Republic of the Philippines
SUPREME COURT
Manila

EN BANC

G.R. No. L-17312 November 29, 1965

ARTURO R. TANCO, JR., plaintiff-appellee,
vs.
THE PHILIPPINE GUARANTY COMPANY, defendant-appellant.

Manuel Y. Macias and Julio R. Vicencio for plaintiff-appellee.
Rufino Y. Luna and Josue H. Gustilo for defendant-appellant.

MAKALINTAL, *J.:*

Plaintiff's automobile, while being driven at the southern approach of the Jones bridge by his brother Manuel Tanco on September 1, 1959, figured in a collision with a pick-up delivery van, as a result of which both vehicles were damaged. Plaintiff paid for repairs the total sum of P2,536.99 and then filed his claim with defendant company under a car insurance policy issued by the latter. The claim was rejected, whereupon suit was commenced in the Municipal Court of Manila, whence it was elevated on appeal to the Court of First Instance of Manila, which gave judgment for plaintiff in the amount stated, plus interest at 8% and P500.00 as attorney's fees. Appeal was taken by defendant directly to this Court, there being no dispute as to the facts.

The policy sued upon covers, up to a certain limit, loss or damage to the insured vehicle as well as damage to property of third persons as a consequence of or incident to the operation of said vehicle. There is an exception clause, however, which provides that "the company shall not be liable in respect of any accident, loss, damage or liability caused, sustained or incurred ... whilst (the insured vehicle) is ... being driven by or is for the purpose of being driven by him in the charge of any person other than an Authorized Driver." The policy defined the term "Authorized Driver" to be the insured himself and "(b) any person driving on the Insured's order or with his permission, provided that the person driving is permitted in accordance with the licensing or other laws or regulations to drive the Motor Vehicle or has been permitted and is not disqualified by order of a court of law or by reason of any enactment or regulation in that behalf from driving such Motor Vehicle."

At the time of the collision plaintiff's brother who was at the wheel, did not have a valid license, the one he had obtained for the year 1958 not having been renewed on or before the last working day of February 1959, as required by section 31 of the Motor Vehicle Law, Act No. 3992. That section states that any license not so renewed "shall become delinquent and invalid," and section 21 states that "except as otherwise specifically provided in this Act no person shall operate any motor vehicle on the public highways without having procured a license for the current year, nor while such license is delinquent, invalid, suspended or revoked."

In rendering judgment for plaintiff the trial court adverted to the absence of evidence that Manuel Tanco had been "disqualified by order of a court of law or by reason of any enactment or regulation in that behalf from driving such motor vehicle," and ruled that if there is any ambiguity in the definition of the term "authorized driver" in the policy the ambiguity should be construed in favor of plaintiff, since the policy had been prepared in its entirety by defendant. The trial court's advertence is true as a matter of fact; and its ruling is correct as a matter of law. But neither one nor the other is relevant in this case. Appellant does not rely on the portion of the proviso in the policy quoted by the court but on that which states that "the person driving is permitted in accordance with the licensing or other laws." And as to this there is no ambiguity whatsoever, because the Motor Vehicle Law expressly prohibits any person from operating a motor vehicle on the highways without a license for the current year or while such license is delinquent or invalid. That Manuel Tanco renewed his license on September 8,1959, one week after the accident did not cure the delinquency or revalidate the license which had already expired.

We are not aware that the question presented here has been decided by this Court in any previous case. Indeed all the authorities cited by the parties consist of decisions Courts United States. We note, however, that those relied upon by appellee are not in point by reason of material differences in the facts or issues presented. In *Messersmith vs. American Fidelity Co*., 187 App. Div. 35, 175 N.Y. Supp. 169; and *Fireman's Fund Insurance Co. vs. Haley*, 129 Miss. 525, 90 So. 635, the question was whether the insured could recover on an automobile

policy for damage sustained in a collision which occurred while the vehicle was being driven in violation of law — in the first case by an infant at the instance of the insured, and in the second by the insured himself beyond the statutory speed limit. In neither case was there a provision in the policy expressly excluding liability by reason of the particular violation involved. We have no reason to disagree with the pronouncement of the court in the second case, after citing the first, that "if such a defense (that the vehicle was being driven in violation of law) were permissible automobile insurance would be practically valueless."

In *MacMahon vs. Pearlman*, 13 N.E. 154-156, a Massachusetts case, the defense of the insurer was also the violation of law by the insured, namely, that she was driving without a license; but as stated in the decision, "the casualty company does not urge that the unlawful conduct is forbidden in express terms, (but) that because of public policy it ought not to be compelled to pay damages." The court, citing *Messersmith v. American Fidelity Co., supra*, similarly allowed recovery, saying that to restrict such insurance to cases where there has been no violation of criminal law or ordinance would reduce indemnity to a shadow.

In the case before Us now appellant's defense does not rest on the general proposition that if a law is violated at the time of the accident which causes the damage or injury there can be no recovery, but rather on a specific provision in the policy that appellant shall not be liable if the accident occurs while the vehicle is being driven by any person other than an authorized driver and that an authorized driver, if not the insured himself, is one who is acting on his order or with his permission, provided he is permitted to drive under the licensing laws.

The cases cited by appellant are apropos. In *Crahan v. Automobile Underwriters, Inc., et al.*, 176 A. (Pa.) 817, a clause in the policy excluding loss while the motor vehicle "is being operated by any person prohibited by law from driving an automobile" was held to be free from doubt or ambiguity, reasonable in its terms and in furtherance of the policy of the law prohibiting unlicensed drivers to operate motor vehicles. In *Zabonick v. Ralston, et al.*, 261 N.W. (Mich.) 316, the insured was driving with an expired license, in violation of law (Act No. 91 of the Public Acts of 1931), when the accident occurred. Under a provision in the policy that the insurer "shall not be liable while the automobile is operated ... by any person prohibited by law from driving," the insurance company was absolved, the Supreme Court of Michigan saying: "To require a person to secure an operator's license and meet certain requirements before driving an automobile is a regulation for the protection of life and property, the wisdom of which can scarcely be questioned. The Legislature has also provided that every three years such licenses expire and may be renewed under certain conditions. If one fails to comply with the regulation, the statute says, he or she shall not drive a motor vehicle upon the highway. Under the terms of the contract, while under such statutory prohibition, plaintiff could not recover under his policy. To permit such recovery, notwithstanding the lack of a driver's license, would tend to undermine the protection afforded the public by virtue of Act No. 91."

The exclusion clause in the contract invoked by appellant is clear. It does not refer to violations of law in general, which indeed would tend to render automobile insurance practically a sham, but to a specific situation where a person other than the insured himself, even upon his order or with his permission, drives the motor vehicle without a license or with one that has already expired. No principle of law or of public policy militates against the validity of such a provision.

The judgment appealed from is reversed, with costs.

Bengzon, C.J., Bautista Angelo, Concepcion, Reyes, J.B.L., Dizon, Regala, Bengzon, J.P. and Zaldivar, JJ., concur.

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