2010 and Resolution^[8] dated June 1, 2010 issued by the Office of the President (OP).

These issuances upheld the ruling of the IC that respondent Country Bankers Corporation (Country Bankers) shall be subjected to disciplinary action pursuant to Section 241 (now Section 247) and Section 247 (now Section 254) of the Insurance Code, as amended,^[9] if respondent Country Bankers does not settle the subject claims presented by petitioner IPAMS.

The Facts and Antecedent Proceedings

As narrated by the CA in its assailed Decision, the essential facts and antecedent proceedings of the instant case are as follows:

In 2000, Industrial Personnel and Management Services, Inc. (IPAMS) began recruiting registered nurses for work deployment in the United States of America (U.S.). It takes eighteen (18) to twenty four (24) months for the entire immigration process to complete. As the process requires huge amounts of money, such amounts are advanced [to] the nurse applicants.

By reason of the advances made to the nurse applicants, the latter were required to post surety bond. The purpose of the bond is to guarantee the following during its validity period: (a) that they will comply with the entire immigration process, (b) that they will complete the documents

required, and (c) that they will pass all the qualifying examinations for the issuance of immigration visa. The Country Bankers Insurance Corporation (Country Bankers for brevity) and IPAMS agreed to provide bonds for the said nurses. [Under the agreement of IPAMS and Country Bankers, the latter will provide surety bonds and the premiums therefor were paid by IPAMS on behalf of the nurse applicants.^[10]]

[The surety bonds issued specifically state that the liability of the surety company, *i.e.*, respondent Country Bankers, "shall be limited only to actual damages arising from Breach of Contract by the applicant."^[11]]

A Memorandum of Agreement (MOA) was executed by the said parties on February 1, 2002 [which stipulated the various requirements for collecting claims from Country Bankers, namely:

B. REQUIREMENTS FOR CLAIM

Requirements are as follows:

SURETY BOND:

- A. 1st demand letter requiring his/her to submit complete documents.
- B. 2nd Demand letter (follow up of above).
- C. Affidavit stating reason of any violation to be executed by responsible officer of Recruitment Agency;
- D. Statement of Account (detailed expenses).
- E. Transmittal Claim Letter.^[12] (Emphasis and underscoring in the original)]

[On the basis of the MOA, IPAMS submitted its claims under the surety bonds issued by Country Bankers. For its part, Country Bankers, upon receipt of the documents enumerated under the MOA, paid the claims to IPAMS.^[13] According to IPAMS, starting 2004, some of its claims were not anymore settled by Country Bankers.

[In 2004, Country Bankers was not able to pay six (6) claims of IPAMS. The claims were not denied by Country Bankers, which instead asked for time within which to pay the claims, as it alleged to be cash strapped at that time. Thereafter, the number of unpaid claims increased. By February 16, 2007, the total amount of unpaid claims was P11,309,411.56.

IPAMS took the matter up with the General Manager of Country Bankers, Mr. Ignacio Ong (Ong). In response, Country Bankers, through its letter^[14] dated November 14, 2005 signed by Mr. Ong, acknowledged the obligations of Country Bankers, apologized for the delay in the payment of claims, and proposed to amortize the settlement of claims by paying a semi-monthly amount of P850,000.00. In addition, Country Bankers promised to pay future claims within a ninety (90)-day period. That commitment made by Country Bankers was not fulfilled and IPAMS had to deal with Country Bankers' new General Manager, Ms. Tess Valeriano

(Valeriano). Ms. Valeriano assured IPAMS that the obligations of Country Bankers would be paid promptly.

However, the counsel of Country Bankers, Atty. Marisol Caleja, started to oppose the payment of claims and insisted on the production of official receipts of IPAMS on the expenses it incurred for the application of nurses. IPAMS opposed this, saying that the Country Bankers' insistence on the production of official receipts was contrary to, and not contemplated in, the MOA and was an impossible condition considering that the U.S. authorities did not issue official receipts. In lieu of official receipts, IPAMS submitted statements of accounts, as provided in the MOA.^[15]

Then, [in a letter^[16] dated August 22, 2006,] Country Bankers limited the authority of its agent [assigned to the accounts of IPAMS,] Mr. Jaime C. Lacaba [(Lacaba),] to transact business with IPAMS.

[Due to the unwillingness of Country Bankers to settle the claims of IPAMS, the latter sought the intervention of the IC, through a letter-complaint dated February 9, 2007.^[17]]

Country Bankers on the other hand alleged that until the third quarter of 2006, it never received any complaint from IPAMS. Due to remarkable high loss ratio of IPAMS, the latter's accounts were evaluated and audited by the Country Bankers. The IPAMS was informed of the same problem. Instead of complying with the requirements for claim processes, IPAMS insisted that the supporting documents cannot be produced.

[The] [c]ontending parties went to a series of conferences to settle the differences but to no avail. The [IC] therefore ordered the parties to submit [their] respective Position Papers.^[18] On June 26, 2007, the Claims Division of the [IC] [issued] a [R]esolution^[19] declaring the following:

"IN VIEW OF THE FOREGOING, this Commission believes and so holds that there is no ground for the refusal of CBIC to pay the claims of IPAMS. Its failure to settle the claim after having entered into an Agreement with the complainant, IPAMS, demonstrates respondent's bad faith in the fulfillment of their obligation, to the prejudice of the complainant.

