Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

PHIL-NIPPON KYOEI, CORP., Petitioner,

G.R. No. 181375

- versus -

ROSALIA T. GUDELOSAO, on her behalf and in behalf of minor children CHRISTY MAE T. GUDELOSAO and ROSE ELDEN T. GUDELOSAO, CARMEN TANCONTIAN, on her behalf and in behalf of the children CAMELA B. TANCONTIAN, BEVERLY B. TANCONTIAN, and ACE B. TANCONTIAN, Respondents.

Present:
VELASCO, JR., *J.*, *Chairperson*
PERALTA,
DEL CASTILLO,*
PEREZ, and
JARDELEZA, *JJ.*

Promulgated:

July 13, 2016

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D E C I S I O N

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.

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* Designated Additional Member per Raffle dated September 1, 2014.

1 *Rollo,* pp. 3-17.

2 Penned by Associate Justice Bienvenido L. Reyes and concurred in by Associate Justices Apolinario D. Bruselas Jr. and Aurora Santiago Lagman. *Id.* at 19-39.

3 Penned by Associate Justice Bienvenido L. Reyes and concurred in by Associate Justices Apolinario D. Bruselas Jr. and Aurora Santiago Lagman. *Id.* at 48-50.

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. Gudelosao, 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 ₱10,800,000.00 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 ₱3,240,000.00 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 Gudelosao 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

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4 CA *rollo*, pp. 68-80.
5 *Rollo*, pp. 38-39.
6 *Id.* at 8.
7 *Id.* at 20-21; CA *rollo*, p. 69.
8 CA *rollo*, p. 70.
9 *Rollo*, p. 22.
10 CA *rollo*, pp. 68-80.

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** [₱]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 [₱]324,000.00 each thereof or a total of [₱]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

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11 *Id.* at 79-80.
12 *Id.* at 8-23.

> children of Complainant Gudelosao, namely, Christy Mae T. Gudelosao and Rose Elden T. Gudelosao.
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> 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) [R]espondents 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. GUDELOSAO:	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

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13 *Id.* at 22.
14 *Id.* at 17-18.
15 *Id.* at 18-20.
16 *Id.* at 25-27.
17 *Id.* at 32-50.

> Further, [respondents] CAPT. OSCAR ORBETA, [TEMMPC] and [TMCL] (the manning agency) are hereby directed to pay solidarily 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 [₱]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 [₱]324,000.00 each thereof or a total of [₱]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

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18 *Rollo*, pp. 38-39.
19 *Id.* at 31-33.
20 *Id.* at 31-A.
21 *Id.* at 32.
22 *Id.* at 33, 38.

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

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23 *Id.* at 33.
24 *Id.* at 38.
25 *Id.* at 40-47.
26 *Id.* at 48-50.
27 CA *rollo*, p. 457.
28 *Rollo*, pp. 73-76.
29 *Id.* at 48-50; 90-92.
30 *Id.* at 77-88.
31 *Id.* at 95.
32 *Id.* at 154-158.
33 Civil Case No. 05-112271, *id.* at 155.

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 care of the goods which the vessel carried; but he may exempt himself therefrom by abandoning the vessel with all her equipment and the freightage he may have earned during the voyage.
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> Art. 590. The co-owners of a vessel shall be civilly liable, in the proportion of their contribution to the common fund, for the results of the acts of the captain, referred to in Art. 587.

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[34] CA-G.R. No. CV-97459 titled *Phil-Nippon Kyoei Corporation v. South Sea Surety & Insurance Co., Inc.*, *id.* at 272.

[35] *Rollo*, pp. 156-157, 272.

[36] *CA rollo*, pp. 130-143.

[37] *Id.* at 137.

> Each part-owner may exempt himself from this liability by the abandonment before a notary of the part of the vessel belonging to him.
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> Art. 837. The civil liability incurred by the shipowners in the cases prescribed in this section, shall be understood as limited to the value of the vessel with all its appurtenances and freightage earned during the voyage.

