Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

ALPHA PLUS INTERNATIONAL ENTERPRISES CORP.,	**G.R. No. 203756**
Petitioner,	Members:
- versus -	LEONEN, *J.*, *Chairperson* HERNANDO, INTING, DELOS SANTOS, and LOPEZ, J. Y., *JJ.*
PHILIPPINE CHARTER INSURANCE CORP., BIENVENIDO E. LAGUESMA, VYTONNE SO, GERRY Y. TEE, HENRY M. SUN, EMMANUEL R. QUE, BENJAMIN S. TY, ROBERT T. YU, EDWIN V. SALVAN AND ATTY. MARIA LUISA CECILIA E. GARCIA,	
Respondents.	Promulgated: February 10, 2021 Mi SRDCBath

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DECISION

HERNANDO, *J.*:

This Petition for Review on *Certiorari*[1] assails the July 20, 2012 Decision[2] of the Court of Appeals (CA) in CA-G.R. SP No. 121025 which nullified and set aside the April 5, 2011[3] and June 21, 2011[4] Orders of the Regional Trial Court (RTC), Branch 84 of Malolos, Bulacan in Civil Case No. 41-M-2010, as well as order the dismissal of said civil case.

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[1] *Rollo*, pp. 8-39

[2] Id. at 41-56; penned by Associate Justice Danton Q. Bueser and concurred in by Associate Justices Amelita G. Tolentino and Ramon R. Garcia.

[3] Id. at 104-105.

[4] Id. at 127.

In its October 3, 2012 Resolution,[5] the appellate court denied petitioner's Motion for Reconsideration.

Factual Antecedents:

Petitioner Alpha Plus International Enterprises Corporation (Alpha Plus), a company engaged in optical media business,[6] obtained two fire insurance policies from respondent Philippine Charter Insurance Corp. (PCIC) covering the period of June 9, 2007 to June 9, 2008.[7] On February 24, 2008, petitioner's warehouse was gutted by fire destroying its equipment and pieces of machinery stored therein. Thus, it sought to recover from its insurance policies with the PCIC but its claim was denied in a letter dated January 22, 2009, a copy of which was received by petitioner on January 24, 2009.[8] The parties exchanged clarification and reply letters but they failed to arrive at a settlement.[9]

Thus, on January 20, 2010, Alpha Plus filed a Complaint[10] before Branch 84 of the RTC of Malolos, Bulacan against respondent PCIC and its officers for Specific Performance, Collection of Sum of Money and Damages and docketed as Civil Case No. 41-M-2010. Petitioner prayed that respondents be ordered to pay the following: the amount due as per insurance coverage plus legal interest thereon as actual damages; amount of not less than ₱1 million as exemplary damages; amount of not less than ₱1 million as attorney's fees; and costs of suit and litigation expenses.[11] The initial docket fees paid by petitioner amounted to ₱42,545.00 representing the ₱1 million claim for exemplary damages and another ₱1 million for attorney's fees.[12]

On February 9, 2010, petitioner filed an Amended Complaint[13] praying for similar reliefs as stated in its original complaint[14] but, this time, it specifically claimed the amount of ₱300 million as actual damages[15] and that respondents be ordered to pay "two (2) times the legal interest per *annum* on the proceeds of the policies for the duration of the delay."[16] Petitioner paid additional docket fees in the amount of ₱6,056,465.00 for its ₱300 million claim against respondents.[17]

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[5] Id. at 58-59.
[6] Id. at 130-131.
[7] Id. at 131.
[8] Id. at 132.
[9] Id. at 133-134.
[10] Id. at 128; 130-140.
[11] Id. at 138-139.
[12] Id. at 184.
[13] Id. at 141-152.
[14] Id. at 151.
[15] Id.
[16] Id. at 149.
[17] Id. at 184.