Accordingly, we find the insurance company liable to settle the subject claim otherwise, this Commission shall be constrained to take disciplinary action pursuant to Sections 241 and 247 of the Insurance Code, as amended." (Underscoring supplied)

The move by Country Bankers to reconsider the above resolution was denied by the [IC] in an [O]rder^[20] dated December 4, 2007.

Country Bankers made an appeal before the [DOF]. The [DOF] decided to affirm the assailed orders of the [IC]. The dispositive portion of the said [D]ecision^[21] [dated September 30, 2008] reads:

"WHEREFORE, foregoing premises considered, the questioned Resolution of the Commission dated June 26, 2007, as reiterated in its Order dated December 7, 2007, is hereby AFFIRMED and that the same be implemented in accordance with Sec. 241, in relation to Sec. 247 of the Insurance Code and other pertinent rules and regulations on the matter."

A motion to reconsider the x x x aforementioned decision was filed but was denied [by the DOF in its Resolution^[22] dated] April 29, 2009.

On appeal to the [OP], the ruling of the [DOF] was affirmed in a [D]ecision^[23] docketed as O.P. Case No. 09-E-190 and dated January 8, 2010[:

WHEREFORE, herein appeal is DISMISSED for lack of merit. The Decision of the Secretary of Finance dated September 17, 2008 and its Resolution dated April 29, 2009 are hereby AFFIRMED.]^[24]

A subsequent motion to reconsider the same was denied by the said office in its [R]esolution^[25] dated June 1, 2010.

Hence, [the] instant [P]etition [for Review filed by respondent Country Bankers before the CA under Rule 43 of the Rules of Court.]^[26]

The Ruling of the CA

In its assailed Decision, the CA granted the Rule 43 Petition filed by respondent Country Bankers, reversing and setting aside the rulings of the IC, DOF, and OP, the dispositive portion of which states:

WHEREFORE, premises considered, the petition is **GRANTED** and the following issuances are hereby **REVERSED and SET ASIDE**:

1. June 1, 2010 decision of the Office of the President in O.P. Case No. 09-E-190;
2. January 8, 2010 decision of the Office of the President in O.P. Case No. 09-E-190;
3. Department of Finance resolution dated April 29, 2009;
4. Department of Finance decision dated September 17, 2008;
5. Insurance Commission order dated December 4, 2007; and the
6. Insurance Commission resolution dated June 26, 2007.

SO ORDERED.^[27] (Emphasis in the original)

The CA held that respondent Country Bankers was justified in delaying the payment of the claims to petitioner IPAMS because of the purported lack of submission by petitioner IPAMS of official receipts and other "competent proof^[28] on the expenses incurred by petitioner IPAMS in its recruitment of nurse applicants. The CA held that Section 241 (now Section 247) of the Insurance Code, which defines an unfair claim settlement practice, and Section 247 (now Section 254), which provides for the suspension or revocation of the insurer's authority to conduct business, should not

be made to apply to respondent Country Bankers because of the failure of petitioner IPAMS to provide competent proof of its claims.

Instead of filing a motion for reconsideration, petitioner IPAMS decided to directly file the instant Petition^[29] dated November 2, 2010 on November 4, 2010 before the Court.

On April 4, 2011, respondent Country Bankers filed its Comment (To Petition for Review on *Certiorari* dated November 2, 2010).^[30] On August 18, 2011, petitioner IPAMS filed its Reply.^[31]

Issue

Stripped to its core, the present Petition asks the Court to resolve whether the CA erred in issuing its assailed Decision which reversed and set aside the rulings of the IC, DOF, and OP, which found that respondent Country Bankers has no ground to refuse the payment of petitioner IPAMS' claims and shall accordingly be subjected to disciplinary action pursuant to Sections 241 (now Section 247) and 247 (now Section 254) of the Insurance Code if the latter does not settle the subject claims of petitioner IPAMS.

The Court's Ruling

The appeal is partly meritorious.

In reversing and setting aside the rulings of the IC, DOF, and OP, the CA, in the main, found that as provisions of applicable law are deemed written into contracts, Article 2199 of the Civil Code^[32] should be applied regarding the MOA between petitioner IPAMS and respondent Country Bankers. The CA reasoned that since "[c]ompetent proof x x x must be presented to justify award for actual damages,"^[33] respondent Country Bankers was correct in not paying the subject claims of petitioner IPAMS because the latter failed to present official receipts and other "competent" evidence establishing the actual costs and expenses incurred by petitioner IPAMS.

Apparently, the CA concurred with the reason posited by respondent Country Bankers for not paying the claims presented by petitioner IPAMS, *i.e.*, the failure of petitioner IPAMS to present official receipts of expenses it incurred. Consequently, the CA found that mere Statements of Accounts with detailed expenses, without accompanying official receipts or any other "competent" evidence, cannot prove actual expenses. Hence, respondent Country Bankers was supposedly justified in not paying the claims of petitioner IPAMS.

Autonomy of Contracts

At the onset, it is important to note that according to the autonomy characteristic of contracts, **the contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law**, morals, good customs, public order, or public policy.^[34]

The stipulation of the MOA at issue is the provision enumerating requirements (Requirements for Claim Clause) that must be presented by petitioner IPAMS in order to make a valid claim against the surety bond. To reiterate, the Requirements for Claim Clause provides: