

BASILIA BERDIN VDA. DE CONSUEGRA; JULIANA, PACITA, MARIA LOURDES, JOSE JR., RODRIGO, LINEDA, AND LUIS, ALL SURNAMED CONSUEGRA, PETITIONERS AND APPELLANTS, VS. GOVERNMENT SERVICE...

G.R. No. L-28093. January 30, 1971

Ponente: ZALDIVAR, J.

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ZALDIVAR, J.:

Appeal on purely questions of law from the decision of the Court of First Instance of Surigao del Norte, dated March 7, 1967, in its Special Proceeding No. 1720.

The pertinent facts, culled from the stipulation of facts submitted by the parties, are the following:

The late Jose Consuegra, at the time of his death, was employed as a shop foreman of the office of the District Engineer in the province of Surigao del Norte. In his lifetime, Consuegra contracted two marriages, the first with herein respondent Rosario Diaz, solemnized in the parish church of San Nicolas de Tolentino, Surigao, Surigao, on July 15, 1937, out of which marriage were born two children, namely, Jose Consuegra, Jr. and Pedro Consuegra, but both predeceased their father; and the second, which was contracted in good faith while the first marriage was subsisting, with herein petitioner Basilia Berdin, on May 1, 1957 in the same parish and municipality, out of which marriage were born seven children, namely, Juliana, Pacita, Maria Lourdes, Jose, Rodrigo, Lenida and Luz,* all surnamed Consuegra.

Being a member of the Government Service Insurance System (GSIS, for short) when Consuegra died on September 26, 1965, the proceeds of his life insurance under policy No. 601801 were paid by the GSIS to petitioner Basilia Berdin and her children who were the beneficiaries named in the policy. Having been in the service of the government for 22.5028 years, Consuegra was entitled to retirement insurance benefits in the sum of P6,304.47 pursuant to Section 12(c) of Commonwealth Act 186 as amended by Republic Acts 1616 and 3836. Consuegra did not designate any beneficiary who would receive the retirement insurance benefits due to him. Respondent Rosario Diaz, the widow by the first marriage, filed a claim with the GSIS asking that the retirement insurance benefits be paid to her as the only legal heir of Consuegra, considering that the deceased did not designate any beneficiary with respect to his retirement insurance benefits. Petitioner Basilia Berdin and her children, likewise, filed a similar claim with the GSIS, asserting that being the beneficiaries named in the life insurance policy of Consuegra, they are the only ones entitled to receive the retirement insurance benefits due the deceased Consuegra. Resolving the conflicting claims, the GSIS ruled that the legal heirs of the late Jose Consuegra were Rosario Diaz, his widow by his first marriage who is entitled to one-half, or 8/16, of the retirement insurance benefits, on the one hand; and Basilia Berdin, his widow by the second marriage and their seven children, on the other hand, who are entitled to the remaining one-half, or 8/16, each of them to receive an equal share of 1/16.

Dissatisfied with the foregoing ruling and apportionment made by the GSIS, Basilia Berdin and her children[1]

filed on October 10, 1966 a petition for mandamus with preliminary injunction in the Court of First Instance of Surigao, naming as respondents the GSIS, the Commissioner of Public Highways, the Highway District Engineer of Surigao del Norte, the Commissioner of Civil Service, and Rosario Diaz, praying that they (petitioners therein) be declared the legal heirs and exclusive beneficiaries of the retirement insurance of the late Jose Consuegra, and that a writ of preliminary injunction be issued restraining the implementation of the adjudication made by the GSIS. On October 26, 1966, the trial court issued an order requiring therein respondents to file their respective answers, but refrained from issuing the writ of preliminary injunction prayed for. On February 11, 1967, the parties submitted a stipulation of facts, prayed that the same be admitted and approved and that judgment be rendered on the basis of the stipulation of facts. On March 7, 1967, the court below rendered judgment, the pertinent portions of which are quoted hereunder:

"This Court, in conformity with the foregoing stipulation of facts, likewise is in full accord with the parties with respect to the authority cited by them in support of said stipulation and which is herein-below cited for purposes of this judgment, to wit:

'When two women innocently and in good faith are legally united in holy matrimony to the same man, they and their children, born of said wedlock, will be regarded as legitimate children and each family be entitled to one half of the estate. *Lao & Lao vs. Dee Tim*, 45 Phil. 739; *Estrella vs. Laong Masa, Inc.*, (CA) 39 OG 79; *Pisalbon v. Bejec*, 74 Phil. 88.

