

**THE PHILIPPINE AMERICAN LIFE INSURANCE COMPANY,  
PETITIONER-APPELLEE, VS. SOCIAL SECURITY COMMISSION,  
RESPONDENT-APPELLANT.**

*G.R. No. 20383, May 24, 1967*

Ponente: CONCEPCION, C.J.

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**CONCEPCION, C.J.:**

Appeal, taken by the Social Security Commission, from a decision of the Court of First Instance of Manila, the dispositive part of which reads:

"IN VIEW OF THE FOREGOING, judgment is hereby rendered (1) holding that plaintiff's agents, solicitors or underwriters are not employees of plaintiff The Philippine American Life Insurance Company and that plaintiff is not their employer so that plaintiff's said insurance agents, solicitors or underwriters do not fall under the compulsory coverage of the Social Security System; (2) commanding defendant Social Security Commission to desist absolutely from taking criminal action against plaintiff's officers under the provisions of Section 28(e) and (f) of the Social Security, and from requiring plaintiff to remit contributions to the defendant Social Security Commission or its administrative arm, the Social Security System, to be applied to the coverage of plaintiff's said agents, solicitors or underwriters under the Social Security Act, without pronouncement as to costs."

On November 6, 1960, the Social Security System -- hereinafter referred to as the System -- issued, with the approval of the Chairman of the Social Security Commission -- hereinafter referred to as the Commission -- Circular No. 34 (Exhibit A), requiring all insurance firms to submit immediately the names of their agents, solicitors or underwriters, who, pursuant to the Social Security Act[1] -- hereinafter referred to as the Act -- are employees of said firms, subject to compulsory coverage of the System, and to pay the corresponding premiums, based on the actual commissions received by each agent during each month.

Sometime later, the System, through the manager of its Production Department, sent to the Philippine American Life Insurance Company -- hereinafter referred to as the plaintiff -- the communication Exhibit B, dated February 11, 1961, enclosing therewith SSS Form R-1-Ail, advising plaintiff that, pursuant to said Circular No. 34, the insurance agents there-of are considered its employees, subject to compulsory coverage under said Act, and urging plaintiff to accomplish said SSS Form (for the purpose of supplying the necessary data concerning said agents, solicitors and underwriters) and to submit the same, within ten (10) days, to avoid the penalties provided for by law. This "advice" was reiterated in another letter (Exhibit B-1) of the same officer, dated March 3, 1961. Plaintiff replied to these letters with a communication (Exhibit C), dated March 7, 1961, objecting to the aforementioned compulsory coverage upon the ground that plaintiff's insurance agents, solicitors or underwriters are not its employees. Still, on May 14, 1961, the System sent to plaintiff another letter (Exhibit D), with several copies of SSS Form R-1-A.1, with the request that these forms be accomplished and submitted, as soon as possible, to facilitate early adjudication of the coverage of its insurance agents under the System.

Instead of complying with this request, on May 30, 1961, plaintiff commenced, in the Court of First Instance of

Manila, the present action, for prohibition with preliminary injunction, against the Commission -- to restrain the latter 1) from compelling plaintiff to remit contributions to the administrative branch of the System, as an incident of the alleged inclusion of plaintiff's agents, solicitors or underwriters in the compulsory coverage of the System, and 2) from prosecuting plaintiff and its officers for their refusal to make the aforementioned contributions -- upon the theory that said agents of the plaintiff are not employees thereof.

After appropriate proceedings, the lower court rendered the aforementioned decision. Hence, the present appeal to this Court, since questions purely of law are involved there-in, namely: 1) whether or not the trial court had jurisdiction to hear and decide this case; 2) whether plaintiff has a cause of action against the Commission; and 3) whether insurance agents of a life insurance company, like plaintiff herein, are its employees, for purposes of the compulsory coverage under the System.