Article 837 applies the limited liability rule in cases of collision. Meanwhile, Articles 587 and 590 embody the universal principle of limited liability in all cases wherein the shipowner or agent may be properly held liable for the negligent or illicit acts of the captain.[38] These articles precisely intend to limit the liability of the shipowner or agent to the value of the vessel, its appurtenances and freightage earned in the voyage, provided that the owner or agent abandons the vessel.[39] When the vessel is totally lost, in which case abandonment is not required because there is no vessel to abandon, the liability of the shipowner or agent for damages is extinguished.[40] Nonetheless, the limited liability rule is not absolute and is without exceptions. It does not apply in cases: (1) where the injury or death to a passenger is due either to the fault of the shipowner, or to the concurring negligence of the shipowner and the captain; (2) where the vessel is insured; and (3) **in workmen's compensation claims**.[41]

In *Abueg v. San Diego,*[42] we ruled that the limited liability rule found in the Code of Commerce is inapplicable in a liability created by statute to compensate employees and laborers, or the heirs and dependents, in cases of injury received by or inflicted upon them while engaged in the performance of their work or employment, to wit:

> The *real* and *hypothecary* nature of the liability of the shipowner or agent embodied in the provisions of the Maritime Law, Book III, Code of Commerce, had its origin in the prevailing conditions of the maritime trade and sea voyages during the medieval ages, attended by innumerable hazards and perils. To offset against these adverse conditions and to encourage shipbuilding and maritime commerce, it was deemed necessary to confine the liability of the owner or agent arising from the operation of a ship to the vessel, equipment, and freight, or insurance, if any, so that if the shipowner or agent abandoned the ship, equipment, and freight, his liability was extinguished.

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[38] See *Monarch Insurance Co., Inc. v. Court of Appeals*, G.R. Nos. 92735, 94867 & 95578, June 8, 2000, 333 SCRA 71, 94-95 citing *Yangco v. Laserna*, 73 Phil. 330 (1941).

[39] *Aboitiz Shipping Corporation v. Court of Appeals*, G.R. Nos. 121833, 130752 & 137801, October 17, 2008, 569 SCRA 294.

[40] *Id.* at 307-308.

[41] *Chua Yek Hong v. Intermediate Appellate Court,* G.R. No. L-74811, September 30, 1988, 166 SCRA 183, 189.

[42] 77 Phil. 730 (1946).

> But the provisions of the Code of Commerce invoked by appellant have no room in the application of the Workmen's Compensation Act which seeks to improve, and aims at the amelioration of, the condition of laborers and employees. It is not the liability for the damage or loss of the cargo or injury to, or death of, a passenger by or through the misconduct of the captain or master of the ship; nor the liability for the loss of the ship as a result of collision; nor the responsibility for wages of the crew, but a liability created by a statute to compensate employees and laborers in cases of injury received by or inflicted upon them, while engaged in the performance of their work or employment, or the heirs and dependents of such laborers and employees in the event of death caused by their employment. Such compensation has nothing to do with the provisions of the Code of Commerce regarding maritime commerce. It is an item in the cost of production which must be included in the budget of any well-managed industry.[43] (Underscoring supplied.)

We see no reason why the above doctrine should not apply here.

Act No. 3428, otherwise known as The Workmen's Compensation Act[44] is the first law on workmen's compensation in the Philippines for work-related injury, illness, or death. This was repealed on November 1, 1974 by the Labor Code,[45] and was further amended on December 27, 1974 by Presidential Decree No. 626.[46] The pertinent provisions are now found in Title II, Book IV of the Labor Code on Employees Compensation and State Insurance Fund.

