**JERUS, Hannah Mae J.**

**JAIME T. GAISANO v. DEVELOPMENT INSURANCE AND SURETY CORPORATION**

**SUMMARY:** Jaime T. Gaisano filed a petition for review on certiorari against Development Insurance and Surety Corporation (DISC), challenging whether the insurance contract between Gaisano and DISC was valid and binding at the time of the theft and whether exceptions to Section 77 of the Insurance Code applied. Gaisano sought to nullify the Court of Appeals' decision, which had reversed the Regional Trial Court's ruling in his favor regarding the insurance proceeds. The Supreme Court denied the petition, ruling that the insurance contract was not valid and binding due to non-payment of premium at the time of loss.

**RELEVANT ISSUE:**

**1.** Whether there was a valid and binding insurance contract between Gaisano and DISC at the time of the vehicle’s theft.

**2.** Whether the exceptions to the Insurance Code’s Section 77 apply in this case, allowing for the insurance contract to be effective despite non-payment of the premium.

**SALIENT FACTS:** Development Insurance and Surety Corporation (DISC) issued a comprehensive commercial vehicle policy for Jaime T. Gaisano’s 1992 Mitsubishi Montero, along with two other vehicles under separate policies. Gaisano’s company, Noah’s Ark Merchandising, issued a check for ₱140,893.50 to cover the premiums for all three policies, but Trans-Pacific, the agent, collected the check only on September 28, and it was deposited for encashment on October 1 due to the unavailability of its president. On the evening of September 27, the vehicle was stolen while under the custody of Gaisano’s marketing manager.

Gaisano filed a claim, but DISC denied it, arguing the policy was ineffective since the premium was officially received on October 2, after the theft. Gaisano then filed a complaint for the insurance proceeds and damages in the Regional Trial Court (RTC), which ruled in his favor, considering the premium as paid by September 27 based on Trans-Pacific’s acknowledgment. However, the Court of Appeals reversed the decision, siding with DISC, citing the non-payment of the premium at the time of the loss. Gaisano filed a petition for review with the Supreme Court, asserting that exceptions to Section 77 of the Insurance Code applied.

**HELD:** The Supreme Court denied Gaisano's petition and upheld the Court of Appeals’ decision that the insurance contract was not valid and binding due to lack of premium payment. It reaffirmed the rule that insurance contracts are valid and binding only if the premium has been paid. Furthermore, the Court found no applicable exceptions under Section 77, emphasizing that the policy required premium payment before coverage took effect. There was no agreement for installment payments, acknowledgment of premium receipt within the policy, or consistent credit terms granted by DISC, eliminating any basis for estoppel. The Court concluded that Gaisano was entitled solely to a refund of the premium for the stolen vehicle, with interest accruing from the date of extrajudicial demand until payment.

**ANALYSIS/CRITIQUE:** The case of Gaisano v. DISC highlights the critical role of premium payment in the validity of an insurance contract. As a risk-distributing mechanism, insurance relies on premium payments to sustain the business and maintain its legal reserve fund. Section 77 of the Insurance Code mandates that no insurance policy is valid and binding unless the premium has been paid, regardless of any agreement to the contrary. The premium must be paid in the manner and timeframe specified in the policy. Since, in every general rule there’s an exception, the exceptions to Section 77 include policies with grace periods, acknowledgment of premium payment within the policy, installment agreements with partial payments made at the time of loss, consistent credit terms granted by the insurer, and estoppel. However, Gaisano’s claim that Trans-Pacific was informed about the check's availability on September 27, 1996, does not qualify as payment and cannot invoke these exceptions. Therefore, the case underscores the strict enforcement of premium payment as a prerequisite for a valid insurance contract.