The System maintains that the first two issues should be resolved in the negative, upon the ground, inter alia, that decisions of the Commission may not be reviewed by courts of first instance, not only because the two have the same rank, but, also, because said decisions are, pursuant to the Act<sup>[2]</sup> reviewable by the Court of Appeals, on questions of law and fact, or by the Supreme Court, on questions purely of law; that plaintiff has no cause of action against the Commission, inasmuch as the former has not appealed to the latter from the action taken by the System upon the question of coverage, under the Act; and that plaintiff has not exhausted the administrative remedies available thereto under the same.<sup>[3]</sup>

Upon the other hand, plaintiff urges an affirmative answer, upon the theory that the Commission is, at least, a board within the meaning of Rule 67 of the Rules of Court of 1940;<sup>[4]</sup> that being empowered by law to sue and be sued, the Commission may sue and be sued in any court of the Philippines; that Section 5 of Republic Act No. 1161 is inapplicable to the case at bar, because the question of coverage, herein involved, is not a "claim" within the purview of said section; that the issue whether a given person is employee of a particular firm and subject to coverage under said Act, is not one that plaintiff is bound to submit to the Commission in the first instance; that where the employer-employee relationship is contested, the ruling of the Commission to the effect that such relationship exists presents a legal dispute, which may not be decided unilaterally by the Commission; that the theory of the Commission to the effect that it has the same rank as courts of first instance may be true insofar only as the settlement of "claims," but not as regards the question of compulsory coverage; that an appeal from the System to the Commission would have been an empty gesture, for all actions of and proceedings in the System are under the direction and control of the Commission, and Circular No. 34 (Exhibit A) bears the approval of the Commission, through its chairman, apart from the fact that the Commission was poised to take criminal action against the plaintiff and its officers to compel them to obey the ruling complained of; and that the insistence of the Commission on enforcing its ruling re-garding said coverage amounts to an act performed without or in excess of jurisdiction or with grave abuse of discretion.

We find that the appeal taken by the Commission is well-founded for the present action is one for a writ of prohibition, which may be issued only by a superior court to an inferior court, corporation, board or person, to prevent the latter from usurping or exercising a jurisdiction or power it does not have (3 Moran on Rules of Court, 193 ed., p. 157). Section 5(a) of the Act acknowledges in the Commission the power to determine and settle claims, which partakes of a quasi-judicial function, in the exercise of which, the Commission is not inferior to courts of first instance, in much the same way as the Public Service Commission, as a board performing quasi-judicial functions, is not inferior to said courts.<sup>[5]</sup> The quasi-judicial nature of the functions of the Commission is emphasized by its authority, expressly granted by said Section 5(a), to promulgate rules and regulations governing "the filing, determination and settlement of claims." Hence, the lower court had no jurisdiction to issue the writ of prohibition prayed for.

Besides, the Commission performs administrative, as well as quasi-judicial, functions. Although it can sue and be sued in courts of first instance, either as regards its administrative functions, or in the enforcement and protection of its private rights, the rule is otherwise when the act complained of forms part of its quasi-judicial functions. For this reason, Section 5(c) of said Act, explicitly provides, in connection with "decisions" of the Commission, or the determinations thereof in the exercise of said functions, that the same "may be reviewed both upon the law and the facts by the Court of Appeals," or, "if the decision of the Commission involves only questions of law, x x x by the Supreme Court."

What is more, pursuant to Section 5(b) of said Act, the judicial review of "any decision of the Commission x x x shall be permitted only after any party claiming to be aggrieved thereby has exhausted his remedies before the Commission." In the case at bar, plaintiff has not exhausted its remedies before the Commission. The Commission has not even been given a chance to render a decision on the issue raised by plaintiff herein, because the latter has not appealed to the Commission from the action taken by the System in insisting upon the enforcement of Circular No. 34 (Exh. A).

It is true that the same bears the approval of the Chairman of the Commission. Even if this fact were construed as an approval of the Circular by the Commission itself, such approval would not constitute a "decision" thereof, as the term is used in said section 5, which regulates the judicial review of such decision. Indeed, a "decision" connotes the adjudication or settlement of a controversy, and the same did not exist between the System and the plaintiff when the Chairman of the Commission affixed his signature to said Circular No. 34, on or before November 6, 1960. The issue did not arise until March 7, 1961, when plaintiff expressed its objection to the circular upon the ground that the agents, solicitors and underwriters thereof are not its employees. It is only fair and just, therefore, as well as administratively expedient, that before a judicial review could be sought, said issue be previously submitted to and passed upon by the Commission, on appeal from the action taken or contemplated to be taken by the System, since, prior to such submission to and determination by the Commission, the same had no occasion to consider the specific reasons adduced by the plaintiff in support of its objection to said Circular No. 34.

