

PACIFICA EVANGELISTA, PLAINTIFF AND APPELLANT, VS. GOVERNMENT SERVICE INSURANCE SYSTEM, DEFENDANT AND APPELLEE.

G.R. No. L-21161. August 07, 1975

Ponente: ESGUERRA, J.

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ESGUERRA, J.:

Appeal from decision of the Court of First Instance of Manila, Branch V in its Civil Case No. 32508, entitled "Pacifica Evangelista vs. Government Service Insurance System", which dismissed the complaint of plaintiff Evangelista wherein she seeks to recover from the defendant, Government Service Insurance System, the proceeds of the insurance policy of her deceased brother, Pablo A. Evangelista, a former member of the Pasay City Police Department, together with damages and costs. The Court of Appeals where the appeal was elevated as C. A. - G. R. No. 23151-R concluding that "the plaintiff raises the question regarding the constitutionality of Republic Act No. 541, the determination of which falls within the exclusive appellate jurisdiction of the Supreme Court", certified and forwarded the case to Us per its Resolution of March 14, 1963.

The undisputed facts according to the findings of the Appellate Court are as follows:

"The late Pablo Evangelista was appointed detective in the Police Department, Pasay City, effective November 17, 1949. He discharged the duties of said office until June 4, 1951, when he was killed in line of duty. Said Evangelista was considered 'automatically insured, effective May 31, 1950, in accordance with Section 4, Commonwealth Act No. 186'. The premium paid by him for his insurance amounted to P36.00, personal share, and P6.00, Government share.

"On June 17, 1950, Republic Act No. 541 (An Act to provide life pensions for uniformed officers, sergeants, corporals, patrolmen and detectives of the Police Department as well as uniformed officers and firemen of the Fire Department of the chartered cities), took effect, providing pertinently as follows:

'Sec. 8. Upon approval of this Act, any person entitled to its benefits and who is already insured with the Government Service Insurance System, is given the option to continue such insurance: Provided That he will assume full payment of the premium of the said insurance including the contribution of the Government: Provided further, that his contribution to the pension fund under this Act be made compulsory and any deduction made from his monthly pay or salary be noted in the monthly or semi-monthly payrolls of the Police Department or Fire Department, as the case may be; And, Provided, lastly, that no person entitled to the benefit of this Act shall be entitled to any benefit provided for in other Acts.'

"The Court a quo in dismissing plaintiffs complaint found as follows:

"The insurance policy issued to the deceased Pablo Evangelista as of May 31, 1950, was compulsory by virtue of Section 4, of Commonwealth Act No. 186. However, it became solutional by operation of Republic Act No. 541, which took effect on June 17, 1950, as already above stated. The policy of the deceased having become optional, the P3.00 which he caused to be remitted each month to the defendant System represented only one-half of what was due from him because an optional policy, as already seen, calls for the payment of

premiums in full by the insured. Hence, the total premium remittances of the deceased were only enough to make his policy in force or active up to the end of March 1951. Said policy, not having been in force for one year, had not earned any cash value which could be applied to his premiums in arrears, pursuant to the automatic premium loan provision thereof."

It is the principal and crucial contention of plaintiff-appellant that "the lower court erred in holding that the insurance policy of the deceased Detective Pablo Evangelista with the defendant-appellee was converted to an optional insurance by the passage of Republic Act No. 541" and "that the legislature could not, by the passage of said law (R.A. No. 541) effectuate a unilateral change in the deceased's automatic and compulsory contract of insurance under Commonwealth Act No. 186, without violating Article III, Sec. 1, Clause 10 of the 1935 Constitution which provides that "no law impairing the obligation of contracts shall be passed".

We fully concur with the observations of the Appellate Court that:

"If the insurance policy of the deceased (Pablo Evangelista) was not converted to optional by Republic Act No. 541, but remained automatic or compulsory whereby under Commonwealth Act No. 186, Sections 5 and 6, the monthly premiums would consist of the 'membership contributions' of the insured and the 'government contributions' in equal shares, the payments made by the deceased as his 'personal share' of the premiums would have made the policy effective until May 30, 1951. With the 31 days grace period, it would have been in force until July 1, 1951, or for 27 days after the death of the insured. On this score, the proceeds of the policy would be payable to the beneficiary or heirs, but if the conversion (from compulsory to optional insurance) was valid and does no violence to the constitutional guaranty against impairment of the obligation of contracts, such right would not be available."

