

NORA CANSING SERRANO, PETITIONER, VS. COURT OF APPEALS AND SOCIAL SECURITY COMMISSION, RESPONDENTS.

G.R. No. L-35529. July 16, 1984

Ponente: MAKASIAR, J.

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MAKASIAR, J.:

This petition for certiorari seeks to review the decision of the then Court of Appeals (now Intermediate Appellate Court under BP 129) dated August 31, 1972, affirming the validity of the resolution of the Social Security Commission denying favorable consideration of the claim for benefits of the petitioner under the Group Redemption Insurance plan of the Social Security System (SYSTEM). The dispositive portion of the re-spondent Court's decision reads as follows:

"WHEREFORE, the Court hereby upholds the validity of the appealed resolution No. 1365, dated December 24, 1968, of appellee Social Security Commis-sion; without pronouncement as to costs" (p. 31, Rec.).

The undisputed facts are as follows:

On or about January 1, 1965, upon application of the SYSTEM, Group Mortgage Redemption Policy No. GMR-1 was issued by Private Life Insurance Com-panies operating in the Philippines for a group life insurance policy on the lives of housing loan mortgagors of the SYSTEM. Under this Group Mortgage Redemption scheme, a grantee of a housing loan of the SYSTEM is required to mortgage the house con-structed out of the loan and the lot on which it stands. The SYSTEM takes a life insurance on the eligible mortgagor to the extent of the mortgage indebtedness such that if the mortgagor dies, the proceeds of his life insurance under the Group Redemption Policy will be used to pay his indebted-ness to the SYSTEM and the deceased's heirs will thereby be relieved of the burden of paying for the amortization of the deceased's still unpaid loan to the SYSTEM (p. 25, rec.).

Petitioner herein is the widow of the late Bernardo G. Serrano, who, at the time of his death, was an airline pilot of Air Manila, Inc. and as such was a member of the Social Security System.

On November 10, 1967, the SYSTEM approved the real estate mortgage loan of the late Bernardo G. Serrano for P37,400.00 for the construction of the applicant's house (pp. 25-26, rec.).

On December 26, 1967, a partial release in the amount of P35,400.00 was effected and devoted to the construction of the house (p. 2, rec.). As a consequence, a mortgage contract was executed in favor of the SYSTEM by the late Captain Serrano with his wife as co-mortgagor.

On March 8, 1968, Captain Serrano died in a plane crash and because of his death, the SYSTEM closed his housing loan account to the released amount of P35,400.00 (p. 26, rec.).

On December 2, 1968, the petitioner sent a letter addressed to the Chairman of the Social Security Commission requesting that the benefits of the Group Mortgage Redemption Insurance be extended to her.

The letter of the petitioner was referred to the Administrator of the SYSTEM, who recommended its disapproval on the ground that the late Captain Serrano was not yet covered by the Group Mortgage

Redemption Insurance policy at the time of his death on March 8, 1968. In its resolution No. 1365 dated December 24, 1968, the Social Security Commission sustained the said stand of the SYSTEM and thereby formally denied the request of the petitioner (p. 26, rec.).

On appeal to the then Court of Appeals, the respondent Court affirmed the decision of the Social Security Commission.

Hence, this petition.

The only issue to be resolved is the correct-ness of the interpretation given by the respondent Commission which was upheld by the respondent Court as to the applicability of the Mortgage Redemption Insurance plan particularly on when coverage on the life of the mortgagor commences.

Article II (Insurance Coverage) of the Group Mortgage Redemption Policy No. GMR-1 provides:

"Section 1. Eligibility -- Every mortgagor who is not over age 65 nearest birthday at the time the Mortgage Loan is granted (or, in the case of a Mortgagor applying for in-surance coverage, on a Mortgage Loan granted before the Date of Issue, at the time he makes such application) and who would not be over 75 nearest birthday on the date on which the original term of the Mortgage Loan expires shall be eligible for insurance coverage under this Policy, provided that if the total indebtedness to the Creditor under the new Mortgage Loan and the outstanding balance of any prior Mortgage Loan or Loans insured hereunder, exceeds P70,000.00, he will be eligible for insurance coverage up to this maximum limit only.

"Co-makers or co-signers of mortgage contract are not eligible for coverage under this Policy.

"Section 2. Mode of Acceptance -- Any Mortgagor who is eligible for coverage on or after the Date of Issue shall be automatically insured, subject to the amount of insurance limit in Section 1 hereof, without proof of insurability provided that he is not more than age 60 nearest birthday at the time the Mortgage Loan is granted. Such a mortgagor who is over age 60 nearest birthday at the time the Mortgage Loan is granted may be accepted for insurance only subject to the submission of evidence of insurability satisfactory to the Subscribing Companies.

