

**THE PHILIPPINE AMERICAN LIFE INSURANCE COMPANY,
PETITIONER, VS. HONORABLE GREGORIO G. PINEDA, IN HIS
CAPACITY AS JUDGE OF THE COURT OF FIRST INSTANCE OF RIZAL,
AND RODOLFO C. DI...**

G.R. No. 54216. July 19, 1989

Ponente: PARAS, J.

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PARAS, J.:

Challenged before Us in this petition for review on certiorari are the Orders of the respondent Judge dated March 19, 1980 and June 10, 1980 granting the prayer in the petition in Sp. Proc. No. 9210 and denying petitioner's Motion for Reconsideration, respectively.

The undisputed facts are as follows:

On January 15, 1968, private respondent procured an ordinary life insurance policy from the petitioner company and designated his wife and children as irrevocable beneficiaries of said policy.

Under date February 22, 1980 private respondent filed a petition which was docketed as Civil Case No. 9210 of the then Court of First Instance of Rizal to amend the designation of the beneficiaries in his life policy from irrevocable to revocable.

Petitioner, on March 10, 1980 filed an Urgent Motion to Reset Hearing. Also on the same date, petitioner filed its Comment and/or Opposition to Petition.

When the petition was called for hearing on March 19, 1980, the respondent Judge Gregorio G. Pineda, presiding Judge of the then Court of First Instance of Rizal, Pasig Branch XXI, denied petitioner's Urgent Motion, thus allowing the private respondent to adduce evidence, the consequence of which was the issuance of the questioned Order granting the petition.

Petitioner promptly filed a Motion for Reconsideration but the same was denied in an Order dated June 10, 1980. Hence, this petition raising the following issues for resolution:

I

WHETHER OR NOT THE DESIGNATION OF THE IRREVOCABLE BENEFICIARIES COULD BE CHANGED OR AMENDED WITHOUT THE CONSENT OF ALL THE IRREVOCABLE BENEFICIARIES.

II

WHETHER OR NOT THE IRREVOCABLE BENEFICIARIES HEREIN, ONE OF WHOM IS ALREADY DECEASED WHILE THE OTHERS ARE ALL MINORS, COULD VALIDLY GIVE CONSENT TO THE CHANGE OR AMENDMENT IN THE DESIGNATION OF THE IRREVOCABLE BENEFICIARIES.

We are of the opinion that his Honor, the respondent Judge, was in error in issuing the questioned Orders.

Needless to say, the applicable law in the instant case is the Insurance Act, otherwise known as Act No. 2427 as amended, the policy having been procured in 1968. Under the said law, the beneficiary designated in a life insurance contract cannot be changed without the consent of the beneficiary because he has a vested interest in the policy (*Gercio v. Sun Life Ins. Co. of Canada*, 48 Phil. 53; *Go v. Redfern and the International Assurance Co., Ltd.*, 72 Phil. 71).

In this regard, it is worth noting that the Beneficiary Designation Indorsement in the policy which forms part of Policy Number 0794461 in the name of Rodolfo Cailles Dimayuga states that the designation of the beneficiaries is irrevocable (Annex "A" of Petition in Sp. Proc. No. 9210, Annex "C" of the Petition for Review on Certiorari), to wit:

It is hereby understood and agreed that, notwithstanding the provisions of this policy to the contrary, inasmuch as the designation of the primary/ contingent beneficiary/ beneficiaries in this Policy has been made without reserving the right to change said beneficiary/beneficiaries, such designation may not be surrendered to the Company, released or assigned; and no right or privilege under the Policy may be exercised, or agreement made with the Company to any change in or amendment to the Policy, without the consent of the said beneficiary/beneficiaries. (Petitioner's Memorandum, p.72, Rollo)

Be it noted that the foregoing is a fact which the private respondent did not bother to disprove.

Inevitably therefore, based on the aforequoted provision of the contract, not to mention the law then applicable, it is only with the consent of all the beneficiaries that any change or amendment in the policy concerning the irrevocable beneficiaries may be legally and validly effected. Both the law and the policy do not provide for any other exception, thus, abrogating the contention of the private respondent that said designation can be amended if the Court finds a just, reasonable ground to do so.

Similarly, the alleged acquiescence of the six (6) children beneficiaries of the policy (the beneficiary-wife predeceased the insured) cannot be considered an effective ratification to the change of the beneficiaries from irrevocable to revocable. Indubitable is the fact that all the six (6) children named as beneficiaries were minors at that time,* for which reason, they could not validly give their consent. Neither could they act through their father-insured since their interests are quite divergent from one another. In point is an excerpt from the Notes and Cases on Insurance Law by Campos and Campos, 1960, reading –

"The insured xxx can do nothing to divest the beneficiary of his rights without his consent. He cannot assign his policy, nor even take its cash surrender value without the consent of the beneficiary. Neither can the insured's creditors seize the policy or any right thereunder. The insured may not even add another beneficiary because by doing so, he diminishes the amount which the beneficiary may recover and this he cannot do without the beneficiary's consent.

Therefore, the parent-insured cannot exercise rights and/or privileges pertaining to the insurance contract, for otherwise, the vested rights of the irrevocable beneficiaries would be rendered inconsequential.

Of equal importance is the well-settled rule that the contract between the parties is the law binding on both of them and for so many times, this court has consistently issued pronouncements upholding the validity and effectivity of contracts. Where there is nothing in the contract which is contrary to law, good morals, good customs, public policy or public order the validity of the contract must be sustained. Likewise, contracts which are the private laws of the contracting parties should be fulfilled according to the literal sense of their stipulations, if their terms are clear and leave no room for doubt as to the intention of the contracting parties, for contracts are obligatory, no matter in what form they may be, whenever the essential requisites for their validity are present

(Phoenix Assurance Co., Ltd. vs. United States Lines, 22 SCRA 675, Phil. American General Insurance Co., Inc. vs. Mutuc, 61 SCRA 22).

In the recent case of Francisco Herrera vs. Petrophil Corporation, 146 SCRA 385, this Court ruled that:

"x x x it is settled that the parties may establish such stipulations, clauses, terms, and conditions as they may want to include; and as long as such agreements are not contrary to law, good morals, good customs, public policy or public order, they shall have the force of law between them."

Undeniably, the contract in the case at bar, contains the indispensable elements for its validity and does not in any way violate the law, morals, customs, orders, etc. leaving no reason for Us to deny sanction thereto.

Finally, the fact that the contract of insurance does not contain a contingency when the change in the designation of beneficiaries could be validly effected means that it was never within the contemplation of the parties. The lower court, in gratuitously providing for such contingency, made a new contract for them, a proceeding which we cannot tolerate. Ergo, We cannot help but conclude that the lower court acted in excess of its authority when it issued the Order dated March 19, 1980 amending the designation of the beneficiaries from "irrevocable" to "revocable" over the disapprobation of the petitioner insurance company.

WHEREFORE, premises considered, the questioned Orders of the respondent Judge are hereby nullified and set aside.

SO ORDERED.

Melencio-Herrera, (Chairman), Sarmiento, and Regalado, JJ., concur.
Padilla, J., no part.

* Annex "C", Petition, p.18, Rollo

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