The death benefits granted under Title II, Book IV of the Labor Code are similar to the death benefits granted under the POEA-SEC.[47] Specifically, its Section 20(A)(1) and (4)(c) provides that:

> 1. In case of work-related death of the seafarer, during the term of his contract the employer shall pay his beneficiaries the Philippine Currency equivalent to the amount of Fifty Thousand US dollars (US$50,000) and an additional amount of Seven Thousand US dollars (US$7,000) to each child under the age of twenty-one (21) but not exceeding four (4) children, at the exchange rate prevailing during the time of payment.
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> x x x

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[43] *Id.* at 733-734.

[44] An Act Prescribing the Compensation to be Received by Employees for Personal Injuries, Death or Illness Contracted in the Performance of Their Duties (1927).

[45] Presidential Decree No. 442 (1974). A Decree Instituting a Labor Code, Thereby Revising and Consolidating Labor and Social Laws to Afford Protection to Labor, Promote Employment and Human Resources Development and Insure Industrial Peace Based on Social Justice.

[46] Further Amending Certain Articles of Presidential Decree No. 442 entitled "Labor Code of the Philippines."

[47] 2000 Amended Standard Terms and Conditions Governing the Employment of Filipino Seafarers on Board Ocean-Going Vessels, DOLE Department Order No. 4 (2000); POEA Memorandum Circular No. 9 (2000). This is the applicable amendment at the time the contract of employment was executed in 2003.

> 4. The other liabilities of the employer when the seafarer dies as a result of work-related injury or illness during the term of employment are as follows:
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> x x x
>
> c. The employer shall pay the beneficiaries of the seafarer the [Philippine] currency equivalent to the amount of One Thousand US dollars (US$1,000) for burial expenses at the exchange rate prevailing during the time of payment.

Akin to the death benefits under the Labor Code, these benefits under the POEA-SEC are given when the employee dies due to a work-related cause during the term of his contract.[48] The liability of the shipowner or agent under the POEA-SEC has likewise nothing to do with the provisions of the Code of Commerce regarding maritime commerce. The death benefits granted under the POEA-SEC is not due to the death of a passenger by or through the misconduct of the captain or master of the ship; nor is it the liability for the loss of the ship as result of collision; nor the liability for wages of the crew. It is a liability created by contract between the seafarers and their employers, but secured through the State's intervention as a matter of constitutional and statutory duty to protect Filipino overseas workers and to secure for them the best terms and conditions possible, in order to compensate the seafarers' heirs and dependents in the event of death while engaged in the performance of their work or employment. The POEA-SEC prescribes the set of standard provisions established and implemented by the POEA containing the minimum requirements prescribed by the government for the employment of Filipino seafarers. While it is contractual in nature, the POEA-SEC is designed primarily for the protection and benefit of Filipino seamen in the pursuit of their employment on board ocean-going vessels.[49] As such, it is deemed incorporated in every Filipino seafarers' contract of employment.[50] It is established pursuant to POEA's power "to secure the best terms and conditions of employment of Filipino contract workers and ensure compliance therewith" and "to protect the well-being of Filipino workers overseas"[51] pursuant to Article 17 of the Labor Code as amended by Executive Order (EO) Nos. 797[52] and 247.[53]

But while the nature of death benefits under the Labor Code and the POEA-SEC are similar, the death benefits under the POEA-SEC are intended to be separate and distinct from, and in addition to, whatever

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[48] See *Racelis v. United Philippine Lines, Inc.*, G.R. No. 198408, November 12, 2014, 740 SCRA 122, 130-131.

[49] See *Bergesen D.Y. Philippines, Inc. v. Estenzo*, G.R. No. 141269, December 9, 2005, 477 SCRA 150, 157.

[50] *Racelis v. United Philippine Lines, Inc.*, *supra* at 130.

[51] See *Talosig v. United Philippines Lines, Inc.*, G.R. No. 198388, July 28, 2014, 731 SCRA 180, 187-188.

[52] Reorganizing the Ministry of Labor and Employment, Creating the Philippine Overseas Employment Administration, and for Other Purposes (1982).