Respondents filed Motions to Dismiss[18] on grounds of lack of cause of action and insufficient payment of docket fees, but these were denied by the RTC.[19]

In their Answer *Ad Cautelam* with Compulsory Counterclaim,[20] respondents averred that petitioner's insurance claim is already barred by prescription based on Condition No. 27 of the fire insurance policies.[21]

Thereafter, respondents filed a Motion for Preliminary Hearing of Affirmative Defenses and/or Motion to Dismiss[22] anchored on the RTC's failure to acquire jurisdiction over the case due to insufficient payment of docket fees, lack of cause of action and prescription.[23] Petitioner Alpha Plus filed a Comment/Opposition[24] thereto.

Ruling of the Regional Trial Court:

In the Order[25] dated April 5, 2011, the RTC denied respondents' Motion for Preliminary Hearing of Affirmative Defenses and/or Motion to Dismiss. It also did not pass upon the issue of prescription despite the fact that it was squarely raised by the respondents in their motion to dismiss. The RTC Order provides:

> Submitted is the motion for preliminary hearing of affirmative defenses and/or motion to dismiss filed by the defendant Philippine Charter Insurance Corp. xxx and the comment/opposition thereto by the plaintiff.
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> PCIC invokes Section 6, Rule 16 of the Revised Rules of Civil Procedure and argues that the Court should conduct a preliminary hearing on its affirmative defense as it has not acquired jurisdiction over the case at bench due to the insufficient payment of the prescribed and correct docket and filing fees. The record however shows that, in compliance with the [O]rder dated September 6, 2010, plaintiff paid the balance of the required docket and filing fees reflected in the official receipts it attached as Annexes A and B to its manifestation of November 19, 2010.
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> Be that as it may, the Court has already resolved the same issue in its Order of June 22, 2010 and it finds no basis to reverse the proceedings and conduct first hearings on the merits of such affirmative defense. Withal, while docket fees were based only on the amounts specified, the trial court acquired jurisdiction over the action, and judgment awards which were left for determination by the court as or as may be proven during the trial would still be subject to additional filing fees which shall constitute a lien on the

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[18] Id. at 153-166.
[19] Id. at 42.
[20] Id. at 191-210.
[21] Id. at 43, 201.
[22] Id. at 153-166.
[23] Id. at 198-201.
[24] Id. at 167-172.
[25] Id. at 104-105.

judgment.

WHEREFORE, for lack of merit, the motion at bar is denied.

Meantime, let this case be set for pre-trial conference on June 2, 2011 at 8:30 in the morning as previously scheduled.

SO ORDERED.[26]

Respondents filed a Motion for Reconsideration[27] but it was denied by the RTC in its Order[28] dated June 21, 2011 for lack of merit.

Thus, respondents filed a Petition for *Certiorari*[29] under Rule 65 of the Rules of Court before the CA.

Ruling of the Court of Appeals:

The appellate court granted the Petition for *Certiorari* of respondents. Consequently, it nullified and set aside the RTC Orders dated April 5, 2011 and June 21, 2011, and ordered the trial court to dismiss Civil Case No. 41-M-2010. The CA found that since petitioner raised new demands in its Amended Complaint,[30] the period of prescription should be counted from the filing thereof, and not from the filing of the original complaint.[31] The appellate court, relying on the prescriptive period of 360 days,[32] found that "*prescription had already set in*"[33] and that the RTC oddly "*chose to be silent about the said issue.*"[34] The dispositive portion of the assailed CA Decision reads:

WHEREFORE, premises considered, the petition is **GRANTED**. The April 5, 2011 and June 21, 2011 Orders of the Regional Trial Court of Malolos City, Branch 84, is (sic) **NULLIFIED and SET ASIDE**. Aforesaid Regional Trial Court is **ORDERED** to **DISMISS** the civil complaint before it docketed as Civil Case No. 41-M-2010.

SO ORDERED.[35] (Emphasis in the original)

Petitioner filed a Motion for Reconsideration[36] which was denied in the appellate court's Resolution[37] dated October 3, 2012.

