

**PHILIPPINE AMERICAN LIFE INSURANCE COMPANY AND RODRIGO DE LOS REYES, PETITIONERS, VS. HON. ARMANDO ANSALDO, IN HIS CAPACITY AS INSURANCE COMMISSIONER, AND RAMON MONTILLA PATERNO...**

*G.R. No. 76452. July 26, 1994*

Ponente: QUIASON, J.

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**QUIASON, J.:**

This is a petition for certiorari and prohibition under Rule 65 of the Revised Rules of Court, with preliminary injunction or temporary restraining order, to annul and set aside the Order dated November 6, 1986 of the Insurance Commissioner and the entire proceedings taken in I.C. Special Case No. 1-86.

We grant the petition.

**I**

The instant case arose from a letter-complaint of private respondent Ramon M. Paterno, Jr. dated April 17, 1986, to respondent Commissioner, alleging certain problems encountered by agents, supervisors, managers and public consumers of the Philippine American Life Insurance Company (Philamlife) as a result of certain practices by said company.

In a letter dated April 23, 1986, respondent Commissioner requested petitioner Rodrigo de los Reyes, in his capacity as Philamlife's president, to comment on respondent Paterno's letter.

In a letter dated April 29, 1986 to respondent Commissioner, petitioner De los Reyes suggested that private respondent "submit some sort of a 'bill of particulars' listing and citing actual cases, facts, dates, figures, provisions of law, rules and regulations, and all other pertinent data which are necessary to enable him to prepare an intelligent reply" (Rollo, p. 37). A copy of this letter was sent by the Insurance Commissioner to private respondent for his comments thereon.

On May 16, 1986, respondent Commissioner received a letter from private respondent maintaining that his letter-complaint of April 17, 1986 was sufficient in form and substance, and requested that a hearing thereon be conducted.

Petitioner De los Reyes, in his letter to respondent Commissioner dated June 6, 1986, reiterated his claim that private respondent's letter of May 16, 1986 did not supply the information he needed to enable him to answer the letter-complaint.

On July 14, a hearing on the letter-complaint was held by respondent Commissioner on the validity of the Contract of Agency complained of by private respondent.

In said hearing, private respondent was required by respondent Commissioner to specify the provisions of the

agency contract which he claimed to be illegal.

On August 4, private respondent submitted a letter of specification to respondent Commissioner dated July 31, 1986, reiterating his letter of April 17, 1986 and praying that the provisions on charges and fees stated in the Contract of Agency executed between Philamlife and its agents, as well as the implementing provisions as published in the agents' handbook, agency bulletins and circulars, be declared as null and void. He also asked that the amounts of such charges and fees already deducted and collected by Philamlife in connection therewith be reimbursed to the agents, with interest at the prevailing rate reckoned from the date when they were deducted.

Respondent Commissioner furnished petitioner De los Reyes with a copy of private respondent's letter of July 31, 1986, and requested his answer thereto.

Petitioner De los Reyes submitted an Answer dated September 8, 1986, stating inter alia that:

- (1) Private respondent's letter of August 11, 1986 does not contain any of the particular information which Philamlife was seeking from him and which he promised to submit.
- (2) That since the Commission's quasi-judicial power was being invoked with regard to the complaint, private respondent must file a verified formal complaint before any further proceedings.

In his letter dated September 9, 1986, private respondent asked for the resumption of the hearings on his complaint.

On October 1, private respondent executed an affidavit, verifying his letters of April 17, 1986 and July 31, 1986.

In a letter dated October 14, 1986, Manuel Ortega, Philamlife's Senior Assistant Vice-President and Executive Assistant to the President, asked that respondent Commission first rule on the questions of the jurisdiction of the Insurance Commissioner over the subject matter of the letters-complaint and the legal standing of private respondent.

On October 27, respondent Commissioner notified both parties of the hearing of the case on November 5, 1986.

On November 3, Manuel Ortega filed a Motion to Quash Subpoena/Notice on the following grounds:

"1. The Subpoena/Notice has no legal basis and is premature because:

- (1) No complaint sufficient in form and contents has been filed;
- (2) No summons has been issued nor received by the respondent De los Reyes, and hence, no jurisdiction has been acquired over his person;
- (3) No answer has been filed, and hence, the hearing scheduled on November 5, 1986 in the subpoena/notice, and wherein the respondent is required to appear, is premature and lacks legal basis.

II. The Insurance Commission has no jurisdiction over:

- (1) the subject matter or nature of the action; and
- (2) over the parties involved" (Rollo, p. 102).

In the Order dated November 6, 1986, respondent Commissioner denied the Motion to Quash. The dispositive portion of said Order reads:

NOW, THEREFORE, finding the position of complainant thru counsel tenable and considering the fact that the instant case is an informal administrative litigation falling outside the operation of the aforecited memorandum circular but cognizable by this Commission, the hearing officer, in open session ruled as it is

hereby ruled to deny the Motion to Quash Subpoena/Notice for lack of merit (Rollo, p. 109).

