

**LUZ PICAR, NANCY PICAR, JESSE PICAR AND CONSOLACION PICAR,
ASSISTED BY THEIR MOTHER, CONSOLACION PICAR,
PLAINTIFFS?APPELLANTS, VS. GOVERNMENT SERVICE INSURANCE
SYSTEM, DEFENDANT...**

G.R. No. L-25803. May 29, 1970

Ponente: BARREDO, J.

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BARREDO, J.:

Appeal on pure questions of law from the decision of the Court of First Instance of Camarines Sur in its Civil Case No. 5673, dismissing the action instituted by the petitioners as designated beneficiaries in the life insurance policy of one Napoleon F. Picar, a de-ceased government employee, against the Government Ser-vice Insurance System, on the ground that due to the failure of the said petitioners to submit a certificate of clearance from the money and property accountabili-ties of the deceased, they have no cause of action against the defendant GSIS.

The case was submitted by all the parties for de-cision in the court below upon the following Stipulation of Facts:

"1. That Policy No. 170329 issued in favor of the late Napoleon F. Picar, was, on September 13, 1961, in force;

"2. That Napoleon F. Picar died on September 13, 1961;

"3. That Consolacion J. Picar is the guardian of all the minors who are the plaintiffs herein;

"4. That the beneficiaries in the insurance policy issued in favor of Napoleon F. Picar are the following: Nancy Picar, Jesse Picar, Sylvia Picar, Luz Picar and Consolacion Picar;

"5. That the administrator of the estate of the late Napoleon F. Picar is the Provincial Treasurer of Cama-rines Sur;

"6. That on September 30, 1961 a claim was presented to the G.S.I.S. for the proceeds of the life insur-ance policy for relief or payment to the beneficiaries named therein;

"7. That the G.S.I.S. is withhold-ing payment of the proceeds of the life insurance policy only on the ground that no clearance was issued to the deceased by the employer of the deceased, the Provincial Trea-surer of Camarines Sur;

"8. That the Provincial Trea-surer filed a claim for P9,746.07 to the intestate estate of the late Napoleon Picar;

"9. That the basis of the go-vernment represented by the Pro-vincial Treasurer of Camrines Sur in intervening in this case (Civil Case No. 5673) is Section 26 of Commonwealth Act 186, as a-mended;

"10. That the plaintiffs are also withdrawing their claim for moral damages as well as attor-ney's fees, but insist on the in-terest due from September 30, 1961 when the claim was made, up to the time the insurance policy is fully paid;

"11. That the plaintiffs secured the services of counsel to claim this insurance policy in the amount of

P500.00."

On the basis of these stipulated facts, the court a quo on August 30, 1965, dismissed the aforesaid act-ion of the beneficiaries. It ruled thus:

"The only issues to be decided in this case are: (1) whether it is legally necessary for the plaintiffs to present a clearance from money and property accountabilities of the deceased to be issued by the authorities concerned, and required by the defendant, GSIS, before the proceeds of the Policy No. 170329 is paid to the beneficiaries designated therein; and (2) whether the Republic of the Philippines, as re-presented by the Provincial Treasurer of Camarines Sur, can legally lay claim to the proceeds of the policy in question.

"The contract of insurance entered into by the insured, Napoleon F. Picar and the Government Service Insurance System is governed by Commonwealth Act No. 186, the law creating the said insurance system and not by Act 2427 as contended by the plaintiffs. While Act 2427 governs the contract of insurance between Private Insurance Companies and private persons Commonwealth Act No. 186 on the other hand, governs the contract of insurance between the Government Service Insurance System and employees of the Philippine Government. The Government Service Insurance System was created by Commonwealth Act 186 for the sole purpose and benefit of government employees, so much so, that nobody can be insured with the Government Service Insurance System except when he is a government employee. Hence, General Circular No. 52 of the General Auditing Office dated December 23, 1957 is applicable to the insurance contract between the deceased Napoleon F. Picar and the defendant, Government Service Insurance System. And due to the failure of the plaintiffs to submit a certificate of clearance from the money and property accountabilities of the deceased, Napoleon F. Picar, they have no cause of action against the defendant, Government Service Insurance System.

"As to the claim of the intervenor, Republic of the Philippines represented by the Provincial Treasurer of Camarines Sur, the court is of the opinion and so holds, that it being the employer of the deceased, Napoleon F. Picar, it has the right to the proceeds of said insurance to satisfy the indebtedness of said deceased to the government, pursuant to the provision of Section 26 of Commonwealth Act 186.

"In view of all the foregoing considerations, judgment is hereby rendered; (a) dismissing the plaintiffs' complaint with costs against them; and (b) declaring that the intervenor is legally entitled to the proceeds of the life insurance policy of the defendant, Napoleon F. Picar."