"Any eligible Mortgagor who was already a Mortgagor before the Date of Issue shall be automatically insured, subject to the amount of insurance limit in Section 1 hereof, without proof of insurability provided that he is not more than age 60 nearest birthday on the Date of Issue and that he makes written application to the Creditor for coverage within ninety (90) days from the Date of Issue. If such a Mortgagor applies for coverage after ninety (90) days from the Date of Issue, he may be accepted for insurance upon written application therefor, subject to the submission of evidence of insurability to the Subscribing Companies.

"Section 3. Effective Date of Insurance -- The insurance on the life of each eligible Mortgagor Loan or partial release of Mortgage Loan accepted for coverage who becomes a Mortgagor on or after the Date of Issue shall take effect from the beginning of the amortization period of such Mortgage Loan or partial release of Mortgage Loan.

"The beginning of the amortization period as used herein shall mean the first day of the month preceding the month in which the first monthly amorti-zation payment falls due.

"It is hereby understood that before any release on any approved Mortgage Loan is made by the Cre-ditor, the requisites binding the Mortgagor and the Creditor as regards to said Mortgage Loan shall have been completed.

xx xx xx

(pp. 59-60, rec.; Italics supplied).

A careful analysis of the provisions leads to the conclusion that the respondent Court of Appeals erred in

construing the effectivity date of insurance coverage from the beginning of the amortization period of the loan.

WE REVERSE.

There can be no doubt as to the eligibility of the late Captain Serrano for coverage under Section 1 of Article II of the Group Mortgage Redemption Insurance Policy as he was a mortgagor of the Social Security System not over the age of 65 nearest his birthday at the time when the mortgage loan was granted to him (p. 26, rec.). This fact was admitted not only by the Social Security Commission but also accepted by the Court of Appeals.

The problem manifests itself in Sections 2 and 3 of the same article of the Group Mortgage Redemption Insurance Policy. Section 2 provides that "any mortgagor who is eligible for coverage on or after the Date of Issue shall be automatically insured, x x" (*Italics supplied*); while Section 3 provides that the insurance "shall take effect from the beginning of the amortization period of such Mortgage Loan or partial release of Mortgage Loan" (*Italics supplied*).

Section 2 of Article II of the Group Mortgage Redemption Insurance Policy provides that insurance coverage shall be "automatic" and limited only by the amount of insurance and age requirement. While the same section has for its title the mode of acceptance, what is controlling is the meaning of the provision itself. The said section can only convey the idea that the mortgagor who is eligible for coverage on or after the date of issue shall be automatically insured. The only condition is that the age requirement should be satisfied, which had been complied with by the deceased mortgagor in the instant case.

Under said Section 2, mortgage redemption insurance is not just automatic; it is compulsory for all qualified borrowers. This is the same automatic redemption insurance applied to all qualified borrowers by the GSIS (Government Service Insurance System) and the DBP (Development Bank of the Philippines). Indeed, the Mortgage Redemption Insurance Policy of the GSIS provides:

"Sec. 2. xx xx This policy is granted subject to the terms and conditions set forth at the back hereof and in consideration of the application therefor and shall take effect on the date of the first date of the aforementioned loan" (p. 126; CA rec.; *Italics supplied*).

WE take judicial notice of the Mortgage Contract being issued by the Social Security System in connection with applications for housing loans, specifically Section 16 thereof:

"Section 16 - (a) The loan shall be secured against the death of the borrower through the Mortgage Redemption Insurance Plan; (b) Coverage shall take effect on the date of the first release voucher of the loan and shall continue until the real estate mortgage loan is fully paid; x x x" (*Italics supplied*).

However, Section 3 of Article II presents an ambiguity. The effective date of coverage can be interpreted to mean that the insurance contract takes effect "from the beginning of the amortization period of such Mortgage Loan" or "partial release of Mortgage Loan."

Applying Article 1374 of the new Civil Code, the mortgagor in the instant case was already covered by the insurance upon the partial release of the loan.

Article 1374, NCC, reads thus:

"The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly."

The ambiguity in Section 3 of Article II should be resolved in favor of the petitioner. "The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity" (Article 1377, Civil Code). WE have held that provisions, conditions or exceptions tending to work d forfeiture of insurance

policies should be construed most strongly against those for whose benefit they are inserted, and most favorably toward those against whom they are intended to operate (*Trinidad vs. Orient Protective Ass.* 67 Phil. 181).