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[26] Id.
[27] Id. at 106-126.
[28] Id. at 127.
[29] Id. at 422-466.
[30] Id. at 51.
[31] Id.
[32] Id. at 50.
[33] Id. at 51.
[34] Id. at 55.
[35] Id.
[36] Id. at 377-385.
[37] Id. at 58-59.

Issues

a. The Court of Appeals egregiously erred in holding that the petitioner's complaint before the court a quo had already prescribed when the same was filed with it.

b. The Court of Appeals egregiously erred in holding that the prescriptive period should be counted from the time the amended complaint was filed.[38]

The threshold issue before Us is whether or not the CA erred in ordering the dismissal of petitioner's complaint on the ground of prescription.

The Parties' Arguments:

Petitioner contends that the appellate court erred in holding that its complaint filed before the RTC had already prescribed. Petitioner insists that the prescriptive period should have been counted from the filing of its original complaint and not from the filing of the amended complaint. As a rule, when the amended complaint does not introduce new issues or causes of action, the suit is deemed to have commenced on the date that the original complaint was filed. Petitioner asserts that its amended complaint did not introduce new or different causes of action. Hence, the prescriptive period should be counted from the time that the original complaint was filed.[39]

Respondents, on the other hand, riposte that the CA correctly reckoned the prescriptive period from the date of filing of the Amended Complaint on February 9, 2010. Petitioner alleged in its Amended Complaint the amount of ₱300 million as its insurance claim against respondents. In its original complaint, petitioner merely paid the measly sum of ₱42,545.00 as docket fees, and it was only upon the filing of the amended complaint that Alpha Plus paid additional docket fees of ₱6,056,465.00 representing its ₱300 million claim against the respondents.

Thus, the prescriptive period has not been interrupted by the filing of petitioner's original complaint considering that it raised the additional claim of ₱300 million in its Amended Complaint. Petitioner received the notice denying its insurance claim on January 24, 2009, hence it had until January 24, 2010 within which to bring a court action. In this case, petitioner's amended complaint was only filed on February 9, 2010 which clearly shows that its action had already prescribed.[40]

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[38] Id. at 26.
[39] Id. at 17-35.
[40] Id. at 403-414.

Our Ruling

The petition is bereft of merit.

Prescription is a ground for the dismissal of a complaint without going into trial on the merits.[41] Prescription is based on a fixed time[42] and is concerned with the fact of delay.[43] When it appears from the pleadings or the evidence on record that an action is barred by prescription, the court is mandated to dismiss the same.[44]

In the present case, We agree with the CA's finding that petitioner's insurance claim had already prescribed and that the RTC should dismiss the complaint before it based on said ground. Nonetheless, We differ with the appellate court in the computation of the prescriptive period. Instead of the 360-day period used by the CA in computing whether or not petitioner's action has already prescribed, We find that the 365-day period should be utilized instead.

To determine the prescription of the subject insurance claim, Article 63 of the Insurance Code as well as Condition No. 27 of the two fire insurance policies should be considered.

Section 63 of the Insurance Code states that:

> Sec. 63. A condition, stipulation or agreement in any policy of insurance, limiting the time for commencing an action thereunder to a period of less than one year from the time when the cause of action accrues, is void.

On the other hand, Condition No. 27 of the parties' fire insurance policies provides:

> 27. *Action or suit clause* - If a claim be made and rejected and an action or suit be not commenced either in the Insurance Commission or any court of competent jurisdiction within twelve (12) months from receipt of notice of such rejection, or in case of arbitration taking place as provided herein, within twelve (12) months after due notice of the award made by the arbitrator or arbitrators or umpire, then the claim shall for all purposes be deemed to have been abandoned and shall not thereafter be recoverable hereunder.[45] (Underscoring supplied)

In the case of *Sun Insurance Office, Ltd. v. Court of Appeals*[46] which

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[41] *G.V. Florida Transport, Inc. v. Tiara Commercial Corp.*, 820 Phil. 254 (2017)

[42] *Heir of Pastora T. Cardenas v. The Christian and Missionary Alliance Churches of the Philippines, Inc.*, G.R. No. 222614, March 20, 2019.

