

SERAFIN P. LOPEZ, JR., PETITIONER, VS. GOVERNMENT SERVICE INSURANCE SYSTEM, REPRESENTED BY ITS PRESIDENT AND GENERAL MANAGER, ROLANDO L. MACASAET, RESPONDENT.

G.R. No. 263728, April 23, 2026

Ponente: SINGH, J.

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SINGH, J.:

This is a Petition for Review on Certiorari[1] under Rule 45 of the Rules of Court assailing the Decision,[2] dated June 10, 2022, of the Court of Appeals (CA) in CA-G.R. SP No. 14196. The CA affirmed the Decision,[3] dated November 24, 2020, of the respondent Government Service Insurance System (GSIS) in GSIS Case No. 023-19, which denied petitioner Serafin P. Lopez, Jr.'s (Lopez) claim for maturity benefits from his Life Endowment Policy, with Policy Number CM-3031859 (LEP).[4]

The Facts

Lopez entered government service on July 1, 1994, as Clerk I at the Provincial Treasurer's Office of Negros Occidental, and was issued the LEP with maturity date on July 1, 2017.[5]

On May 8, 2002, Lopez left government service, without applying for any GSIS benefits. On September 1, 2012, Lopez returned to government service as Legal Officer II in the City Government of Escalante, Negros Occidental. He was then issued an Enhanced Life Policy, with Policy Number LP-72040700235.[6]

On July 14, 2017, Lopez filed with the GSIS Bacolod Branch Office (GSIS Bacolod) an application for Life Insurance Benefit, claiming maturity benefits under the LEP. However, the same was denied. The GSIS Bacolod cited GSIS Board Resolution No. 234, dated September 7, 2001, which states that a member who is separated or retired from the service for any reason other than dismissal for cause or total permanent disability shall cease to be a life insurance member effective as of the date of separation.[7] The GSIS Bacolod then advised Lopez to apply for the cash surrender value (CSV) of the LEP as of his last day of service.[8]

Lopez sought reconsideration of the denial of his application, arguing that Board Resolution No. 234 does not apply to him because his insurance policy took effect on July 1, 1994, while the Resolution only became effective on September 7, 2001.[9]

The GSIS Bacolod affirmed its earlier decision, emphasizing that Board Resolution No. 234 merely reiterated the provisions of stipulated in the LEP.[10]

Lopez once again sought reconsideration of the GSIS Bacolod's response. However, it was denied by the GSIS Bacolod.[11]

Consequently, Lopez filed a Petition insisting on his claim for maturity benefits. The same was endorsed to the Office of the Vice President of the Visayas Operations Group for appropriate action.[12]

The Office of the Vice President of the Visayas Operations Group affirmed the denial of Lopez's claim, and

explained that upon separation from service for any reason other than dismissal for cause or permanent total disability, after the insurance has been in effect for at least a year, the member shall have the option either to terminate the insurance and collect its cash value, or to convert the insurance into an optional insurance and pay the corresponding premiums. However, Lopez did not avail of any of these options upon his separation from service.[13]

On April 11, 2019, Lopez filed an appeal before the Committee on Claims (CoC), reiterating his previous arguments and assailing the alleged compulsion for him to submit an application for the CSV of the LEP.[14]

On July 1, 2019, the CoC issued a Decision denying Lopez's claim for payment of maturity benefit on the ground that Lopez's LEP was already terminated when he was previously separated from service in 2002, and despite his re-entry in government in 2012, the same remained terminated.

The CoC explained that the LEP itself provides for Lopez's options upon his separation from service, i.e., (1) to terminate the insurance and collect the cash value, or (2) to convert the insurance to an optional insurance and pay for the corresponding premiums to be determined by the GSIS. Since Lopez failed to avail of the second option, only the first option remains available to him.[15]

On September 2, 2019, Lopez filed his petition before the GSIS Board of Trustees, assailing the CoC Decision. Lopez asserted that he cannot be compelled to submit an application for CSV as he was given an option under his insurance policy to convert his insurance policy to an optional one. He also reiterated his argument that Board Resolution No. 234 cannot be used against him because it came after the issuance of the LEP.[16]

The Ruling of the GSIS Board of Trustees

The GSIS Board of Trustees denied Lopez's Petition, thus:

IN VIEW OF THE FOREGOING, the Petition is DENIED. The Decision of the Committee on Claims (CoC) is hereby AFFIRMED.

