



Republic of the Philippines
Supreme Court
 Manila

CERTIFIED TRUE COPY
Welfredo V. Lapitan
 WELFREDO V. LAPITAN
 Division Clerk of Court
 Third Division
 JUN 9 2016

THIRD DIVISION

**SUN LIFE OF CANADA
 (PHILIPPINES), INC.,**

Petitioner,

G.R. No. 211212

Present:

VELASCO, JR., J.,
Chairperson,
 PERALTA,*
 PEREZ,
 REYES, and
 JARDELEZA,* JJ.

- versus -

**MA. DAISY S. SIBYA, JESUS
 MANUEL S. SIBYA III, JAIME
 LUIS S. SIBYA, and The Estate of
 the deceased ATTY. JESUS SIBYA,
 JR.,**

Respondents.

Promulgated:

June 8, 2016

Welfredo V. Lapitan

X-----X

DECISION

REYES, J.:

Before this Court is a petition for review on *certiorari*¹ under Rule 45 of the Rules of Court seeking to annul and set aside the Decision² dated November 18, 2013 and Resolution³ dated February 13, 2014 of the Court of Appeals (CA) in CA-G.R. CV. No. 93269. In both instances, the CA affirmed the Decision⁴ dated March 16, 2009 of the Regional Trial Court (RTC) of Makati City, Branch 136, in Civil Case No. 01-1506, ordering petitioner Sun Life of Canada (Philippines), Inc. (Sun Life) to pay Ma. Daisy S. Sibya (Ma. Daisy), Jesus Manuel S. Sibya III, and Jaime Luis S. Sibya

* On official leave.

¹ *Rollo*, pp. 33-54.

² Penned by Associate Justice Nina G. Antonio-Valenzuela, with Associate Justices Isaias P. Dican and Michael P. Elbinias concurring; *id.* at 6-18.

³ *Id.* at 29-30.

⁴ Rendered by Acting Presiding Judge Rowena De Juan-Quinagoran; *id.* at 84-88.

Λ

(respondents) the amounts of ₱1,000,000.00 as death benefits, ₱100,000.00 as moral damages, ₱100,000.00 as exemplary damages, and ₱100,000.00 as attorney's fees and costs of suit. Insofar as the charges for violation of Sections 241 and 242 of Presidential Decree No. 612, or the Insurance Code of the Philippines, however, the CA modified the decision of the RTC and absolved Sun Life therein.

Statement of Facts of the Case

On January 10, 2001, Atty. Jesus Sibya, Jr. (Atty. Jesus Jr.) applied for life insurance with Sun Life. In his Application for Insurance, he indicated that he had sought advice for kidney problems.⁵ Atty. Jesus Jr. indicated the following in his application:

“Last 1987, had undergone lithotripsy due to kidney stone under Dr. Jesus Benjamin Mendoza at National Kidney Institute, discharged after 3 days, no recurrence as claimed.”⁶

On February 5, 2001, Sun Life approved Atty. Jesus Jr.'s application and issued Insurance Policy No. 031097335. The policy indicated the respondents as beneficiaries and entitles them to a death benefit of ₱1,000,000.00 should Atty. Jesus Jr. dies on or before February 5, 2021, or a sum of money if Atty. Jesus Jr. is still living on the endowment date.⁷

On May 11, 2001, Atty. Jesus Jr. died as a result of a gunshot wound in San Joaquin, Iloilo. As such, Ma. Daisy filed a Claimant's Statement with Sun Life to seek the death benefits indicated in his insurance policy.⁸

In a letter dated August 27, 2001, however, Sun Life denied the claim on the ground that the details on Atty. Jesus Jr.'s medical history were not disclosed in his application. Simultaneously, Sun Life tendered a check representing the refund of the premiums paid by Atty. Jesus Jr.⁹

The respondents reiterated their claim against Sun Life thru a letter dated September 17, 2001. Sun Life, however, refused to heed the respondents' requests and instead filed a Complaint for Rescission before the RTC and prayed for judicial confirmation of Atty. Jesus Jr.'s rescission of insurance policy.¹⁰

⁵ Id. at 6-7.

⁶ Id. at 7.

⁷ Id.

⁸ Id.

⁹ Id.

¹⁰ Id.