"WHEREFORE, in view of the above premises, this Court is of the opinion that the foregoing stipulation of facts is in order and in accordance with law and the same is hereby approved. Judgment, therefore, is hereby rendered declaring the petitioner Basilia Berdin Vda. de Consuegra and her co-petitioners Juliana, Pacita, Maria Lourdes, Jose Jr., Rodrigo, Lenida and Luis, all surnamed Consuegra, beneficiary and entitled to one-half (1/2), of the retirement benefit in the amount of Six Thousand Three Hundred Four Pesos and Forty-Seven Centavos (P6,304.47) due to the deceased Jose Consuegra from the Government Service Insurance System or the amount of P3,152.235 to be divided equally among them in the proportional amount of 1/16 each. Likewise, the respondent Rosario Diaz Vda. de Consuegra is hereby declared beneficiary and entitled to the other half of the retirement benefit of the late Jose Consuegra or the amount of P3,152.235. The case with respect to the Highway District Engineer of Surigao del Norte is hereby ordered dismissed."

Hence the present appeal by herein petitioners-appellants, Basilia Berdin and her children.

It is the contention of appellants that the lower court erred in not holding that the designated beneficiaries in the life insurance of the late Jose Consuegra are also the exclusive beneficiaries in the retirement insurance of said deceased. In other words, it is the submission of appellants that because the deceased Jose Consuegra failed to designate the beneficiaries in his retirement insurance, the appellants who were the beneficiaries named in the life insurance should automatically be considered the beneficiaries to receive the retirement insurance benefits, to the exclusion of respondent Rosario Diaz. From the arguments adduced by appellants in their brief We gather that it is their stand that the system of life insurance and the system of retirement insurance, are provided for in Commonwealth Act 186 as amended, are simply complementary to each other, or that one is a part or an extension of the other, such that whoever is named the beneficiary in the life insurance is also the beneficiary in the retirement insurance when no such beneficiary is named in the retirement insurance.

The contention of appellants is untenable.

It should be noted that the law creating the Government Service Insurance System is Commonwealth Act 186 which was enacted by the National Assembly on November 14, 1936. As originally approved, Commonwealth Act 186 provided for the compulsory membership in the Government Service Insurance System of all regularly and permanently appointed officials and employees of the government, considering as automatically insured on

life all such officials and employees, and issuing to them the corresponding membership policy under the terms and conditions as provided in the Act.[2]

Originally, Commonwealth Act 186 provided for life insurance only. Commonwealth Act 186 was amended by Republic Act 660 which was enacted by the Congress of the Philippines on June 16, 1951, and, among others the amendatory Act provided that aside from the system of life insurance under the Government Service Insurance System there was also established the system of retirement insurance. Thus, We will note in Republic Act 660 that there is a chapter on life insurance and another chapter on retirement insurance.[3] Under the chapter on life insurance are sections 8,9 and 10 of Commonwealth Act 186, as amended; and under the chapter on retirement insurance are sections 11, 12, 13 and 13-A. On May 31, 1957, Republic Act 1616 was enacted by Congress, amending section 12 of Commonwealth Act 186 as amended by Republic Act 660, by adding thereto two new subsections, designated as subsections (b) and (c). This subsection (c) of section 12 of Commonwealth Act 186, as amended by Republic Acts 660, 1616 and 3096, was again amended by Republic Act 3836 which was enacted on June 22, 1963. The pertinent provisions or subsection (c) of Section 12 of Commonwealth Act 186, as thus amended and reamended, read as follows:

"(c) Retirement is likewise allowed to a member, regardless of age, who has rendered at least twenty years of service. The benefit shall, in addition to the return of his personal contributions plus interest and the payment of the corresponding employer's premiums described in sub-section (a) or Section 5 hereof, without interest, be only a gratuity equivalent to one month's salary for every year of service, based on the highest rate received, but not to exceed twenty four months; Provided, That the retiring officer or employee has been in the service of the said employer or office for at least four years, immediately preceding his retirement.

x x x x

"The gratuity is payable by the employer or office concerned which is hereby authorized to provide the necessary appropriation to pay the same from any unexpended items of appropriations or savings in its appropriations.