SO ORDERED.[17] (Emphasis in the original)

The GSIS Board of Trustees held that the compulsory life insurance coverage is only extended to government employees while they are employed as such. Accordingly, such compulsory coverage inevitably terminates upon separation from government service.[18]

The GSIS Board of Trustees emphasized that while the LEP allowed a separated government employee to convert the compulsory life coverage to an optional one, Lopez neither communicated his intent to avail of such conversion upon his separation from service, nor did he pay the corresponding premiums, as required under the LEP. It was only in 2017, or 15 years after his separation in 2002, that Lopez claimed that he was exercising the option to convert, and only after his claim for maturity benefits was denied by the GSIS Bacolod. According to the GSIS Board of Trustees, the lapse of 15 years cannot be considered as a reasonable time after his separation from government service.[19]

Thus, the GSIS Board of Trustees concluded that the LEP was effectively terminated by Lopez's separation from government service in 2002 and his failure to timely avail of the option to convert the same to an optional one. Since no conversion was agreed upon and implemented, no premiums were ever due thereon. As a result, there is no basis for the grant of maturity benefits to Lopez.[20]

Lastly, the GSIS Board of Trustees held that the only benefit left to which Lopez may be qualified is the CSV due from the termination of the said policy. Hence, the GSIS Bacolod and subsequently, the Office of the Vice President, Visayas Operations Group, properly advised Lopez of the same.[21]

Aggrieved, Lopez filed a Petition for Review, under Rule 43 of the Rules of Court, before the CA.

The Ruling of the CA

The CA denied Lopez's Petition, thus:

WHEREFORE, in light of the foregoing, the Petition is denied. The Decision dated November 24, 2020, which was approved and confirmed by the GSIS Board of Trustees in its Board Resolution No. 123 dated November 24, 2020, is affirmed.

SO ORDERED.[22] (Emphasis in the original)

The CA held that in order for Lopez to avail of the option under the LEP to convert the same to an optional insurance, he should have exercised his right to choose the said option upon his separation from service. Mere entitlement to the option did not automatically convert Lopez's compulsory insurance policy to an optional one.[23]

According to the CA, Lopez's LEP was effectively terminated by his separation from government service and his failure to timely avail of the option to convert the same to an optional insurance, nor did he pay any premium thereon. Consequently, there is no basis for the grant of maturity benefits to Lopez.[24]

Still dissatisfied, Lopez filed the present Petition before the Court.

The Issue

Is Lopez entitled to maturity benefits under the LEP?

The Ruling of the Court

The Court resolves to deny the Petition for lack of merit.

An employee separated from government service has the option to convert compulsory life insurance into optional life insurance

The LEP was issued on July 1, 1994 during the effectivity of Presidential Decree No. 1146,[25] or the Revised Government Service Insurance Act of 1977, as amended by Presidential Decree No. 1981.[26] On the other hand, Lopez was separated from service on May 8, 2002, after the enactment of Republic Act No. 8291,[27] or the Government Service Insurance System Act of 1997.

Nevertheless, despite the repealing clause in Republic Act No. 8291,[28] which repealed and modified any other laws or parts of law which are inconsistent with its provisions, the Court rules that Presidential Decree No. 1146 continues to govern over the rights of Lopez under the LEP. This finds support in the same repealing clause, which provides that "the rights under the existing laws, rules and regulations vested upon or acquired by an employee who is already in the service as of the effectivity of [Republic Act No. 8291] shall remain in force and effect." [29]

Section 3 of Presidential Decree No. 1146 provides for compulsory membership in the GSIS of all permanent government employees, thus:

SECTION 3. Compulsory Coverage. — Membership in the [GSIS] shall be compulsory for all permanent employees below 60 years of age upon the appointment to permanent status, and for all elective officials for the duration of their tenure: Provided, That, upon approval by the President of the Philippines and subject to the availability of funds, compulsory coverage may be extended to non-permanent employees of national government agencies and local governments, either simultaneously, in phases or by groups: Provided, further,

That non-permanent employees of government-owned and controlled corporations may be covered upon approval by the System at the request of their respective Governing Boards: Provided, finally, That the coverage of temporary employees under [Republic Act] No. 4968 shall remain in force.

