

****Title:****

Fe de Joya Landicho et al. v. Government Service Insurance System, 150 Phil. 793 (1972)

****Facts:****

On June 1, 1964, the Government Service Insurance System (GSIS) issued an optional additional life insurance policy (No. OG-136107) to Flaviano Landicho, a civil engineer in the Bureau of Public Works. Per policy conditions, the premiums were due monthly and would be deducted from Landicho's salary by the Bureau's collecting officer.

- The policy became effective upon the first premium payment and contained the provision that non-deduction of premiums would constitute a debt by Landicho.
- On June 29, 1966, Landicho died in a plane crash.
- His spouse, Fe de Joya Landicho, filed a claim with the GSIS for the insured sum of ₱15,800 under the double indemnity clause.
- The GSIS denied the claim because no premium payments had been recorded.
- Fe de Joya Landicho filed a lawsuit, resulting in the Court of First Instance of Manila ruling in her favor, awarding ₱15,800 plus interest, attorney's fees, and costs. The GSIS appealed to the Supreme Court.

****Issues:****

1. Whether the insurance policy was in force given that no premiums were paid.
2. Interpretation of conflicting provisions within the insurance application and policy.

****Court's Decision:****

1. ****Policy Validity Despite Non-Payment:****

- The Supreme Court reasoned that the clauses related to premium deductions and their effect should be interpreted in favor of the insured. The language implied that the non-deduction of premiums was not intended to void the policy but to create an indebtedness to the GSIS, payable later.
- The Court held that the failure of GSIS to inform the Bureau of Public Works to deduct premium payments should not penalize the insured.

2. ****Ambiguities in the Contract:****

- The Court underscored the doctrine that ambiguities in insurance policies must be construed against the insurer, given that these contracts are typically drafted by them without input from the insured.

****Doctrine:****

- Ambiguities in insurance contracts are construed strictly against the insurer and liberally in favor of the insured, according to Article 1377 of the Civil Code.
- Clauses that create indebtedness due to non-deduction of premiums imply the policy remains in force, with the premiums counted as debt.

****Class Notes:****

- ****Insurance Policy Clauses:**** Premium payment procedure impact on policy validity.
- ****Contract Interpretation:**** Ambiguities favor the insured ('contra proferentem' rule).
- ****Article 1377, Civil Code:**** Interpretation of obscure stipulations against the drafting party.
- ****Legal Precedents:**** Referenced for construing contracts for insurance claims involving non-payment or delayed premium deductions.

****Historical Background:****

This decision came during a period when government insurance policies were becoming common for civil employees. Interpretations by courts significantly influenced how employees and their families understood their protections. The case reflects mid-20th-century jurisprudence focusing on equitable treatment of insured individuals versus formalistic adherence to contract terms.