

### Title: Jaime T. Gaisano vs. Development Insurance and Surety Corporation

### Facts:

Jaime T. Gaisano, the petitioner, was the registered owner of a 1992 Mitsubishi Montero insured by Development Insurance and Surety Corporation (DISC), the respondent. On September 27, 1996, DISC issued a comprehensive commercial vehicle policy for Gaisano's vehicle, valid for one year. To pay the premiums, Gaisano's company, Noah's Ark Merchandising, issued a check on the same day, but DISC's agent, Trans-Pacific, failed to collect it due to a personal event of its manager. The vehicle was stolen on the evening of September 27, 1996. Unaware of the incident, Trans-Pacific collected the check the next day, and the check was deposited for encashment on October 1. Upon learning of the theft, Gaisano filed a claim for insurance proceeds which DISC denied citing non-payment of premium. Gaisano then filed a complaint with the RTC, which ruled in his favor. However, upon appeal, the Court of Appeals (CA) reversed the RTC's decision, upholding DISC's stance on the non-payment of the premium at the time of loss. Gaisano then filed a petition for review with the Supreme Court.

### Issues:

1. Whether there was a valid and binding insurance contract between Gaisano and DISC at the time of the vehicle's theft.
2. Whether the exceptions to the Insurance Code's Section 77 apply in this case, allowing for the insurance contract to be effective despite non-payment of the premium.
3. Whether Gaisano is entitled to the return of the full premium amount paid for three vehicles or only for the stolen vehicle.

### Court's Decision:

The Supreme Court denied the petition, affirming the CA's decision that no valid insurance contract existed between Gaisano and DISC at the time of the vehicle's theft due to non-payment of the premium. The court also clarified that the exceptions to Section 77 of the Insurance Code did not apply since there was no agreement for the payment in installments, no acknowledgement of receipt of premium within the policy, and no consistent grant of a credit term by DISC for the payment of the premium. Lastly, the court ruled that Gaisano is only entitled to the return of the premium for the stolen vehicle, with legal interest from the time of extrajudicial demand until payment.

### Doctrine:

The Supreme Court reiterated the importance of premium payment for the validity of an

insurance contract as specified in Section 77 of the Insurance Code. It also identified the exceptions to the pre-payment requirement: life or industrial life policy with grace period, acknowledged receipt of premium in the policy, agreed installment payment and loss occurrence within payment, granted credit term for the premium payment and loss occurrence before term expiration, and estoppel due to the insurer's actions or practices.

### Class Notes:

1. **\*\*Insurance Contract Validity\*\***: An insurance contract becomes valid and binding only upon the actual payment of the premium, unless exceptions apply (Section 77, Insurance Code).
2. **\*\*Exceptions to Premium Payment Rule\*\***:
  - Life/industrial life policy with a grace period.
  - Acknowledged receipt of premium in the policy contract.
  - Agreement on installment payment with partial payment made at the time of loss.
  - Granted credit term for premium payment and loss occurs before term ends.
  - Estoppel: insurer's actions preventing them from denying the policy's validity.
3. **\*\*Premium Payment and Policy Effectiveness\*\***: Payment or agreement terms around the premium critically determine an insurance policy's effectiveness.

### Historical Background:

This case exemplifies the strict adherence to premium payment for insurance policy effectiveness under Philippine law and clarifies the exceptional circumstances where a policy may be considered valid despite non-payment of the premium at the time of the insured event.