Pursuant to Section 21 of Presidential Decree No. 1146, all government employees shall be compulsorily covered with life insurance, thus:

SECTION 21. Compulsory Life Insurance. — Subject to the rules and regulations prescribed by the [GSIS], all employees shall be compulsorily covered with life insurance which shall automatically take effect as follows:

- (1) for those employed after this Act, their insurance shall take effect on the date of their employment;
- (2) for those whose insurance matured and not renewed prior to this Act, their insurance shall be deemed renewed on the day following the effectivity of this Act;
- (3) for those whose insurance will mature or will expire after this Act, their insurance shall be deemed renewed on the day following or expiry date of their previous insurance;
- (4) for those without any life insurance as of the effectivity of this Act, their insurance shall take effect on the day following said effectivity.

When an employee is separated from government service, they are entitled to the insurance benefits that have accrued at the time of their separation. Alternatively, the separated employee may convert the compulsory life insurance into an optional life insurance. This is clear from the Implementing Rules and Regulations (IRR) of Presidential Decree No. 1146:

RULE II

COVERAGE OF THE SYSTEM

....

SEC. 4. Effect of Separation from the Service.—(a) A member shall continue to be a member, notwithstanding [their] separation from the service.

(b) After [their] separation from the service, the member is not obliged to contribute, but whatever benefits shall have accrued or been earned at the time of his separation can still be availed of thereafter in the event of any contingency compensable under these Rules, unless the terms of his separation provide otherwise.

RULE III

COLLECTIONS AND REMITTANCE OF CONTRIBUTIONS AND OTHER AMOUNTS

....

SEC. 5. Payment of Premiums after Separation from the Service.—A separated member who chose to convert his compulsory life insurance into an optional insurance shall pay in advance the premiums thereon as determined by the [GSIS], whether monthly, quarterly, semi-annually[,] or annually to any GSIS office nearest [their] residence.

....

RULE VII

COMPULSORY LIFE INSURANCE

....

SEC. 8. Transfer/Separation. — x x x

(b) A member who is separated from the service for any reason other than dismissal for cause or total and permanent disability after having been insured/or at least one year, shall have the following options:

(1) to terminate his insurance and collect its cash value; or

(2) to convert his insurance into an optional insurance and pay the premiums as determined by the [GSIS].
(Emphasis supplied)

The options listed in Rule VII, Section 8(b) of the IRR of Presidential Decree No. 1146 are also included in Lopez's LEP, as follows:

2.7 Options in case of separation

Upon separation from the service for any reason other than dismissal for cause or permanent total disability, after the insurance has been in force for at least a year, the member shall have the following options:

2.7.1 to terminate insurance and collect its cash value, or

2.7.2 to convert insurance into an optional insurance and pay premium as determined by the system.

Relatedly, Rule VIII, Section 7 of the IRR of Presidential Decree No. 1146 lays down the rules on the payment of premiums on optional life insurance:

RULE VIII

OPTIONAL LIFE INSURANCE

....

SEC. 7. Payment of Premiums.—(a) Premium on optional life insurance shall be paid monthly in advance during the life of the policy either directly by the insured or through salary deduction or in such other manner as may be allowed by the [GSIS];

(b) When any premium remains unpaid after its due date, a grace period of [31] days without interest shall be allowed during which time the policy shall remain in force, but if the policy shall become a claim within said grace period, the unpaid premiums shall be deducted from the proceeds thereof.

After the end of the grace period and the premiums due remain unpaid, the policy will automatically lapse and become void without the necessity of notice from the [GSIS]. x x x

....

Here, it does not appear from the records that Lopez was dismissed for cause or that he was separated from the service due to permanent total disability. Thus, the option to either terminate the LEP and collect its CSV at the time of the separation, or to convert the LEP into an optional insurance, applies to Lopez.