Hence, this petition.

## II

The main issue to be resolved is whether or not the resolution of the legality of the Contract of Agency falls within the jurisdiction of the Insurance Commissioner.

Private respondent contends that the Insurance Commissioner has jurisdiction to take cognizance of the complaint in the exercise of its quasi-judicial powers. The Solicitor General, upholding the jurisdiction of the Insurance Commissioner, claims that under Sections 414 and 415 of the Insurance Code, the Commissioner has authority to nullify the alleged illegal provisions of the Contract of Agency.

## III

The general regulatory authority of the Insurance Commissioner is described in Section 414 of the Insurance Code, to wit:

"The Insurance Commissioner shall have the duty to see that all laws relating to insurance, insurance companies and other insurance matters, mutual benefit associations and trusts for charitable uses are faithfully executed and to perform the duties imposed upon him by this Code, xxx."

On the other hand, Section 415 provides:

"In addition to the administrative sanctions provided elsewhere in this Code, the Insurance Commissioner is hereby authorized, at his discretion, to impose upon insurance companies, their directors and/or officers and/or agents, for any willful failure or refusal to comply with, or violation of any provision of this Code, or any order, instruction, regulation or ruling of the Insurance Commissioner, or any commission of irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Insurance Commissioner, the following:

- (a) fines not in excess of five hundred pesos a day; and
- (b) suspension, or after due hearing, removal of directors and/or officers and/or agents."

A plain reading of the above-quoted provisions show that the Insurance Commissioner has the authority to regulate the business of insurance, which is defined as follows:

"(2) The term 'doing an insurance business' or 'transacting an insurance business,' within the meaning of this Code, shall include (a) making or proposing to make, as insurer, any insurance contract; (b) making, or proposing to make, as surety, any contract of suretyship as a vocation and not as merely incidental to any other legitimate business or activity of the surety; (c) doing any kind of business, including a reinsurance business, specifically recognized as constituting the doing of an insurance business within the meaning of this Code; (d) doing or proposing to do any business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of this Code. (Insurance Code, Sec. 2[2]; underscoring supplied).

Since the contract of agency entered into between Philamlife and its agents is not included within the meaning of an insurance business, Section 2 of the Insurance Code cannot be invoked to give jurisdiction over the same to the Insurance Commissioner. *Expressio unius est exclusio alterius*.

With regard to private respondent's contention that the quasi-judicial power of the Insurance Commissioner under Section 416 of the Insurance Code applies in his case, we likewise rule in the negative. Section 416 of the Code in pertinent part, provides:

"The Commissioner shall have the power to adjudicate claims and complaints involving any loss, damage or liability for which an insurer may be answerable under any kind of policy or contract of insurance, or for which such insurer may be liable under a contract of suretyship, or for which a reinsurer may be used under any contract or reinsurance it may have entered into, or for which a mutual benefit association may be held liable under the membership certificates it has issued to its members, where the amount of any such loss, damage or liability, excluding interest, costs and attorney's fees, being claimed or sued upon any kind of insurance, bond, reinsurance contract, or membership certificate does not exceed in any single claim one hundred thousand pesos."

A reading of the said section shows that the quasi-judicial power of the Insurance Commissioner is limited by law "to claims and complaints involving any loss, damage or liability for which an insurer may be answerable under any kind of policy or contract of insurance, xxx." Hence, this power does not cover the relationship affecting the insurance company and its agents but is limited to adjudicating claims and complaints filed by the insured against the insurance company.

While the subject of Insurance Agents and Brokers is discussed under Chapter IV, Title I of the Insurance Code, the provisions of said Chapter speak only of the licensing requirements and limitations imposed on insurance agents and brokers.

The Insurance Code does not have provisions governing the relations between insurance companies and their agents. It follows that the Insurance Commissioner cannot, in the exercise of its quasi-judicial powers, assume jurisdiction over controversies between the insurance companies and their agents.

We have held in the cases of *Great Pacific Life Assurance Corporation v. Judico*, 180 SCRA 445 (1989), and *Investment Planning Corporation of the Philippines v. Social Security Commission*, 21 SCRA 904 (1962), that an insurance company may have two classes of agents who sell its insurance policies: (1) salaried employees who keep definite hours and work under the control and supervision of the company; and (2) registered representatives, who work on commission basis.

Under the first category, the relationship between the insurance company and its agents is governed by the Contract of Employment and the provisions of the Labor Code, while under the second category, the same is governed by the Contract of Agency and the provisions of the Civil Code on the Agency. Disputes involving the latter are cognizable by the regular courts.

WHEREFORE, the petition is GRANTED. The Order dated November 6, 1986 of the Insurance Commission is SET ASIDE.

**SO ORDERED.**

Cruz, (Chairman), Davide, Jr., and Kapunan, JJ., concur.  
Bellosillo, J., on leave.

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