"Elective or appointive officials and employees paid gratuity under this subsection shall be entitled to the commutation of the unused vacation and sick leave, based on the highest rate received, which they may have to their credit at the time of retirement."

Jose Consuegra died on September 26, 1965, and so at the time of his death he had acquired rights under the above-quoted provisions of subsection (c) of Section 12 of Com. Act 186, as finally amended by Rep. Act 3836 on June 22, 1963. When Consuegra died on September 26, 1965, he had to his credit 22.5028 years of service in the government, and pursuant to the above-quoted provisions of subsection (c) of Section 12 of Com. Act 186, as amended, on the basis of the highest rate of salary received by him which was P282.83 per month, he was entitled to receive retirement insurance benefits in the amount of P6,304.47. This is the retirement benefits that are the subject of dispute between the appellants, on the one hand, and the appellee Rosario Diaz, on the other, in the present case. The question posed is: to whom should this retirement insurance benefits or Jose Consuegra be paid, because he did not, or failed to, designate the beneficiary of his retirement insurance?

If Consuegra had 22.5028 years of service in the government when he died on September 26, 1965, it follows that he started in the government service some-time during the early part of 1943, or before 1943. In 1943 Com. Act 186 was not yet amended, and the only benefits then provided for in said Com. Act 186 were those that proceed from a life insurance. Upon entering the government service Consuegra became a compulsory member of the GSIS, being automatically insured on his life, pursuant to the provisions of Com. Act 186 which was in force at the time. During 1943 the operation of the Government Service Insurance System was suspended because of the war, and the operation was resumed sometime in 1946. When Consuegra designated his beneficiaries in his life

insurance he could not have intended those beneficiaries of his life insurance as also the beneficiaries of his retirement insurance because the provisions on retirement insurance under the GSIS came about only when Com. Act 186 was amended by Rep. Act 660 on June 16, 1951. Hence, it cannot be said that because herein appellants were designated beneficiaries in Consuegra's life insurance they automatically became the beneficiaries also of his retirement insurance. Rep. Act 660 added to Com. Act 186 provisions regarding retirement insurance, which are Sections 11, 12, and 13 of Com. Act 186, as amended. Subsection (b) of Section 11 of Com. Act 186, as amended by Rep. Act 660, provides as follows:

"(b) Survivors benefit. – Upon death before he becomes eligible for retirement, his beneficiaries as recorded in the application for retirement annuity filed with the System shall be paid his own premiums with interest or three per centum per annum, compounded monthly. If on his death he is eligible for retirement, then the automatic retirement annuity or the annuity chosen by him previously shall be paid accordingly."

The above-quoted provisions of subsection (b) of Section 11 of Commonwealth Act 186, as amended by Rep. Act 660, clearly indicate that there is need for the employee to file an application for retirement insurance benefits when he becomes a member of the GSIS, and he should state in his application the beneficiary of his retirement insurance. Hence, the beneficiary named in the life insurance does not automatically become the beneficiary in the retirement insurance unless the same beneficiary in the life insurance is so designated in the application for retirement insurance.

Section 24 of Commonwealth Act 186, as amended by Rep. Act 660, provides for a life insurance fund and for a retirement insurance fund. There was no such provision in Com. Act 186 before it was amended by Rep. Act 660. Thus, subsections (a) and (b) of Section 24 of Commonwealth Act 186, as amended by Rep. Act 660, partly read as follows:

"(a) Life insurance fund. - This shall consist of all premiums for life insurance benefit and/or earnings and savings therefrom. It shall meet death claims as they may arise or such equities as any member may be entitled to, under the conditions of his policy, and shall maintain the required reserves to the end of guaranteeing the fulfillment of the life insurance contracts issued by the System...."

"(b) Retirement insurance fund. - This shall consist of all contributions for retirement insurance benefit and of earnings and savings therefrom. It shall meet annuity payments and establish the required reserves to the end of the guaranteeing the fulfillment of the contracts issued by the System...."