[53] Reorganizing the Philippines Overseas Employment Administration and for Other Purposes (1987).

benefits the seafarer is entitled to under Philippine laws, including those benefits which may be claimed from the State Insurance Fund.[54]

Thus, the claim for death benefits under the POEA-SEC is the same species as the workmen's compensation claims under the Labor Code – both of which belong to a different realm from that of Maritime Law. Therefore, the limited liability rule does not apply to petitioner's liability under the POEA-SEC.

Nevertheless, the Release and Quitclaim benefit petitioner as a solidary debtor.

All the same, the Release and Quitclaim executed between TEMMPC, TMCL and Capt. Oscar Orbeta, and respondents redounded to the benefit of petitioner as a solidary debtor.

Petitioner is solidarily liable with TEMMPC and TMCL for the death benefits under the POEA-SEC. The basis of the solidary liability of the principal with the local manning agent is found in the second paragraph of Section 10 of the Migrant Workers and Overseas Filipino Act of 1995,[55] which, in part, provides: "[t]he liability of the principal/employer and the recruitment/placement agency for any and all claims under this section shall be joint and several." This provision, is in turn, implemented by Section 1 (e)(8), Rule 2, Part II of the POEA Rules and Regulations Governing the Recruitment and Employment of Seafarers, which requires the undertaking of the manning agency to "[a]ssume joint and solidary liability with the employer for all claims and liabilities which may arise in connection with the implementation of the employment contract [and POEA-SEC]."

We have consistently applied the Civil Code provisions on solidary obligations, specifically Articles 1217[56] and 1222,[57] to labor cases.[58] We explained in *Varorient Shipping Co., Inc. v. NLRC*[59] the nature of the solidary liability in labor cases, to wit:

> x x x The POEA Rules holds her, as a corporate officer, solidarily liable with the local licensed manning agency. Her liability is inseparable from those of Varorient and Lagoa. If anyone of them is held liable then all of them would be liable for the same obligation. **Each of the**

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54 Section 20(A)(3), POEA-SEC.

55 Republic Act (RA) No. 8042 (1995), as amended by RA No. 10022 (2010).

56 Art. 1217. Payment made by one of the solidary debtors extinguishes the obligation. If two or more solidary debtors offer to pay, the creditor may choose which offer to accept. x x x

57 Art. 1222. A solidary debtor may, in actions filed by the creditor, avail himself of all defenses which are derived from the nature of the obligation and of those which are personal to him, or pertain to his own share. With respect to those which personally belong to the others, he may avail himself thereof only as regards that part of the debt for which the latter are responsible.

58 See *Vigilla v. Philippine College of Criminology, Inc.*, G.R. No. 200094, June 10, 2013, 698 SCRA 247, 269.

59 G.R. No. 164940, November 28, 2007, 539 SCRA 131.

> **solidary debtors, insofar as the creditor/s is/are concerned, is the debtor of the entire amount; it is only with respect to his co-debtors that he/she is liable to the extent of his/her share in the obligation. Such being the case, the Civil Code allows each solidary debtor, in actions filed by the creditor/s, to avail himself of all defenses which are derived from the nature of the obligation and of those which are personal to him, or pertaining to his share.** He may also avail of those defenses personally belonging to his co-debtors, but only to the extent of their share in the debt. Thus, Varorient may set up all the defenses pertaining to Colarina and Lagoa; whereas Colarina and Lagoa are liable only to the extent to which Varorient may be found liable by the court. The complaint against Varorient, Lagoa and Colarina is founded on a common cause of action; hence, the defense or the appeal by anyone of these solidary debtors would redound to the benefit of the others.
>
> x x x
>
> x x x If Varorient were to be found liable and made to pay pursuant thereto, the entire obligation would already be extinguished even if no attempt was made to enforce the judgment against Colarina. Because **there existed a common cause of action against the three solidary obligors, as the acts and omissions imputed against them are one and the same, an ultimate finding that Varorient was not liable would, under these circumstances, logically imply a similar exoneration from liability for Colarina and Lagoa, whether or not they interposed any defense.**[60] (Emphasis supplied.)