[43] Id.

[44] *Anido v. Nigado*, 419 Phil. 807 (2001).

[45] *Rollo*, p. 190.

[46] 272-A Phil. 158-160 (1991).

involved an insurance policy that contained the same condition of bringing a suit within a period of twelve months, it was interpreted therein that the 12-month period stated in the insurance policy referred to the period of one year, with a view that the said insurance policy was stipulated pursuant to Section 63 of the Insurance Code. *New Life Enterprises v. Court of Appeals*[47] also adopted a similar stance.[48]

Thus, contrary to the finding of the appellate court that the 12-month period should mean 360 days,[49] We hold that the 12-month period in Condition No. 27 of the parties' fire insurance policies should refer to the period of one (1) year, or 365 days, in line with Section 63 of the Insurance Code and prevailing jurisprudence. This is also consistent with Article 13 of the Civil Code which provides that when the law speaks of a year, it is understood to be equivalent to 365 days.[50]

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. An insurance contract is the law between the parties. Its terms and conditions 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.[51]

In the instant case, Condition No. 27 of the parties' fire insurance policies to be considered as an integral part of their agreement and compliance therewith is a condition precedent to petitioner's right to recover on the insurance policy that it secured from the respondents.

It bears to stress that the rationale for the necessity of bringing suits against the insurer within one year from the rejection of the claim[52] has already been settled. As already laid down in precedent, the condition contained in an insurance policy that claims must be presented within one year after rejection is not merely a procedural requirement but an important matter essential to a prompt settlement of claims against insurance companies as it demands that insurance suits be brought by the insured while the evidence as to the origin and cause of destruction have not yet disappeared.[53]

Case law teaches that the prescriptive period for the insured's action for indemnity should be reckoned from the "final rejection" of the claim.[54] The

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[47] G.R. No. 94071, March 31, 1992.
[48] Id.
[49] *Rollo*, p. 50
[50] *Commissioner of Internal Revenue v. Primetown Property Group, Inc.*, 558 Phil. 189 (2007).
[51] See *Milagros P. Enriquez v. The Mercantile Insurance, Co., Inc.*, G.R. No. 210950, August 15, 2018.
[52] *New Life Enterprises and Julian Sy v. Court of Appeals*, supra note 46, citing *Ang vs. Fulton Fire Insurance Co.*, 112 Phil 844 (1961).
[53] Id.
[54] *H.H. Hollero Construction, Inc. v. Government Service Insurance System and Pool of Machineries Insurers*, 744 Phil. 17 (2014).

"final rejection" simply means denial by the insurer of the claims of the insured and not the rejection or denial by the insurer of the insured's motion or request for reconsideration. The rejection referred to should be construed as the **rejection in the first instance.**[55]

In this case, it is settled that respondents' rejection of petitioner's claim was embodied in a Letter dated January 22, 2009, copy of which was received by petitioner on January 24, 2009.[56] Hence, in accordance with the parties' Condition No. 27 of their fire insurance policies, the prescriptive period should be reckoned from petitioner's receipt of the notice of rejection, specifically on January 24, 2009. One (1) year or 365 days from January 24, 2009 would show that petitioner's prescriptive period to file its insurance claim ends on January 24, 2010.

Based on the records, petitioner Alpha Plus filed its original Complaint on January 20, 2010.[57] Subsequently, it filed an Amended Complaint[58] against the respondents on February 9, 2010. Petitioner posits that its action has not yet prescribed and that the suit is deemed to have been commenced on the date that the original complaint was filed on January 20, 2010.

We do not agree.