A

In its Complaint, Sun Life alleged that Atty. Jesus Jr. did not disclose in his insurance application his previous medical treatment at the National Kidney Transplant Institute in May and August of 1994. According to Sun Life, the undisclosed fact suggested that the insured was in “renal failure” and at a high risk medical condition. Consequently, had it known such fact, it would not have issued the insurance policy in favor of Atty. Jesus Jr.¹¹

For their defense, the respondents claimed that Atty. Jesus Jr. did not commit misrepresentation in his application for insurance. They averred that Atty. Jesus Jr. was in good faith when he signed the insurance application and even authorized Sun Life to inquire further into his medical history for verification purposes. According to them, the complaint is just a ploy to avoid the payment of insurance claims.¹²

Ruling of the RTC

On March 16, 2009, the RTC issued its Decision¹³ dismissing the complaint for lack of merit. The RTC held that Sun Life violated Sections 241, paragraph 1(b), (d), and (e)¹⁴ and 242¹⁵ of the Insurance Code when it refused to pay the rightful claim of the respondents. Moreover, the RTC ordered Sun Life to pay the amounts of ₱1,000,000.00 as death benefits, ₱100,000.00 as moral damages, ₱100,000.00 as exemplary damages, and ₱100,000.00 as attorney’s fees and costs of suit.

¹¹ Id. at 7-8.

¹² Id. at 8.

¹³ Id. at 84-88.

¹⁴ Sec. 241. (1) No insurance company doing business in the Philippines shall refuse, without just cause, to pay or settle claims arising under coverages provided by its policies, nor shall any such company engage in unfair claim settlement practices. Any of the following acts by an insurance company, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices:

x x x x

(b) failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies;

x x x x

(d) not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; or

(e) compelling policyholders to institute suits to recover amounts due under its policies by offering without justifiable reason substantially less than the amounts ultimately recovered in suits brought by them.

x x x x

¹⁵ Sec. 242. The proceeds of a life insurance policy shall be paid immediately upon maturity of the policy, unless such proceeds are made payable in installments or as an annuity, in which case the installments, or annuities shall be paid as they become due: *Provided, however,* That in the case of a policy maturing by the death of the insured, the proceeds thereof shall be paid within sixty days after presentation of the claim and filing of the proof of the death of the insured. Refusal or failure to pay the claim within the time prescribed herein will entitle the beneficiary to collect interest on the proceeds of the policy for the duration of the delay at the rate of twice the ceiling prescribed by the Monetary Board, unless such failure or refusal to pay is based on the ground that the claim is fraudulent.

The proceeds of the policy maturing by the death of the insured payable to the beneficiary shall include the discounted value of all premiums paid in advance of their due dates, but are not due and payable at maturity.

A

The RTC held that Atty. Jesus Jr. did not commit material concealment and misrepresentation when he applied for life insurance with Sun Life. It observed that given the disclosures and the waiver and authorization to investigate executed by Atty. Jesus Jr. to Sun Life, the latter had all the means of ascertaining the facts allegedly concealed by the applicant.¹⁶

Aggrieved, Sun Life elevated the case to the CA.

Ruling of the CA

On appeal, the CA issued its Decision¹⁷ dated November 18, 2013 affirming the RTC decision in ordering Sun Life to pay death benefits and damages in favor of the respondents. The CA, however, modified the RTC decision by absolving Sun Life from the charges of violation of Sections 241 and 242 of the Insurance Code.¹⁸

The CA ruled that the evidence on records show that there was no fraudulent intent on the part of Atty. Jesus Jr. in submitting his insurance application. Instead, it found that Atty. Jesus Jr. admitted in his application that he had sought medical treatment for kidney ailment.¹⁹

Sun Life filed a Motion for Partial Reconsideration²⁰ dated December 11, 2013 but the same was denied in a Resolution²¹ dated February 13, 2014.

Undaunted, Sun Life filed an appeal by way of petition for review on *certiorari* under Rule 45 of the Rules of Court before this Court.

The Issue

Essentially, the main issue of the instant case is whether or not the CA erred when it affirmed the RTC decision finding that there was no concealment or misrepresentation when Atty. Jesus Jr. submitted his insurance application with Sun Life.

¹⁶ *Rollo*, p. 86.

¹⁷ *Id.* at 6-18.

¹⁸ *Id.* at 17.

¹⁹ *Id.* at 14.

²⁰ *Id.* at 19-28.

²¹ *Id.* at 29-30.

1

Ruling of the Court

The petition has no merit.

In *Manila Bankers Life Insurance Corporation v. Aban*,²² the Court held that if the insured dies within the two-year contestability period, the insurer is bound to make good its obligation under the policy, regardless of the presence or lack of concealment or misrepresentation. The Court held:

Section 48 serves a noble purpose, as it regulates the actions of both the insurer and the insured. Under the provision, an insurer is given two years – from the effectivity of a life insurance contract and while the insured is alive – to discover or prove that the policy is void *ab initio* or is rescindible by reason of the fraudulent concealment or misrepresentation of the insured or his agent. **After the two-year period lapses, or when the insured dies within the period, the insurer must make good on the policy, even though the policy was obtained by fraud, concealment, or misrepresentation.** This is not to say that insurance fraud must be rewarded, but that insurers who recklessly and indiscriminately solicit and obtain business must be penalized, for such recklessness and lack of discrimination ultimately work to the detriment of *bona fide* takers of insurance and the public in general.²³ (Emphasis ours)