It is worth noting that the LEP constitutes an insurance contract between GSIS and Lopez. It is a fundamental rule that a contract is the law between the parties and must be complied with in good faith. All contractual stipulations that the parties agree upon are binding on them, unless the contract is contrary to law, morals, good customs, public order, or public policy.[30]

Moreover, the law is deemed written into every contract. Although a contract is the law between the parties, the

provisions of the positive law which regulate contracts are deemed written therein and shall govern the relations between the parties.[31] Thus, the provisions of Presidential Decree No. 1146 and its IRR, which govern insurance contracts between the GSIS and government employees, particularly the provisions on optional insurance, are deemed incorporated into the LEP.

Considering the foregoing, it is evident that the primary effect of separation from government service on the compulsory life insurance is its termination and the separated employee's entitlement to the accrued benefits at the time of their separation. The compulsory life insurance is not automatically converted into an optional one upon the employee's separation from the service. If the separated employee wishes to convert their compulsory life insurance into an optional one, they must signify their intention to do so and pay the premiums thereon.

Lopez is already barred by laches; conversion into optional life insurance must be made within reasonable period after separation

Admittedly, Presidential Decree No. 1146 and its IRR, as well as the LEP, do not provide the period after separation during which the separated employee may convert their compulsory life insurance into an optional one.

It is a well settled rule that the terms in an insurance policy that are ambiguous, uncertain, or vague "are to be construed strictly against the insurer and liberally in favor of the insured so as to effect the dominant purpose of indemnity or payment to the insured, especially where a forfeiture is involved." [32] This is especially true in this case, since the LEP between the GSIS and Lopez is a contract of adhesion. Thus, the provisions of the LEP, as well as that of Presidential Decree No. 1146 and its IRR, which is deemed incorporated into the LEP, should be interpreted in favor of Lopez.

Consequently, a separated employee should not be required to convert their compulsory life insurance into an optional insurance immediately upon their separation from the service. When a separated employee opts for such conversion and pays the premium thereon, the compulsory life insurance shall be deemed converted into an optional insurance at the time of the separation from the service. Any premiums in arrears corresponding to the period between the separation from the service and the time the separated employee opted for conversion may be deducted from the insurance benefits or may paid in any other manner acceptable to the GSIS. This interpretation is favorable to the insured since it allows them to remain insured after separation from service.

This is consistent with the provision under Rule VIII, Section 11 of the IRR of Presidential Decree No. 1146, allowing the reinstatement of a lapsed policy, thus:

SEC. 11. Reinstatement of Lapsed Policy—A lapsed policy may be reinstated upon submission of satisfactory proofs of insurability and the payment of at least the difference between the cash value of the policy at the time of the reinstatement and the total premium indebtedness.

However, the foregoing interpretation does not mean that a separated employee may choose to convert their compulsory life insurance into an optional insurance at any time after separation from the service. Such right to convert must be exercised within a reasonable period after separation from the service. A party who has a right that they could have exercised if not for their delay in asserting it may be barred by laches from claiming such right.[33]

The principle of laches or "stale demands" is the failure or neglect, for an unreasonable and unexplained length of time, to do that which by exercising due diligence could or should have been done earlier. It is based on the grounds of public policy in order to maintain peace in the society and equity to avoid recognizing a right when to do so would result in a clearly unfair situation.[34]

Nevertheless, the Court has held that there is no fast and hard rule as to what constitutes laches or staleness of

demand; the determination of which is addressed to the sound discretion of the court. To conclude a sound judgment, courts are guided that laches, being an equitable doctrine, is controlled by equitable considerations in accordance with the particular circumstances of each case. It cannot be used to defeat justice or perpetrate fraud. Ultimately, pursuant to the principle of equity, courts are not bound strictly by the statute of limitations or the doctrine of laches when to be so, a manifest wrong or injustice would result.[35]

In order for laches to set in, the following elements must concur:

- (1) Conduct on the part of the defendant, or of one under whom he claims, giving rise to the situation of which complaint is made for which the complaint seeks a remedy;
- (2) Delay in asserting the complainant's rights, the complainant having had knowledge or notice, of the defendant's conduct and having been afforded an opportunity to institute a suit;
- (3) Lack of knowledge or notice on the part of the defendant that the complainant would assert the right on which he bases his suit; and
- (4) Injury or prejudice to the defendant in the event relief is accorded to the complainant, or the suit is not held to be barred.[36]

The foregoing elements are all present in this case.

