

**THE INSULAR LIFE ASSURANCE CO., LTD., PETITIONER-APPELLANT,
VS. SOCIAL SECURITY COMMISSION AND RAMON GAVIOLA, JR.
RESPONDENTS-APPELLEES.**

G.R. No. L-23565. March 21, 1968

Ponente: ANGELES, J.

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ANGELES, J.:

The Insular Life Assurance Co., Ltd. has taken this appeal from the decision of the Court of First Instance of Manila dismissing its petition for de-claratory relief (Case No. 46745) against the Social Security Commission and Ramon Gaviola, Jr.

The subject petition alleged that on November 6, 1960, the respondent Ramon Gaviola, Jr., as ad-ministrator of the Social Security System, issued Circular No. 34, which reads :

"TO: ALL EMPLOYEES

RE: COVERAGE OF INSURANCE AGENTS OR UNDERWRITERS

"Your attention is invited to the fact that under the pro-visions of the Social Security Act, as amended, Insurance Agents, Underwriters, and other similarly situated, are considered employees of the insurance firms they work for and are therefore subject to the compulsory coverage of the Social Security System, if they possess all the qualifications therefor.

"In view thereof, all firms or employers who have not yet sub-mitted names of their agents or underwriters for coverage should do so immediately and pay the cor-responding premiums based on the actual Commissions received by each agent during each month."

Contesting the construction of the term "employ-er and employee" given by the Social Security System in the aforequoted circular, and claiming that it is not bound to comply with its terms, inasmuch as its insurance agents and underwriters are not its employ-ees, the petitioner prayed the Court of First In-stance to declare said Circular No. 34 null and void ab initio.

On April 25, 1961, the respondents filed a mo-tion to dismiss the petition on the ground that the complaint states no cause of action and that the Court has not jurisdiction over the subject matter of the action.

On June 12, 1961, the court denied the motion to dismiss for the reason that the grounds alleged therein do not appear indubitable. Accordingly, re-spondent Gaviola filed his answer, setting up speci-fic and special defenses, among which is the alleged lack of jurisdiction of the said court over the sub-ject matter of the case, and prayed that said petition be dismissed and that petitioner be ordered to ventilate its action, if any, before the Social Se-curity Commission.

On a stipulation of facts and memoranda from both parties, the case was submitted for decision.

Without going over the merits of the petition, the lower court finally dismissed it on the ground of lack of

jurisdiction, declaring that by filing the petition for declaratory relief, petitioner did not only deprive the Social Security Commission of its statutory power to decide the matter in dispute, but also sought to go about the procedure for appeal delineated by law with respect to any decision of said Commission, with the result of divesting the Court of Appeals or the Supreme Court of their appellate jurisdiction over the decision of the Commission.

Hence, this appeal.

The issue is whether or not the Court of First Instance has jurisdiction over the petition for declaratory relief which prays for the annulment of Circular No. 34 issued by the administrator of the Social Security System.

It is urged, in support of the jurisdiction of the lower court, that the Social Security Act has limited the semi-judicial powers of the Commission to money claims involving the benefits that may accrue to any member of the System, so that the provisions of section 5 of the Social Security Act, which treat of the settlement of claims, appeals to court, and court review thereof, are not to be applied to the instant case, since the issue does not involve a money claim but the compulsory coverage of the Act. In furtherance of this argument, the petitioner-appellant ratiocinates:

"THE LAW, as we have previously shown[1] x x x has not vested upon the Social Security Commission the power to determine who are the employers and/or employees covered by the Social Security Act. Section 4 of the Social Security Act has enumerated the powers and duties of the Commission, and such power is not among those so enumerated. Therefore, it is evident that the Legislature has seen fit to leave the determination of this important question to our courts of justice. And since no such power of ultimate decision is lodged in the Social Security Commission, it follows that its unilateral appreciation as to who are or are not covered by the Social Security Act, can never be binding and final and can not by the same token, be appealable either to the Court of Appeals or the Supreme Court."

On the other hand, the defendant-appellee points out to an alleged erroneous citation contained in appellant's brief[2] where section 5 [a] of the Social Security Act is quoted in its original form, which error, according to the appellee, might probably be the reason for petitioner-appellant's insistence that the Social Security Commission has no jurisdiction to decide any matter except money claims.

Delving into the history of Section 5 of the law above referred to, We have found that while it originally read:

"Sec. 5. (a) Settlement of Claims. - The filing, determination and settlement of claims shall be governed by the rules and regulations promulgated by the Commission. If the money is payable to the estate of a deceased person, the System shall pay the same to such person or persons as it may ascertain to be lawfully entitled thereto."

"(b) Appeal to courts. - Any decision of the Commission, in the absence of an appeal therefrom as herein provided, shall become final fifteen days after the date of notification, and judicial review thereof shall be permitted only after any party claiming to be aggrieved thereby has exhausted his remedies before the Commission. The Commission shall be deemed to be a party to any judicial action involving any such decision, and may be represented by an attorney employed by the Commission, or when requested by the Commission, by the Solicitor General or any fiscal.