While the issuance of the Group Mortgage Redemption Insurance is a contract between the Social Security System and the Private Life Insurance Companies, the fact is that the SYSTEM entered into such a contract to afford protection not only to itself should the mortgagor die before fully paying the loan but also to afford protection to the mortgagor. WE take note of the following:

"I. Insurance Coverage.

"1. Fire insurance - The SSS - financed house shall be covered by fire insurance equal to its appraised value or the amount of the loan, whichever is lesser.

"2. Mortgage Redemption Insurance - Coverage shall be compulsory for any mortgagor who is not more than 60 years old.

"The insured indebtedness on the mortgage as provided in the policy shall be deemed paid upon the death of a mortgagor covered under the MRI" (*Emplo-yees' Benefits & Social Welfare*, 1983 Rev. Ed., CBSI, pp. 50-51; *Italics supplied*).

It is imperative to dissect the rationale of the insurance scheme envisioned by the Social Security System. The Mortgage Redemption Insurance device is not only for the protection of the SYSTEM but also for the benefit of the mortgagor. On the part of the SYSTEM, it has to enter into such form of contract so that in the event of the unexpected demise of the mortgagor during the subsistence of the mortgage contract, the proceeds from such insurance will be applied to the payment of the mortgage debt, thereby relieving the heirs of the mortgagor from paying the obligation. The SYSTEM insures the payment to itself of the loan with the insurance proceeds. It also negates any future problem that can crop up should the heirs be not in a position to pay the mortgage loan. In short, the process of amortization is hastened and possible litigation in the future is avoided. In a similar vein, ample protection is given to the mortgagor under such a concept so that in the event of his death, the mortgage obligation will be extinguished by the application of the insurance proceeds to the mortgage indebtedness.

The interpretation of the Social Security Commission goes against the very rationale of the insurance scheme. It cannot unjustly enrich itself at the expense of another (*Nemo cum alterius detrimento protest*). "Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith" (Article 19, Civil Code). Simply put, the SYSTEM cannot be allowed to have the advantage of collecting the insurance benefits from the private life insurance companies and at the same time avoid its responsibility of giving the benefits of the Mortgage Redemption Insurance plan to the mortgagor. The very reason for the existence of the Social Security System is to extend social benefits. For SSS to be allowed to deny benefits to its members, is certainly not in keeping with its policy "x x x to establish, develop, promote and perfect a sound and viable tax-exempt social security service suitable to the needs of the people throughout the Philippines, which shall provide to covered employees and their families protection against the hazards of disability, sickness, old age, and death with a view to promote their well-being in the spirit of social justice" (*The Social Security Law*, R.A. No. 1161, as amended).

To sustain the position of the SSS is to allow it to collect twice the same amount - first from the insurance companies which paid to it the amount of the MRI and then from the heirs of the deceased mortgagor. This result is unconscionable as it is iniquitous.

It is very clear that the spirit of social justice permeates the insurance scheme under the Group Mortgaged Redemption Insurance. It is a well-come innovation in these times when the concept of social justice is not just an

empty slogan nor a mere shibboleth. Social justice is explicitly institutionalized and guaranteed under the Constitution, (Article II, Section 6, 1973 Constitution). The construction that would enhance the State's commitment on social justice mandates Us to hold for the petitioner.

Usually, among the items to be deducted by the SYSTEM from the first release of the loan is the premium corresponding to the mortgage redemption insurance (MRI). However, if the premium corresponding to the amount to be deducted from the first release of the loan was not paid by the borrower, the deceased mortgagor, the said unpaid premium should be refunded by the heirs of the borrower.

WHEREFORE, THE DECISION OF THE RESPONDENT COURT OF APPEALS AFFIRMING RESOLUTION NO. 1365 OF RESPONDENT COMMISSION IS HEREBY SET ASIDE. THE SOCIAL SECURITY SYSTEM IS HEREBY DIRECTED TO RELEASE THE PETITIONER FROM PAYING THE MORTGAGE LOAN. THE PETITIONER IS HEREBY DIRECTED TO REFUND TO THE SSS THE PREMIUM CORRESPONDING TO THE RELEASED AMOUNT, IF THE SAME HAD NOT BEEN DEDUCTED THEREFROM. NO COSTS.

SO ORDERED.

Concepcion, Jr., Guerrero, Abad Santos, Escolin, and Cuevas, JJ., concur.

Aquino, J., in the result.

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