But, even if the approval of the circular by the Chairman of the Commission were hypothetically regarded as a decision or proof of a decision of the Commission itself, still section 5(b) ordains positively that a judicial review of said decision "shall be permitted only after any party claiming to be aggrieved thereby has exhausted his remedies before the Commission." In other words, he must first seek therefrom a reconsideration of the decision complained of. This, by the way, is the general rule applicable to actions for certiorari and prohibition against a tribunal, board or officer, who must first be given, through a motion for reconsideration, an opportunity to correct the error or mistake complained of. No such reconsideration has been asked by plaintiff herein. Hence, it has no cause of action for prohibition, which does not lie except in the absence of appeal or any other plain, speedy and adequate remedy in the ordinary course of law.

It is urged that the Commission had already made clear its intention to prosecute criminally the plaintiff and its officers. This is not true. The one which no more than intimated such intention was not the Commission, but the System. Precisely, an appeal from the latter to the former, which admittedly has control over the System, would have been a plain, speedy and adequate remedy in the ordinary course of law. Moreover, it appeared from the acts of the System that the danger of prosecution was not imminent or even proximate. Indeed, the letter Exhibit B, urging plaintiff to "please accomplish and submit the enclosed SSS Form R-1-A.1 x x x within ten (10) days x x x to avoid the penalties provided by law," was written by the Manager, Production Department" of the System, which is not in charge of the prosecution of violators of the Act. Then, again, over two (2) months after plaintiff had objected to the compulsory coverage of its agents, solicitors and underwriters, or on May 14, 1961, the

System wrote to the plaintiff the letter Exhibit D, enclosing therewith several copies of SSS Form R-1-A.1, with the en-treatment that the same be "please" accomplished and sub-mitted to "facilitate early adjudication of the compulsory coverage" of its agents "under the system," and winding up with the "hope" of receiving the "form properly accomplished as soon as possible." The System thus implied that plaintiff could then seek an adjudication or decision on said coverage by the Commission. At any rate, had plaintiff appealed to the Commission, the latter could have restrained the System from causing the plaintiff and its officers from being prosecuted criminally, during the pendency of the appeal. In short, once again, the same was a plain, speedy and adequate remedy in the ordinary course of law.

Inasmuch as the lower court had no jurisdiction to hear and decide this case, and, at any rate, plaintiff has no cause of action against the Commission, it is unnecessary to pass upon the third issue raised by plaintiff herein. In fact, said issue has become moot on account of the approval of Republic Act No. 4857, on September 1, 1966, section 2 of which amended section 5(a) of Republic Act No. 1161, to read as follows:

"Any dispute arising under this Act with respect to coverage, entitlement to benefits, collection and settlement of premium contributions and penalties thereon, or any other matter related thereto, shall be cognizable by the Commission, and any case filed with the Commission with respect thereto shall be heard by the Commission, or any of its members, or by hearing officers duly authorized by the Commission, and decided within twenty days after the submission of the evidence. The filing, determination and settlement of claims shall be governed by the rules and regulations promulgated by the Commission." (Underscoring supplied.)

Hence, there can be no question now that any dispute with respect to coverage is cognizable by the Commission.

WHEREFORE, the decision appealed from is hereby reversed and another one shall be entered, dismissing the complaint herein, with costs against plaintiff-appellee the Philippine American Life Insurance Company.

**SO ORDERED.**

Reyes, J.B.L., Dizon, Regala, Makalintal, Bengzon, J.P., Zaldivar, Sanchez, and Castro, JJ., concur.

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[1] Republic Act No. 1161, as amended.

[2] Section 5(c) of Republic Act No. 1161, as amended.

[3] Sec. 5(b), Republic Act No. 1161, as amended, and Rule X, No. 10, of the Rules and Regulations of the System.

[4] Now Rule 65 of the Rules of Court of 1964.

[5] Poblete Construction Co. vs. Social Security Commission L-17605, January 22, 1964; Iloilo Commercial & Ice Co. vs. Public Service Commission, 56 Phil. 238, and Regalado vs. Provincial Constabulary, L-15674, November 29, 1961.

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