Thus, the rule is that the release of one solidary debtor redounds to the benefit of the others.[61] Considering that petitioner is solidarily liable with TEMMPC and TMCL, we hold that the Release and Quitclaim executed by respondents in favor of TEMMPC and TMCL redounded to petitioner's benefit. Accordingly, the liabilities of petitioner under Section 20(A)(1) and (4)(c) of the POEA-SEC to respondents are now deemed extinguished. We emphasize, however, that this pronouncement does not foreclose the right of reimbursement of the solidary debtors who paid (*i.e.*, TEMMPC and TMCL) from petitioner as their co-debtor.

II. Liability under the Personal Accident Policies.

The NLRC has jurisdiction over the claim on the Personal Accident Policies.

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60 *Id.* at 140-143.

61 Section 10, RA No. 8042, as amended by RA No. 10022.

We find that the CA correctly upheld the NLRC's jurisdiction to order SSSICI to pay respondents the value of the proceeds of the Personal Accident Policies.

The Migrant Workers and Overseas Filipinos Act of 1995 gives the Labor Arbiters of the NLRC the original and exclusive jurisdiction over claims arising out of an employer-employee relationship or by virtue of any law or contract involving Filipino workers for overseas deployment, including claims for actual, moral, exemplary and other forms of damage. It further creates a joint and several liability among the principal or employer, and the recruitment/placement agency, for any and all claims involving Filipino workers, *viz*:

> SEC. 10. *Money Claims.* – **Notwithstanding any provision of law to the contrary, the Labor Arbiters of the National Labor Relations Commission (NLRC) shall have the original and exclusive jurisdiction to hear and decide**, within ninety (90) calendar days after the filing of the complaint, **the claims arising** out of an employer-employee relationship or **by virtue of any law or contract involving Filipino workers for overseas deployment** including claims for actual, moral, exemplary and other forms of damages. Consistent with this mandate, the NLRC shall endeavor to update and keep abreast with the developments in the global services industry.
>
> The liability of the principal/employer and the recruitment/placement agency for any and all claims under this section shall be joint and several. This provision shall be incorporated in the contract for overseas employment and shall be a condition precedent for its approval. The performance bond to be filed by the recruitment/placement agency, as provided by law, shall be answerable for all money claims or damages that may be awarded to the workers. If the recruitment/placement agency is a juridical being, the corporate officers and directors and partners as the case may be, shall themselves be jointly and solidarily liable with the corporation or partnership for the aforesaid claims and damages. x x x (Emphasis supplied.)

In *Finman General Assurance Corp. v. Inocencio,*[62] we upheld the jurisdiction of the POEA to determine a surety's liability under its bond. We ruled that the adjudicatory power to do so is not vested with the Insurance Commission exclusively. The POEA (now the NLRC) is vested with quasi-judicial powers over all cases, including money claims, involving employer-employee relations arising out of or by virtue of any law or contract involving Filipino workers for overseas employment.[63] Here, the award of the insurance proceeds arose out of the personal accident insurance procured by petitioner as the local principal over the deceased seafarers who were Filipino overseas workers. The premiums paid by petitioner were, in

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62 G.R. Nos. 90273-75, November 15, 1989, 179 SCRA 480.

63 *Id.* at 487-488.

actuality, part of the total compensation paid for the services of the crewmembers.[64] Put differently, the labor of the employees is the true source of the benefits which are a form of additional compensation to them. Undeniably, such claim on the personal accident cover is a claim under an insurance contract *involving Filipino workers for overseas deployment* within the jurisdiction of the NLRC.