An amended complaint supersedes an original one. As a consequence, the original complaint is deemed withdrawn and no longer considered part of the record.[59]

The settled rule is that the filing of an amended pleading does not retroact to the date of the filing of the original pleading; hence, the statute of limitation runs until the submission of the amendment. It is true that as an exception, this Court has held that an amendment which merely supplements and amplifies facts originally alleged in the complaint relates back to the date of the commencement of the action and is not barred by the statute of limitations which expired after the service of the original complaint.[60] Thus, when the amended complaint does not introduce new issues, cause of action, or demands, the suit is deemed to have commenced on the date the original complaint was filed.[61]

In the present case, We find that the exception does not apply to petitioner's case as to allow the period of prescription to run and for prescription to ultimately set in. A perusal of petitioner's Complaint[62] and

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[55] Id. at 18. Emphasis in the original.
[56] *Rollo*, p. 132.
[57] Id. at 123-140.
[58] Id. at 141-152.
[59] *Mercado v. Spouses Espina*, 704 Phil. 551 (2013).
[60] *Wallem Philippines Shipping, Inc. v. S.R. Farms, Inc.*, 638 Phil. 333 (2010).
[61] *Verzosa v. Court of Appeals*, 359 Phil. 435-436 (1998).
[62] *Rollo*, pp. 128-140.

Amended Complaint[63] reveals that the latter pleading introduced new demands that were not specified and averred expressly in the original complaint. In paragraph 26 of the original complaint,[64] what was merely claimed was actual damages against respondents without specifying therein any definite amount. Legal interest was also claimed by petitioner.

On the other hand, in paragraph 26 of petitioner's Amended Complaint,[65] it was specified therein that the actual damages being claimed is in the amount of ₱300 million and that payment of respondents shall be for "two times the legal interest *per annum* on the proceeds of the policies." Clearly, petitioner essentially introduced new demands against respondents in their Amended Complaint. The disparity of the claims between the original complaint and the amended complaint is magnified by the fact that petitioner was required to pay additional docket fees in the amount of ₱6,056,465.00[66] for its Amended Complaint.

With petitioner's filing of the Amended Complaint which raised new demands, the original complaint of petitioner must be deemed to have been abandoned and to have been rendered *functus officio*.[67] Consequently, petitioner could not argue that the filing of the Amended Complaint should retroact to the date of filing of the original complaint.[68]

Verily, as the Amended Complaint superseded the original complaint of petitioner, the suit of the latter is deemed to have been commenced on the date of filing of the Amended Complaint on February 9, 2010. During this time, prescription had already set in as petitioner had only until January 24, 2010 within which to file its insurance claim. In sum, We agree with the appellate court as to its ruling that petitioner's Amended Complaint should have been dismissed by the RTC on the ground of prescription. No hearing by the RTC was even needed thereon since it could determine the fact of prescription by simply looking at the date of filing of the complaints.[69]

From the foregoing disquisition, We find that the appellate court did not err in rendering its assailed Decision and Resolution.

WHEREFORE, the Petition for Review on *Certiorari* is **DENIED.** The Decision dated July 20, 2012 and Resolution dated October 3, 2012 of the Court of Appeals in CA-G.R. SP No. 121025 are **AFFIRMED**. Costs on petitioner.

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[63] Id. at 141-152.
[64] Id. at 137.
[65] Id. at 149.
[66] Id. at 184.
[67] *Ascano-Cupino v. Pacific Rehouse Corp.*, 767 Phil. 819 (2015).
[68] *Wallem Philippines Shipping, Inc. v. S.R. Farms, Inc.*, supra note 59.
[69] *G.V. Florida Transit, Inc. v. Tiara Commercial Corporation*, supra note 40.

SO ORDERED.

RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:

MARVIC M. V. F. LEONEN
Associate Justice
Chairperson

HENRI JEAN PAUL B. INTING
Associate Justice

EDGARDO L. DELOS SANTOS
Associate Justice

JHOSEP Y. LOPEZ
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.

MARVIC M. V. F. LEONEN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify 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.

DIOSDADO M. PERALTA
Chief Justice