

FIRST DIVISION

[G.R. NO. 171562, July 27, 2006]

PHILIPPINE PUBLIC SCHOOL TEACHERS ASSOCIATION, RAMON G. ASUNCION, JR. AND EDITHA TAMUYAO, PETITIONERS, VS. THE HEIRS OF CAROLINA P. ILIGAN, NAMELY: JOSELITO E. ILIGAN, JOY P. ILIGAN AND IRENE P. ILIGAN; AND THE COURT OF APPEALS, RESPONDENTS.

D E C I S I O N

CALLEJO, SR., J.:

As a public school teacher who began her teaching career in October 1975, Carolina P. Iligan was a *bona fide* member of the Philippine Public School Teachers Association (PPSTA). She started as a "substitute teacher." She was a member of PPSTA's Mutual Assistance System (MAS), a death benefit program whereby a member pays a fixed contribution and upon his or her death, the heirs are paid a fixed amount. She was also a member of the Mutual Retirement Benefit System (MRBS), a retirement plan wherein a member pays a monthly premium of P4.00 and upon retirement would receive the benefit corresponding to the number of years paid for. Carolina was issued the respective certificates of membership, and the premium contributions for the two policies were automatically deducted from her monthly salary.

In June 2000, after 25 years of continuous teaching service, Carolina was diagnosed with breast cancer and was advised by her doctor to undergo aggressive chemotherapy treatment. She was confined in the hospital from June 19, 2000 up to December 2000. Premium payments for the two policies continued to be deducted from her salary up to August 2000.

In the meantime, Carolina had used up all her sick leave credits as of September 2000 and, thus, went on sick leave without pay. Consequently, the premium payments due from September 2000 to December 2000 were not paid. Carolina was eventually discharged from the hospital and resumed her teaching post on January 1, 2001. However, the premium payments were not deducted from her salary. On September 19, 2001, she returned to the hospital for chemotherapy treatment and was later confined at the Northern Mindanao Medical Center in Cagayan de Oro City up to September 22, 2001. On September 24, 2001, she was again confined at MJ Santos Hospital in Butuan City for complications due to abnormal lung condition. She died at the hospital on October 2, 2001.

Carolina's heirs, Joselito Iligan, Joy Iligan, and Irene P. Iligan, demanded that PPSTA pay them the P100,000.00 death benefit due to them as her heirs. PPSTA offered to remit only 50% of Carolina's total contributions, considering that, for failure to pay the monthly premiums, her policies had already lapsed as of November 2000, after the 90-day grace period provided under the Rules and Regulations of the MAS and

the MRBS.

On April 11, 2002, the said Heirs filed a complaint for specific performance and sum of money before the Municipal Trial Court (MTC) of Nasipit, Agusan del Norte, naming PPSTA, its Acting General Manager and President Ramon G. Asuncion, Jr., and Accounting Section Chief Editha Tamuyao, as defendants. The complaint contained the following prayer:

WHEREFORE, plaintiffs JOSELITO E. ILIGAN, JOY P. ILIGAN and IRENE P. ILIGAN respectfully pray that this Honorable Court, after due hearing, render judgment as follows:

1. Ordering defendant PPSTA to pay the full face value of deceased-member's Mutual Assistance System (MAS) and Mutual Retirement Benefit System (MRBS) policy benefits in the amount of no less than P100,000.00, with legal interest from date of demand;
2. Declaring defendants PPSTA, Asuncion and Tamuyao, jointly and severally, liable and ordering them to pay plaintiff-heirs the amount of PESOS: FIFTY THOUSAND (P50,000.00) as compensatory moral damages;
3. Declaring defendants PPSTA, Asuncion and Tamuyao, jointly and severally, liable and ordering them to pay plaintiff-heirs the amount of at least PESOS: FIFTY THOUSAND (P50,000.00) as corrective exemplary damages; and
4. Declaring defendants PPSTA, Asuncion and Tamuyao, jointly and severally, liable and ordering them to pay plaintiff-heirs the amount of at least PESOS: THIRTY THOUSAND (P30,000.00) as attorney's fees and at least PESOS: TEN THOUSAND (P10,000.00) as litigation costs.