It must also be noted that the amendment under Section 37-A of the Migrant Workers and Overseas Filipinos Act of 1995 on Compulsory Insurance Coverage does not apply. The amendment requires the claimant to bring any question or dispute in the enforcement of any insurance policy before the Insurance Commission for mediation or adjudication. The amendment, however, took effect on May 8, 2010 long after the Personal Accident Policies in this case were procured in 2003. Accordingly, the NLRC has jurisdiction over the claim for proceeds under the Personal Accident Policies.

In any event, SSSICI can no longer assail its liability under the Personal Accident Policies. SSSICI failed to file a motion for reconsideration on the CA Decision. In a Resolution dated April 24, 2008, the CA certified in a Partial Entry of Judgment that the CA Decision with respect to SSSICI has become final and executory and is recorded in the Book of Entries of Judgments.[65] A decision that has acquired finality becomes immutable and unalterable. This quality of immutability precludes the modification of a final judgment, even if the modification is meant to correct erroneous conclusions of fact and law. This holds true whether the modification is made by the court that rendered it or by the highest court in the land. Thus, SSSICI's liability on the Personal Accident Policies can no longer be disturbed in this petition.

SSSICI's liability as insurer under the Personal Accident Policies is direct.

We, however, find that the CA erred in ruling that "upon payment of [the insurance] 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."[66]

This ruling makes petitioner's liability conditional upon SSSICI's payment of the insurance proceeds. In doing so, the CA determined that the Personal Accident Policies are casualty insurance, specifically one of liability insurance. The CA determined that petitioner, as insured, procured from SSSICI the Personal Accident Policies in order to protect itself from the consequences of the total loss of the vessel caused by the perils of the

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64 See *Pineda v. Court of Appeals*, G.R. No. 105562, September 27, 1993, 226 SCRA 754, 765.
65 CA *rollo*, pp. 456-457.
66 *Rollo*, p. 39.

sea. The CA found that the liabilities insured against are all monetary claims, excluding the benefits under the POEA-SEC, of respondents in connection with the sinking of the vessel.

We rule that while the Personal Accident Policies are casualty insurance, they do not answer for petitioner's liabilities arising from the sinking of the vessel. It is an indemnity insurance procured by petitioner for the benefit of the seafarers. As a result, petitioner is not directly liable to pay under the policies because it is merely the policyholder of the Personal Accident Policies.

Section 176 (formerly Sec. 174) of The Insurance Code[67] defines casualty insurance as follows:

> SEC. 174. **Casualty insurance is insurance covering loss or liability arising from accident or mishap, excluding certain types of loss which by law or custom are considered as falling exclusively within the scope of other types of insurance such as fire or marine. It includes**, but is not limited to, employer's liability insurance, motor vehicle liability insurance, plate glass insurance, burglary and theft insurance, **personal accident and health insurance as written by non-life insurance companies**, and other substantially similar kinds of insurance. (Emphasis supplied.)

Based on Section 176, casualty insurance may cover liability or loss arising from accident or mishap. In a liability insurance, the insurer assumes the obligation to pay third party in whose favor the liability of the insured arises.[68] On the other hand, personal accident insurance refers to insurance against death or injury by accident or accidental means.[69] In an accidental death policy, the accident causing the death is the thing insured against.[70]

Notably, the parties did not submit the Personal Accident Policies with the NLRC or the CA. However, based on the pleadings submitted by the parties, SSSICI admitted that the crewmembers of MV Mahlia are insured for the amount of ₱3,240,000.00, payable upon the accidental death of the crewmembers.[71] It further admitted that the insured risk is the loss of life or bodily injury brought about by the violent external event or accidental means.[72] Based on the foregoing, the insurer itself admits that what is being insured against is not the liability of the shipowner for death or injuries to passengers but the death of the seafarers arising from accident.

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67 Presidential Decree No. 612 (1974), as amended by RA No. 10607 (2013).