Thus, We see that the GSIS offers two separate and distinct systems of benefits to its members – one is the life insurance and the other is the retirement insurance. These two distinct systems of benefits are paid out from two distinct and separate funds that are maintained by the GSIS.

In the case of the proceeds of a life insurance, the same are paid to whoever is named the beneficiary in the life insurance policy. As in the case of a life insurance provided for in the Insurance Act (Act 2427, as amended), the beneficiary in a life insurance under the GSIS may not necessarily be an heir or the insured. The insured in a life insurance may designate any person as beneficiary unless disqualified to be so under the provisions of the Civil Code.[4] And in the absence of any beneficiary named in the life insurance policy, the proceeds of the insurance will go to the estate of the insured.

Retirement insurance is primarily intended for the benefit of the employee - to provide for his old age, or incapacity, after rendering service in the government for a required number of years. If the employee reaches the age of retirement, he gets the retirement benefits even to the exclusion of the beneficiary or beneficiaries named in his application for retirement insurance. The beneficiary of the retirement insurance can only claim the proceeds of the retirement insurance if the employee dies before retirement. If the employee failed or overlooked

to state the beneficiary of his retirement insurance, the retirement benefits will accrue to his estate and will be given to his legal heirs in accordance with law, as in the case of a life insurance if no beneficiary is named in the insurance policy.

It is Our view, therefore, that the respondent GSIS had correctly acted when it ruled that the proceeds of the retirement insurance of the late Jose Consuegra should be divided equally between his first living wife Rosario Diaz, on the one hand, and his second wife Basilia Berdin and his children by her, on the other; and the lower court did not commit error when it confirmed the action of the GSIS, it being accepted as a fact that the second marriage of Jose Consuegra to Basilia Berdin was contracted in good faith. The lower court has correctly applied the ruling of this Court in the case of Lao, et al., vs. Dee Tim, et al., 45 Phil. 739, as cited in the stipulation of facts and in the decision appealed from.[5] In the recent case of Gomez vs. Lipana, L-23214, June 30, 1970,[6] this Court, in construing the rights of two women who were married to the same man - a situation more or less similar to the case of appellant Basilia Berdin and appellee Rosario Diaz - held "that since the defendant's first marriage has not been dissolved or declared void the conjugal partnership established by that marriage has not ceased. Nor has the first wife lost or relinquished her status as putative heir of her husband under the new Civil Code, entitled to share in his estate upon his death should she survive him. Consequently, whether as conjugal partner in a still subsisting marriage or as such putative heir she has an interest in the husband's share in the property here in dispute...." And with respect to the right of the second wife, this Court observed that although the second marriage can be presumed to be void ab initio as it was celebrated while the first marriage was still subsisting, still there is need for judicial declaration of such nullity. And inasmuch as the conjugal partnership formed by the second marriage was dissolved before judicial declaration or its nullity, "[t]he only just and equitable solution in this case would be to recognize the right of the second wife to her share of one-half in the property acquired by her and her husband, and consider the other half as pertaining to the conjugal partnership of the first marriage."

WHEREFORE, the decision appealed from is affirmed, with costs against petitioners-appellants.

IT IS SO ORDERED.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Castro, Fernando, Teehankee, Barredo, Villamor, and Makasiar, JJ., concur.

* Editor's Note : "Luis" in the title of the case.

[1] The minor children were represented by Basilia Berdin as their natural guardian.

[2] Section 4 of Com. Act 186 as originally enacted. Under Section 2(d) of the Act a "member" is an employee who is admitted into the Government Service Insurance System in accordance with the provisions of Section 4 of the Act. Under Section 8 of the Act every member is granted a membership policy. Under Section 2(f) a "membership policy shall mean a life insurance policy for an amount, the annual premium of which is equivalent to six per centum of an employee's basic annual salary or compensation...."

[3] No such chapters were designated in Com. Act 186 before it was amended by Rep. Act 660.

[4] Article 2012 of the New Civil Code.

[5] See also *Pisalbon vs. Bejec*, 74 Phil. 88.

[6] 33 SCRA 615.

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