Herein plaintiffs respectfully pray for such other remedies just and equitable under the premises.^[1]

In their answer to the complaint, the defendants denied these claims. They alleged that upon Carolina's death, her membership in the MAS and MRBS had already lapsed, since the last premium payment made through payroll deduction was for August 2000. Verification from the ECS-IMB Payroll Services Division confirmed that no deduction was made from her salary in favor of PPSTA during the nine-month period in 2001, and that the deductions were only for medicare, withholding tax and prior years' account with the GSIS. It was also pointed out that Carolina had failed to pay premiums for her MAS and MRBS policies for more than 13 months; consequently, pursuant to the rules and regulations therein, no benefit accrued to her beneficiaries upon her death except the 50% refund of all her contributions. They further claimed that they had no duty to send notices to inform members of the lapse of their respective policies, as such members are supposed to know the consequences if the required premium contributions are not paid. The members are charged with knowledge of non-payment through salary deductions, as this fact would be reflected in their respective pay slips. As the caretakers of the trust funds belonging to more than 250,000 members, defendants are bound to disburse the

same only in accordance with the prescribed rules and regulations duly approved by the pertinent government agencies, particularly the Insurance Commission. They insisted that they had acted in good faith in denying plaintiffs' claims.

During trial, the defendants adduced testimonial and documentary evidence to show that Carolina had received copies of the rules and regulations of her MAS and MRBS policies.

On April 16, 2004, the MTC rendered judgment in favor of defendants. The *fallo* of the decision reads:

WHEREFORE, by preponderance of evidence against the plaintiffs, the above-entitled case is hereby dismissed for lack of legal basis.

However, herein defendants are hereby directed to pay the plaintiffs the amount of P2,914.00 as offered by them per Exhibit "G."

Likewise, defendants' counterclaim for damages is hereby dismissed for lack of factual basis.

SO ORDERED.^[2]

The MTC ruled that Carolina's heirs failed to adduce preponderant evidence to prove their claim. Based on the evidence on record, Carolina knew of the MAS and MRBS rules and regulations regarding premium payments. The court likewise affirmed defendants' claim that they acted in good faith in rejecting the claim of plaintiffs.

Carolina's heirs appealed the decision to the RTC. On January 18, 2005, it reversed the ruling of the MTC, on its finding that Carolina was not given a copy of the PPSTA's rules and regulations for its MAS and MRBS programs, or notified of her delinquency in remitting her premium contributions. The *fallo* of the decision reads:

WHEREFORE, and as a consequence of the foregoing, the judgment of the Municipal Trial Court of Nasipit, Agusan del Norte is hereby reversed and set aside, and a new judgment entered ordering defendants PPSTA, Ramon G. Asuncion, Jr., and Edith Tamuyao, to pay plaintiffs, Joselito E. Iligan, Joy P. Iligan and Irene P. Iligan, the following:

1. Proceeds of the late member's (Carolina P. Iligan's) MAS and MRBS Policies in full with legal interest from date of demand;
2. Attorney's Fees in the amount of P30,000.00;
3. Moral and Exemplary Damages in the amount of P50,000.00; and
4. Cost of the suit.

SO ORDERED.^[3]

According to the RTC, Section 393 of the Insurance Code requires that the certificate of membership of a mutual benefit association shall be accompanied by the articles of incorporation of the association or its constitution and by-laws, and all existing laws as are pertinent, which shall then compose the agreement. Thus, in issuing

only a certificate of membership to Carolina, PPSTA did not follow the mandate of the law. While a sample application form for a MAS plan with the rules and regulations printed at the back was presented, this does not prove that the certificate issued to Carolina also contained such rules and regulations. PPSTA should, have instead presented original copies of Carolina's certificate of membership which her heirs had forwarded upon filing their claim. According to the RTC, the allegation of PPSTA that it had sent a notice of delinquency to Carolina cannot be considered since the said notice was unsigned, hence, a mere scrap of paper. Furthermore, the PPSTA admitted that Carolina's contributions to its MAS and MRBS programs were automatically deducted from her salary; thus, Carolina could hardly be blamed for the non-payment of her premium contributions.^[4]

Aggrieved, the PPSTA filed a petition for review with the CA on the following assignment of errors:

I.

THE REGIONAL TRIAL COURT OF BUTUAN CITY, BRANCH 5, ERRED IN FINDING THAT THE LATE CAROLINA ILIGAN WAS NOT NOTIFIED OF THE RULES AND REGULATIONS OF THE MAS AND MRBS.

II.