I

Without passing upon the constitutional question raised by the plaintiff-appellant as it is not absolutely necessary to the determination of this appeal, We believe that the primary question is whether there was automatic conversion of the insurance policy of the deceased insured, Pablo Evangelista, from compulsory under Section 5 and 6 of Commonwealth Act No. 186 to optional under Section 8 of Republic Act 541 upon the effectivity of the latter law on June 17, 1950, in the light of the proven circumstances. Stated otherwise, was there an automatic novation of the insurance contract from compulsory to optional by the mere passage of Sec. 8 of Republic Act 541, without taking into consideration the acts of both the insured and insurer subsequent to the approval of Republic Act 541?

It seems fairly clear that Pablo Evangelista was automatically insured (compulsory insurance) under Secs. 5 and 6 of Commonwealth Act No. 186, on May 31, 1950; that the sum of P36.00 personal share and P6.00 government share was paid to insurer G.S.I.S. as premium for said insurance policy; that said premiums were deducted from the monthly salary of the insured by the City Treasurer of Pasay City as agent of the insurer G.S.I.S.; that the insured was never informed of the change of his insurance policy from compulsory to optional as brought about by the effectivity of R.A. 541 on June 17, 1950; that the Treasurer of Pasay City as agent of insurer G.S.I.S. never took the initiative of notifying the insured as to the change in the nature of his life insurance policy from compulsory to optional, nor to the need for the insured to defray alone the full amount of the premium including the government share; that said treasurer as agent of the insurer G.S.I.S. never deducted the full amount of the premiums from the monthly salary of the insured notwithstanding his knowledge of the effectivity of R.A. 541 and its possible adverse effects on the life insurance policy of the insured; that the insurer G.S.I.S., itself, also never notified the insured of the effectivity of R. A. 541 and of the increase of his premiums as he will have to bear the government share, nor of the change in the status of the insurance policy from compulsory to optional.

In the light of the foregoing circumstances, We cannot but conclude that the insured Evangelista was lulled into

complacency by the acts of the Pasay City Treasurer as agent of the insurer G.S.I.S. and by the Insurer, itself, into the firm belief that the deductions from his monthly salary for payment of premiums on his life insurance policy were legal, proper, and adequate; that his right under the policy was not prejudiced because during his lifetime he never knew that there was a change in the status of his policy from compulsory to optional upon the effectivity of R.A. 541. In short, the insured was never given a chance to exercise the option given him by Sec. 8 of R.A. 541 and the insurer G.S.I.S., acting by itself and through its agent, the Pasay City Treasurer, led the insured Evangelista up to the time of his death to believe that he was protected by the mantle of compulsory insurance, and that the premiums being deducted from his monthly salary by the agent of the insurer were fully adequate to keep the insurance policy alive. It is but logical to rule that if the insurance policy of the insured lapsed because of inadequate payment of premium, such failure to pay the full premium because of the conversion of the insurance from compulsory to optional under Sec. 8, of R.A. 541, on June 17, 1950, is attributable to insurer's fault as explained above. We, therefore, come to the inevitable conclusion that due to insurer G.S.I.S.'s fault the compulsory insurance of the insured was never converted to optional insurance because the insured was not given the chance to exercise the optional given him by Sec. 8 of R.A. 541. Therefore, said insurance policy was effective until May 30, 1951, and with the 31 days grace period, it would have been in force until July 1, 1951, or for 27 days after the death of the insured.

II

On the claim of plaintiff-appellant for double indemnity (accidental death benefit) because the deceased insured Pablo Evangelista was shot to death while in the performance of his duties as detective of the Pasay City Police Force, suffice it to say that at the time of the insured's death on June 4, 1951, he did not pay additional premiums to entitle him to double indemnity, and that said double indemnity (accidental death benefit) free of charge was only given on September 30, 1955, long after the insured's accidental death (Exh. "22").