It is from this holding of the court below that, as earlier stated in the opening paragraph of this decision, the present appeal has been taken to this Court by the designated beneficiaries in the life insurance policy here involved, the widow and the minor children of the late Napoleon F. Picar. Said appellants here allege that the lower court erred: (a) in holding that the plaintiffs-appellants have no cause of action against the defendant-appellee due to the failure of the plaintiffs-appellants to submit a certificate of clearance of the deceased Napoleon F. Picar; and (b) in holding that the Republic of the Philippines is the entity legally entitled to the proceeds of the policy of the life of Napoleon F. Picar.

Appellants vigorously contend that the proceeds of the life insurance policy here involved - upon the death of the insured employee during the endowment period - belonged exclusively to the beneficiaries designated in the policy and not to the estate of the insured; that, therefore, the said deceased's employer - the Provincial Treasurer of Camarines Sur or the Republic of the Philippines - cannot legally lay claim to the proceeds of such life insurance, since it is not part of the estate of said deceased employee; and, consequently, the appellee Government Service Insurance System acted without legal authority when it made the presentation of a certificate of clearance from money and property accountabilities of the deceased to be secured from his employer as a condition precedent to the payment of the proceeds of the life insurance in question to the appellants who are the designated beneficiaries in the policy. This contention is untenable.

It is true that under general principles in the law of insurance, if a policy provides that the proceeds shall be payable to the assured, if he lives to a certain date, and, in case of his death before that date, then they shall be payable to the beneficiary designated, the benefit of the policy will inure to such beneficiary in case the assured dies before the end of the period designated in the policy,[1] and, generally, that the proceeds of a life insurance in which a third person is named beneficiary belong exclusively to such beneficiary as an individual, they are not the property of the heirs of the insured, are not subject to administration, and cannot properly be claimed or received by the administrator or other legal representative of the insured as assets of his estate[2] As correctly ruled by the lower court, however, such general principles are not applicable to the life insurance herein involved which is governed by specific law.

The law in point is Section 26 of Commonwealth Act 186 (the law creating the (Government Service insurance System), as amended, which provides:

"Sec. 26.- Exemption from legal process and liens. - No policy of life insurance issued under this Act, or the proceeds thereof, when paid to any member thereunder, nor any other benefit granted under this Act, shall be liable to attachment, garnishment, or other process, or to be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay any debt or liability of such member, or his beneficiary, or any other person who may have a right thereunder, either before or after payment nor shall the proceeds thereof, when not made payable to a named beneficiary, constitute a part of the estate of the member for payment of his debt: Provided, however, That this section shall not apply when obligations or indebtedness to the System and the employer are concerned; nor when the retirement annuity is assigned to any person, corporation, association or bank or other financial institution, which is hereby authorized."

The above-quoted provision is too clear to require the application of any rule of statutory construction for purposes of showing the weakness of the position taken by herein appellants. As may be seen, it recognizes the principles relied upon by them, but at the same time, it expressly provides that "this section shall not apply when obligations or indebtedness to the System and the employer are concerned". In other words, in life insurance policies issued by the GSIS in favor of government employees, the proceeds - even if not made payable to named beneficiaries and may, therefore, be payable to the estate of the insured - shall not constitute part of the estate of the member (insured) for payment of his debt; but such proceeds - whether or not made payable to named beneficiaries - shall so constitute part of the estate of the insured for payment of his debt and shall thereby be liable to attachment, garnishment and other legal processes, when obligations or indebtedness to the GSIS and the employer, that is, the government are concerned. There can be no doubt then that the appellee Government Service Insurance System was right in requiring herein appellants to submit the necessary clearance from money and property accountabilities of the deceased government employee whose insurance policy is here involved, before paying them the proceeds of the policy concerned; and the lower court did not err in holding that the appellants, for their failure to submit the certificate of clearance required of them, have no cause of action against the GSIS. Similarly, since it is not disputed by appellants that the Republic of the Philippines, employer of the deceased employee in this cases is claiming the proceeds of his insurance on the basis of the provisions of the law above-quoted, We agree with the appellee GSIS that the court a quo was right in declaring that the intervenor Republic of the Philippines is legally entitled to the proceeds of the life insurance here put to question.

WHEREFORE, the decision appealed from is affirmed. On equitable considerations, no pronouncement as to costs.

Concepcion, C.J., Reyes, Fernando, Teehankee, and Villamor, JJ., concur.

Dizon, Makalintal, and Zaldivar, JJ., no part.

Castro, J., on official leave of absence.

[1] Villanueva vs. Oro (Intestate estate of the late Espe-ranza J. Villanueva), 81 Phil. 464, citing Couch, Cy-clopedia of insurance Law, Vol. 2, sec. 343, p. 1023.

[2] 37 C.J., Sec. 323, p. 566.

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