"(c) Court review. - The decision of the Commission upon any disputed matter may be reviewed both upon the law and the facts by the Court of Appeals. For the purpose of such review the procedure concerning appeals from the Court of First Instance shall be followed as far as practicable and consistent with the purposes of this Act. Appeal from a decision of the Commission must be taken within fifteen days from notification of such decision. If the decision of the Commission involves only questions of law, the same shall be reviewed by the Supreme Court. No appeal bond shall be required. The case shall be heard in a summary

manner, and shall take precedence over all cases, except that in the Supreme Court, criminal cases wherein life imprisonment or death has been imposed by the trial court shall take precedence. No appeal shall act as a supersedeas or a stay of the order of the Commission, unless the Commission itself, or the Court of Appeals, or the Supreme Court, shall so order." [Underscoring supplied]

However, as amended by section 3 of Republic Act 2658, which had taken effect upon its approval on June 18, 1960, long before this case was instituted in the lower court, said provision no longer contains the second sentence of paragraph (a) as above underscored. A limited construction of the original provision would, of course, naturally result in the conclusion that the two sentences in paragraph (a) of section 5 apply only to money claims. But as the section as a whole now stands, there should be no reason to decipher the provisions thereof as to apply only to such a limited scope.

What is clear, indeed, from the provisions of section 5 of the Social Security Act, particularly paragraphs (b) and (c), is the restriction upon the court to review the decision of the Social Security Commission "on any disputed matter" unless "any party claiming to be aggrieved thereby has exhausted his remedies before the Commission."

At any rate, the question as to whether the Social Security Commission should first, before the courts, pass upon the propriety or legality of Circular No. 34, now in dispute, finds its answer in *Philippine American Life Insurance Co. vs. Social Security Commission*,^[3] when this Court, referring to the same circular, made this pronouncement.

"It is true that the same bears the approval of the Chairman of the Commission. Even if this fact were construed as an approval of the Circular by the Commission itself, such approval would not constitute a decision thereof, as the term is used in said section 5, which regulates the judicial review of such decision. Indeed, a 'decision, connotes the adjudication or settlement of a controversy, and the same did not exist between the System and the plaintiff when the Chairman of the Commission affixed his signature to said Circular No. 34, on or before November 6, 1960. The issue did not arise until March 7, 1961, when plaintiff expressed its objection to the circular upon the ground that the agents, solicitors and underwriters, thereof are not its employees. It is only fair and just, therefore, as well as administratively expedient, that before a judicial review could be sought, said issue be previously submitted to and passed upon by the Commission, on appeal from the action taken or contemplated to be taken by the System, since, prior to such submission to and determination by the Commission, the same had no occasion to consider the specific reasons adduced by the plaintiff in support of its objection to said Circular No. 34." [underscoring supplied]

The fact that the petition held to have been improperly brought to court in the *aforecited* case, was one for prohibition and not declaratory relief, would not preclude the application of the above ruling to the *present* case. For a petition for declaratory relief has its own conditions *sine qua non*^[4] one of which is that the issue involved must be ripe for judicial determination.^[5] As already adverted to, by mandate of section 5(b) of the Social Security Act, any matter in dispute that concerns the Social Security Commission may not be properly entertained before the courts until all remedies in said Commission have been exhausted.

To except petitions for declaratory relief, as proposed by petitioner-appellant, from the application of section 5(b) of the Act, simply because in such actions the Court of First Instance is not asked to exercise any appellate or review power, would render it easy for parties to circumvent said provision on appeals from decisions of the Social Security Commission, and it would practically strip the Commission of its semi-judicial powers. For then, any party involved with the Social Security System on any deed, will, contract or other instruments, statute, executive order or regulation, can always petition the Court of First Instance for declaratory judgment to determine questions of construction or validity arising therefrom, instead of having first a decision on the matter from the Social Security Commission and then appealing to the appellate courts. As ruled in *Elliot vs. American Manufacturing Company*,^[6] courts are loath to interfere prematurely with administrative proceedings, and will

not assume jurisdiction of declaratory judgment proceedings until administrative remedies have been exhausted.[7]

"Indeed, declaratory relief is discretionary upon the courts to entertain. It may refuse to exercise the power to declare rights and to construe instruments in any case where the declaration or construction is not necessary and proper at the time under all circumstances." [8]

If We are to apply further one of the principles laid down in *Chua U. et al. vs. Hon. Manuel Lim, et al.* [9] one other reason for upholding the of the petition filed in the court below is that the declaratory judgment sought would necessarily affect also other insurance companies which were not represented nor made parties in the proceedings.

IN VIEW OF ALL THE FOREGOING, the decision appealed from is hereby affirmed, with costs against the petitioner-appellant.

Reyes, Acting C.J., Dizon, Makalintal, Bengzon, Zalvidar, Sanchez, Ruiz Castro, and Fernando, JJ., concur.
Concepcion, C.J., on leave.

[1] Referring to above argument.

[2] p. 14, Appellant's brief.

[3] G. R. No. L-20383, May 24, 1967.

[4] 1/ There must be a judicial controversy; 2/ the controversy must be between persons whose interests are adverse; 3/ the party seeking declaratory relief must have a legal interest in the controversy; and 4/ the issue involved must be ripe for judicial determination.

[5] *Tolentino vs. Board of Accountancy, et al.* 90 Phil. 83; *Delument et al. vs. Republic*, 50 Of. Gaz. 2, p. 578; *Edades vs. Edades*, 99 Phil. 675, cited in *Caltex (Phil.) Inc vs. Palomar*, G.R. No. L-19650, September 29, 1966.

[6] 138 Fed. 2d. 678.

[7] *Chua U., et al. vs. Hon. Manuel Lim, et al.*, G.R. No. L-19639, February 26, 1965.

[8] *Santos Chan vs. Galang*, G.R. No. L-21732, Oct. 17, 1966.

[9] *Supra*, (decided by Justice J.B.L. Reyes.)

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