First, the GSIS issued the LEP in favor of Lopez.[37] Lopez's separation from the service gave rise to his right to convert the LEP into an optional insurance and to prevent its termination so that he may be entitled to the maturity benefits under the LEP.

Second, it took Lopez about 15 years from his separation from the service to assert his right to the maturity benefits under the LEP. He is presumed to have knowledge of his option to convert the LEP into an optional insurance, as the same was stipulated in the LEP.

Third, the GSIS had no knowledge or notice that Lopez would still assert his rights under the LEP since for about 15 years after the LEP has lapsed, Lopez never signified his intention to convert the LEP into an optional insurance.

Fourth, granting Lopez's claim for maturity benefits under the LEP would prejudice the GSIS since Lopez never paid the premiums on the LEP from his separation from the service.

Thus, Lopez is already barred by laches from claiming the maturity benefits under the LEP. Fifteen years after Lopez's separation from the service is not a reasonable period for him to choose to convert his LEP into an optional insurance and claim benefits thereunder.

The application of the principle of laches in this case will not cause injustice to Lopez. As advised by the GSIS, Lopez can still claim the CSV of the LEP as of the last day of his service.

All told, the LEP was never converted into an optional insurance. Thus, Lopez can only claim the CSV of the LEP at the time of his separation from the service. Moreover, as correctly held by the CA, Lopez's subsequent return to government service on September 1, 2012 as Legal Officer II in the City Government of Escalante, Negros Occidental did not affect the termination of the LEP. Nothing in Presidential Decree No. 1146 and its IRR provides for the re-instatement of a lapsed compulsory life insurance upon re-entry to government service. In fact, Lopez was issued a new compulsory life insurance policy upon his re-entry to government service.[38]

ACCORDINGLY, the Petition for Review on Certiorari is DENIED. The Decision, dated June 10, 2022, of the Court of Appeals in CA-G.R. SP No. 14196 is AFFIRMED.

SO ORDERED.

Caguioa (Chairperson), Inting, Gaerlan, and Dimaampao, JJ., concur.

[1] Rollo, pp. 6-21.

[2] Id. at 24-38. Penned by Associate Justice Ronald Suva Tolentino and concurred in by Associate Justices Pamela Ann Abella Maxino and Nancy C. Rivas-Palmones of the Eighteenth Division, Court of Appeals, Cebu City.

[3] Id. at 61-76.

[4] Id. at 74.

[5] Id. at 25.

[6] Id.

[7] Id. at 79-80.

[8] Id. at 25-26.

[9] Id. at 26.

[10] Id.

[11] Id.

[12] Id.

[13] Id. at 27.

[14] Id.

[15] Id. at 28.

[16] Id.

[17] Id. at 74.

[18] Id. at 28.

[19] Id. at 28-29.

[20] Id. at 29.

[21] Id.

[22] Id. at 37.

[23] Id. at 36.

[24] Id.

[25] Approved on May 31, 1977.

[26] Approved on July 19, 1985.

[27] Approved on May 30, 1997.

[28] Section 3.

[29] Id.

[30] *La Filipina Uy Gongco Corporation v. Harbour Centre Port Terminal, Inc.*, 937 Phil. 294, 339 (2023) [Per J. Leonen, Second Division].

[31] *UCPB General Insurance Co., Inc. v. Asgard Corrugated Box Manufacturing Corporation*, 894 Phil. 814, 845 (2021) [Per J. Carandang, First Division].

[32] *Wijangco v. UCPB General Insurance Co, Inc.*, G.R. No. 257086, April 23, 2025 [Per J. Inting, Third Division] at 25-26. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

[33] See *Apacible v. People*, 928 Phil. 754, 768 (2022) [Per J. J. Lopez, Second Division].

[34] *Department of Education, Culture and Sports vs. Heirs of Regino Banguilan*, 833 Phil. 943, 951 (2018) [Per J. Reyes, Jr., Second Division].

[35] Id. at 952.

[36] *Rep. of the Phils. v. Sundiam*, 880 Phil. 254, 262 (2020) [Per J. Caguioa, First Division].

[37] *Rollo*, p. 25.

[38] Id. at 36.

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