III

As a basis for plaintiff's claim of "Moral, actual and consequential" damages in the amount of P5,000.00, she alleges "the grave inconveniences and annoyances" caused to her "by reason of the attitude and acts of the defendant-appellee in treating her claim"; the "defendant-appellee's inclination to deny the plaintiff-appellant's claim with all inconveniences and annoyances imposed on her"; "expenses incurred in the preparation of all the papers necessary to her claim"; and she had "to abandon her store just to attend to this claim".

An examination of the record of this case reveals the persistent tendency of the defendant G.S.I.S to resist the claim of the plaintiff, on the ground that insured Pablo Evangelista had a temporary appointment pending receipt of medical certificate; that deceased Evangelista did not submit the medical certificate; that he was not able to pass a medical and physical examination for purposes of membership with the insurer G.S.I.S; and that all premiums paid by said deceased Evangelista were only refundable to his legal heirs with interest. When the plaintiff was able to hurdle successfully the obstacles of "temporary appointment" and "lack of medical and physical examination" by convincing the insurer G.S.I.S that the insured Evangelista complied with those requirements, the Insurer continued denying the claim, this time on the ground that the insurance policy of the deceased Evangelista lapsed on April 1, 1951, after allowing a grace period of 31 days or long before the insured's death on June 4, 1951, because of the inadequate premiums paid.

There is very little doubt in Our mind that the plaintiff must really have undergone an ordeal in effort, time and expenses to justify her claim from 1952 to 1957 when she finally had to resort to the courts of justice for redress because of the persistent denial of her claim interposed by the insurer G.S.I.S. Plaintiff had to hurdle one legal obstacle after another to justify her claim, and she had to follow up papers not only in the Pasay City Treasurer's

and Insurer's office but also in the Civil Service Commission to establish the permanent status of her late brother's appointment. Considering that her claim then was only for P1,200 or P2,400 for double indemnity, if the latter is legally applicable, and her very apparent need for legal guidance from counsel, it is immediately discernable that she must have spent more in following up what she believed to be a very legitimate claim than what she could ever expect to receive if she turned out successful in the pursuit of her claim. We can also surmise, if not presume, that to the mind of plaintiff who is not a lawyer, she must really have suffered mental anguish and anxiety when her claim was persistently turned down by the insurer G.S.I.S., because she could not comprehend why the insurance proceeds of her late brother who gave his life unselfishly in upholding the cause of peace and order was being denied to a lawful claimant, notwithstanding that the amount thereof is relatively insignificant compared to the enormity of the supreme sacrifice made by the deceased insured for a noble purpose.

On the part of the defendant G.S.I.S., We understand the zeal of its officials and employees in trying to protect its interest as Insurer, but those acts of persistent denial in the light of claimant's successful hurdling of the legal obstacles placed on the path of her claim, may amount to over-zealousness, if overdone, and easily fall within the orbit of bad faith or malicious interference in the rightful claim of another person.

Taking into consideration the circumstances of this case, although We do not with exactitude declare the persistent denial of plaintiff's claim by the Insurer G.S.I.S. as acts done in bad faith, because the acts done by the Insurer's officials and employees are presumed done in the ordinary cause of business and in good faith, We, nevertheless recognize, based on the general principles of equity, fairness, and justice that said persistent acts of denial amounting to unreasonable obstinacy caused damage to the plaintiff, for which defendant must be declared liable. Said claim for damages in the sum of P5,000.00 for moral, actual, and consequential damages is hereby declared proven and reasonable and the same is allowed.

WHEREFORE, the decision of the trial court dismissing the complaint is set aside, and a new decision is rendered declaring the compulsory insurance policy issued by defendant G.S.I.S. in favor of the deceased insured, Pablo Evangelista, in full force and effect at the time of the insured's death on June 4, 1951; ordering the defendant G.S.I.S. to pay plaintiff the full amount of the proceeds of the policy of the deceased, Pablo Evangelista, minus whatever sum that would have been due from him as a result of the conversion of his policy from compulsory to optional so as to complete the 6% premium thereon, with legal interest at 6% per annum on the balance of the proceeds of the policy from May 8, 1957, time of judicial demand, until the amount is fully paid; plus P5,000.00 as actual, moral, and consequential damages. Costs against defendant-appellee.

SO ORDERED.

Castro, (Chairman), Makasiar, Muñoz Palma, and Martin, JJ., concur.

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