68 Campos, INSURANCE, 1983, pp. 201-202.

69 See 43 Am Jur 2d *Insurance* § 555. See also De Leon & De Leon, Jr., THE INSURANCE CODE OF THE PHILIPPINES ANNOTATED, 2014, p. 426.

70 *Oglesby-Barnitz Bank and Trust Co. v. Clark*, 112 Ohio App. 31, 38, 175 N.E. 2d 98, 103 (1959).

71 Position Paper for SSSICI before the NLRC, CA *rollo*, pp. 118-123.

72 *Id.* at 122-123.

The liability of SSSICI to the beneficiaries is direct under the insurance contract.[73] Under the contract, petitioner is the policyholder, with SSSICI as the insurer, the crewmembers as the *cestui que vie* or the person whose life is being insured with another as beneficiary of the proceeds,[74] and the latter's heirs as beneficiaries of the policies. Upon petitioner's payment of the premiums intended as additional compensation to the crewmembers, SSSICI as insurer undertook to indemnify the crewmembers' beneficiaries from an unknown or contingent event.[75] Thus, when the CA conditioned the extinguishment of petitioner's liability on SSSICI's payment of the Personal Accident Policies' proceeds, it made a finding that petitioner is subsidiarily liable for the face value of the policies. To reiterate, however, there is no basis for such finding; there is no obligation on the part of petitioner to pay the insurance proceeds because petitioner is, in fact, the obligee or policyholder in the Personal Accident Policies. Since petitioner is not the party liable for the value of the insurance proceeds, it follows that the limited liability rule does not apply as well.

One final note. Petitioner's claim that the limited liability rule and its corresponding exception (*i.e.*, where the vessel is insured) apply here is irrelevant because petitioner was not found liable under tort or *quasi-delict.* Moreover, the insurance proceeds contemplated under the exception in the case of a lost vessel are the insurance over the vessel and pending freightage for the particular voyage.[76] It is not the insurance in favor of the seafarers, the proceeds of which are intended for their beneficiaries. Thus, if ever petitioner is liable for the value of the insurance proceeds under tort or *quasi-delict*, it would be from the Marine Insurance Policy over the vessel and not from the Personal Accident Policies over the seafarers.

WHEREFORE, the petition is **PARTLY GRANTED**. The CA Decision dated October 4, 2007 and the Resolution dated January 11, 2008 of the Court of Appeals are **AFFIRMED WITH THE FOLLOWING MODIFICATIONS**:

(1) The death benefits are limited to the amount granted under the Release of All Rights and Full Satisfaction of Claim dated December 14, 2007 executed between respondents and Top Ever Marine Management Company Ltd., Top Ever Marine Management Philippine Corporation, and Captain Oscar Orbeta;
(2) As a solidary co-debtor, petitioner's liability to respondents under the POEA-SEC is also extinguished by virtue of the

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[73] See *Malayan Insurance Co., Inc. v. Philippines First Insurance Co., Inc.*, G.R. No. 184300, July 11, 2012, 676 SCRA 268, 286.

[74] See Carale, THE PHILIPPINE INSURANCE LAW CODE, COMMENTS AND CASES, 2014, p. 103.

[75] Sec. 2 (1) of The Insurance Code provides: "A *contract of insurance* is an agreement whereby one undertakes for a consideration to indemnify another against loss, damage, or liability arising from an unknown or contingent event. x x x"

[76] *Aboitiz Shipping Corporation v. General Accident Fire and Life Assurance Corporation, Ltd.*, G.R. No. 100446, January 21, 1993, 217 SCRA 359, 371.

Release of All Rights and Full Satisfaction of Claim dated December 14, 2007; and

(3) The last paragraph of the dispositive portion of the CA Decision dated October 4, 2007 stating: "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..." is **DELETED**.

SO ORDERED.

FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice

TRUE COPY
V. LAPITAN
Clerk of Court
Third Division
JUL 29 2016