THE REGIONAL TRIAL COURT OF BUTUAN CITY, BRANCH 5, GRAVELY ERRED IN HOLDING THAT THE MAS AND MRBS MEMBERSHIP CERTIFICATES ISSUED BY THE PPSTA WERE DEFICIENT INASMUCH AS THEY WERE NOT ACCOMPANIED BY ITS ARTICLES OF INCORPORATION, CONSTITUTION AND BY-LAWS.

III.

THE REGIONAL TRIAL COURT OF BUTUAN CITY, BRANCH 5, ERRED IN RULING THAT THE LATE CAROLINA ILIGAN WAS NOT NOTIFIED BY THE PPSTA OF HER DELINQUENCY IN REMITTING THE PREMIUM CONTRIBUTIONS OF HER MAS AND MRBS POLICIES AS WELL AS THE SUBSEQUENT LAPSE OF HER MAS AND MRBS POLICIES.

IV.

THE REGIONAL TRIAL COURT OF BUTUAN CITY, BRANCH 5, COMMITTED GRIEVOUS ERROR IN HOLDING THAT CAROLINA ILIGAN DID NOT INCUR ANY DELAY IN THE PAYMENT OF HER MAS AND MRBS CONTRIBUTIONS IN VIEW OF ITS DETERMINATION THAT THE NOTICE OF DELINQUENCY SENT BY THE PPSTA WAS ALLEGEDLY INSUFFICIENT FOR BEING UNSIGNED.

V.

THE REGIONAL TRIAL COURT OF BUTUAN CITY, BRANCH 5, ERRED IN AWARDHNG RESPONDENTS THE FULL BENEFITS OF THE LATE CAROLINA ILIGAN'S MAS AND MRBS POLICIES NOTWITHSTANDING THE FACT THAT THE SAID POLICIES HAD LAPSED ON ACCOUNT OF MS. ILIGAN'S

FAILURE TO PAY HER PREMIUM CONTRIBUTIONS FOR BOTH BENEFIT PROGRAMS PRIOR TO HER DEATH.

VI.

THE REGIONAL TRIAL COURT OF BUTUAN CITY, BRANCH 5, ERRED IN AWARDING DAMAGES AND ATTORNEY'S FEES IN FAVOR OF THE RESPONDENTS.^[5]

Petitioner Editha Tamuyao executed the requisite verification and certification of non-forum shopping in her behalf, while petitioners Ramon G. Asuncion, Jr. executed the requisite verification and certification of non-forum shopping in his behalf and in behalf of petitioner PPSTA, alleging therein that he is petitioner PPSTA's corporate secretary and that he had caused the preparation and filing of the petition for review. However, petitioners failed to incorporate or append in their petition a copy of the resolution of the Board of Directors of petitioner PPSTA, authorizing petitioner Asuncion to sign the certificate of non-forum shopping in its behalf.

On June 8, 2005, the CA dismissed the petition for being "defective in substance," there being no proof that Asuncion had been duly authorized by petitioner PPSTA to execute and file a certification of non-forum shopping in its behalf.^[6]

In their Comment filed on the same date, respondents prayed that the petition be dismissed for failure of petitioners to append thereto the required resolution of the Board of Directors of petitioner PPSTA, authorizing Asuncion to execute the certification of non-forum shopping for and in its behalf.

In their Reply, petitioners averred that respondents had impleaded Asuncion, and that the latter represented petitioner PPSTA in the MTC and the RTC. Thus, respondents were estopped from challenging the authority of petitioner Asuncion to represent petitioner PPSTA in this case. In any event, petitioners aver, they had appended thereto a Secretary's Certificate signed by Asuncion, which reads:

I, **RAMON G. ASUNCION, JR.**, of legal age, Filipino, and with office address at PPSTA Bldg., No. 245 Banawe Street, Quezon City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of the **PHILIPPINE PUBLIC SCHOOL TEACHERS ASSOCIATION ("PPSTA")**, a corporation duly organized and existing under Philippine Laws, with principal office address at PPSTA Bldg., No. 245 Banawe Street, Quezon City.
2. I hereby certify that at the regular meeting of the Board of Directors of the PPSTA held at the above given address, during which a quorum was present, the following resolutions were unanimously approved and adopted, to wit:

Be it RESOLVED, as it is hereby resolved, that **MR. RAMON G. ASUNCION, JR.**, the Association's Corporate Secretary, be hereby authorized and empowered to cause the preparation and filing of a Petition For Review with the Court of Appeals for the purpose of setting aside and annulling the Decision dated 18 January 2005 as well as the Order dated 05 April 2005 rendered by the Regional Trial Court of Butuan