In the present case, Sun Life issued Atty. Jesus Jr.'s policy on February 5, 2001. Thus, it has two years from its issuance, to investigate and verify whether the policy was obtained by fraud, concealment, or misrepresentation. Upon the death of Atty. Jesus Jr., however, on May 11, 2001, or a mere three months from the issuance of the policy, Sun Life loses its right to rescind the policy. As discussed in *Manila Bankers*, the death of the insured within the two-year period will render the right of the insurer to rescind the policy nugatory. As such, the incontestability period will now set in.

Assuming, however, for the sake of argument, that the incontestability period has not yet set in, the Court agrees, nonetheless, with the CA when it held that Sun Life failed to show that Atty. Jesus Jr. committed concealment and misrepresentation.

As correctly observed by the CA, Atty. Jesus Jr. admitted in his application his medical treatment for kidney ailment. Moreover, he executed an authorization in favor of Sun Life to conduct investigation in reference with his medical history. The decision in part states:

²² 715 Phil. 404 (2013).

²³ Id. at 415.

Records show that in the Application for Insurance, [Atty. Jesus Jr.] admitted that he had sought medical treatment for kidney ailment. When asked to provide details on the said medication, [Atty. Jesus Jr.] indicated the following information: year (“1987”), medical procedure (“*undergone lithotripsy due to kidney stone*”), length of confinement (“3 days”), attending physician (“*Dr. Jesus Benjamin Mendoza*”) and the hospital (“*National Kidney Institute*”).

It appears that [Atty. Jesus Jr.] also signed the Authorization which gave [Sun Life] the opportunity to obtain information on the facts disclosed by [Atty. Jesus Jr.] in his insurance application. x x x

x x x x

Given the express language of the Authorization, it cannot be said that [Atty. Jesus Jr.] concealed his medical history since [Sun Life] had the means of ascertaining [Atty. Jesus Jr.’s] medical record.

With regard to allegations of misrepresentation, we note that [Atty. Jesus Jr.] was not a medical doctor, and his answer “*no recurrence*” may be construed as an honest opinion. Where matters of opinion or judgment are called for, answers made in good faith and without intent to deceive will not avoid a policy even though they are untrue.²⁴ (Citations omitted and italics in the original)

Indeed, the intent to defraud on the part of the insured must be ascertained to merit rescission of the insurance contract. Concealment as a defense for the insurer to avoid liability is an affirmative defense and the duty to establish such defense by satisfactory and convincing evidence rests upon the provider or insurer.²⁵ In the present case, Sun Life failed to clearly and satisfactorily establish its allegations, and is therefore liable to pay the proceeds of the insurance.

Moreover, well-settled is the rule that this Court is not a trier of facts. Factual findings of the lower courts are entitled to great weight and respect on appeal, and in fact accorded finality when supported by substantial evidence on the record.²⁶

WHEREFORE, the petition for review is **DENIED**. The Decision dated November 18, 2013 and Resolution dated February 13, 2014 of the Court of Appeals in CA-G.R. CV. No. 93269 are hereby **AFFIRMED**.


²⁴ *Rollo*, pp. 14-15.

²⁵ *Philamcare Health Systems, Inc. v. CA*, 429 Phil. 82, 92 (2002).


²⁶ *Spouses Bernales v. Heirs of Julian Sambaan*, 624 Phil. 88, 97 (2010).

Λ

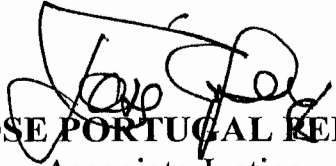
SO ORDERED.


BIENVENIDO L. REYES
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

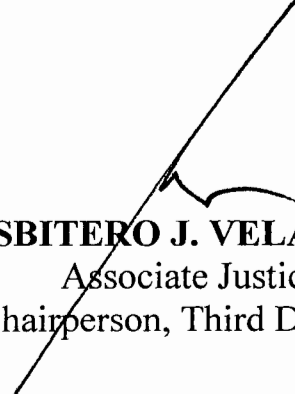
(On official leave)
DIOSDADO M. PERALTA
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice

(On official leave)
FRANCIS H. JARDELEZA
Associate Justice

A T T E S T A T I O N

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

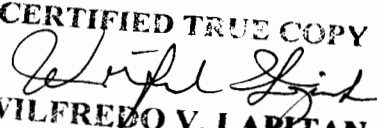

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Acting Chief Justice

CERTIFIED TRUE COPY

WILFREDO V. LAPITAN
Division Clerk of Court
Third Division
JUN 30 2016

1