

THE GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONER, VS. MAGDALENA A. VDA. DE SAYSON, ETC., RESPONDENT.*G.R. No. L-8744. May 25, 1956*

Ponente: PARAS, C.J.

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Alejandro V. Sayson was an employee of the Manila Railroad Company from February 21, 1938 to July 21, 1952, when he died. During this entire period he was a member of the Government Service Insurance System, petitioner herein, which issued life insurance policy No. T-13929 in his favor. The premium was two per cent of his monthly salary, one half to be paid by him and the other half by his employer. After the death of Sayson, his widow Magdalena A. Vda. de Sayson, respondent herein, filed the necessary claim over the insurance proceeds, but as no payment was made, she filed on September 18, 1952 with the Court of First Instance of Manila a petition for mandamus to compel the petitioner to pay. On October 8, 1952, the latter paid to the respondent the sum of P1,194.11, representing only one half of the amount due, it being contended that the petitioner was not bound to pay the other half because the share of the Manila Railroad Company in the insurance premiums of all its employees including Sayson, had not been paid. On October 27, 1952, the petition for mandamus was amended so as to include as party respondent the Manila Railroad Company which, in view of its failure to file an answer, was declared in default. On September 24, 1953, the court rendered judgment in favor of the respondent. Upon appeal by the petitioner, the Court of Appeals rendered a decision the dispositive part of which reads¹ as follows: "Wherefore, in view of the foregoing and finding no error in the conclusion reached by the court below, the judgment appealed from is hereby affirmed, with the addendum that appellant Government Service Insurance System and the Manila Railroad Company are hereby ordered, jointly and severally, to pay appellee Magdalena A. Vda. de Sayson, in her capacity as legal guardian of the minors Lina and Rosario, both surnamed Sayson, the balance of the insurance benefits still due on the policy of the deceased Alejandro V. Sayson in the sum of one thousand one hundred ninety four pesos and eleven centavos (P1, 194.11)." The petitioner has appealed to this Court by way of certiorari.

The basis of the petitioner in refusing to pay one half of the insurance benefits was that section 9 of Republic Act No. 728 provides that "notwithstanding any provision of this Act to the contrary, and in order to insure the solvency of the System and protect the interest of all its members, the Board is hereby authorized to make readjustment in any of the benefits payable to an employee under this Act in accordance with such rules and regulations it may prescribe if his employer fails to pay for him its share of the contributions or premiums required by this Act and no person, regardless of the date of his retirement, may allege, vested right by reason of this readjustment"; and that in pursuance thereof the Board of Trustees of the petitioner adopted resolution No. 355 to the following effect: Resolved: That the readjustment recommended by the Associate Actuary and Acting Manager Production Department, for retirement insurance benefits be postponed until the next regular meeting of the Board, while that for life insurance benefits that in case of a death claim under a term policy, the adjusted benefit be one half of the amount of insurance less indebtedness of the insured, if his employer fails to pay for him its share of the contributions or premiums required by Republic Act No. 660, be approved effective June 15, 1952,

when Republic Act No. 728 was approved."

Even assuming that section 6 of Republic Act No. 728 authorizes the Board to readjust benefits payable to an employee's beneficiary, we are inclined to hold that resolution No. 355 adopted on September 16, 1952, or after the death of Alejandro V. Sayson on July 21, 1952, should not be made applicable to the latter's policy, because its benefits had already accrued upon the death of Sayson or, as held by the Court of Appeals, the liability of the petitioner had "previously attached." It is but fair that the insured employee, unaware of and helpless in the failure of his employer to pay its share in the required premiums, should be made to understand and expect that his outstanding policy is in full force, unaffected by conditions imposed by the System subsequent to his death.

Wherefore, the decision of the Court of Appeals is hereby affirmed without pronouncement as to costs.

Bengzon, Padilla, Montemayor, Reyes, A., Jugo, Bautista Angelo, Labrador, Concepcion, Reyes, j. B. L., and Endencia, JJ., concur.

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