783 Phil. 466

SECOND DIVISION

[G.R. No. 205206. March 16, 2016]

BANK OF THE PHILIPPINE ISLANDS AND FGU INSURANCE CORPORATION (PRESENTLY KNOWN AS BPI/MS INSURANCE CORPORATION), PETITIONERS, VS. YOLANDA LAINGO, RESPONDENT.

D E C I S I O N

CARPIO, J.:

The Case

This is a petition for review on certiorari[1] assailing the Decision dated 29 June 2012[2] and Resolution dated 11 December 2012[3] of the Court of Appeals in CA-G.R. CV No. 01575.

On 20 July 1999, Rheozel Laingo (Rheozel), the son of respondent Yolanda Laingo (Laingo), opened a "Platinum 2-in-1 Savings and Insurance" account with petitioner Bank of the Philippine Islands (BPI) in its Claveria, Davao City branch. The Platinum 2-in-1 Savings and Insurance account is a savings account where depositors are automatically covered by an insurance policy against disability or death issued by petitioner FGU Insurance Corporation (FGU Insurance), now known as BPI/MS Insurance Corporation. BPI issued Passbook No. 50298 to Rheozel corresponding to Savings Account No. 2233-0251-11. A Personal Accident Insurance Coverage Certificate No. 043549 was also issued by FGU Insurance in the name of Rheozel with Laingo as his named beneficiary.

On 25 September 2000, Rheozel died due to a vehicular accident as evidenced by a Certificate of Death issued by the Office of the Civil Registrar General of Tagum City, Davao del Norte. Since Rheozel came from a reputable and affluent family, the Daily Mirror headlined the story in its newspaper on 26 September 2000.

On 27 September 2000, Laingo instructed the family's personal secretary, Alice Torbanos (Alice) to go to BPI, Claveria, Davao City branch and inquire about the savings account of

Rheozel. Laingo wanted to use the money in the savings account for Rheozel's burial and funeral expenses.

Alice went to BPI and talked to Jaime Ibe Rodriguez, BPI's Branch Manager regarding Laingo's request. Due to Laingo's credit standing and relationship with BPI, BPI accommodated Laingo who was allowed to withdraw P995,000 from the account of Rheozel. A certain Ms. Laura Cabico, an employee of BPI, went to Rheozel's wake at the Cosmopolitan Funeral Parlor to verify some information from Alice and brought with her a number of documents for Laingo to sign for the withdrawal of the P995,000.

More than two years later or on 21 January 2003, Rheozel's sister, Rhealyn Laingo-Concepcion, while arranging Rheozel's personal things in his room at their residence in Ecoland, Davao City, found the Personal Accident Insurance Coverage Certificate No. 043549 issued by FGU Insurance. Rhealyn immediately conveyed the information to Laingo.

Laingo sent two letters dated 11 September 2003 and 7 November 2003 to BPI and FGU Insurance requesting them to process her claim as beneficiary of Rheozel's insurance policy. On 19 February 2004, FGU Insurance sent a reply-letter to Laingo denying her claim. FGU Insurance stated that Laingo should have filed the claim within three calendar months from the death of Rheozel as required under Paragraph 15 of the Personal Accident Certificate of Insurance which states:

> 15. Written notice of claim shall be given to and filed at FGU Insurance Corporation within three calendar months of death or disability.

On 20 February 2004, Laingo filed a Complaint[4] for Specific Performance with Damages and Attorney's Fees with the Regional Trial Court of Davao City, Branch 16 (trial court) against BPI and FGU Insurance.

In a Decision[5] dated 21 April 2008, the trial court decided the case in favor of respondents. The trial court ruled that the prescriptive period of 90 days shall commence from the time of death of the insured and not from the knowledge of the beneficiary. Since the insurance claim was filed more than 90 days from the death of the insured, the case must be dismissed. The dispositive portion of the Decision states:

> PREMISES CONSIDERED, judgment is hereby rendered dismissing both the

> complaint and the counterclaims.
>
> SO ORDERED.[6]

Laingo filed an appeal with the Court of Appeals.

The Ruling of the Court of Appeals

In a Decision dated 29 June 2012, the Court of Appeals reversed the ruling of the trial court. The Court of Appeals ruled that Laingo could not be expected to do an obligation which she did not know existed. The appellate court added that Laingo was not a party to the insurance contract entered into between Rheozel and petitioners. Thus, she could not be bound by the 90-day stipulation. The dispositive portion of the Decision states:

> WHEREFORE, the Appeal is hereby GRANTED. The Decision dated April 21, 2008 of the Regional Trial Court, Branch 16, Davao City, is hereby REVERSED and SET ASIDE.
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> Appellee Bank of the Philippine Islands and FGU Insurance Corporation are DIRECTED to PAY jointly and severally appellant Yolanda Laingo Actual Damages in the amount of P44,438.75 and Attorney's Fees in the amount of P200,000.00.
>
> Appellee FGU Insurance Corporation is also DIRECTED to PAY appellant the insurance proceeds of the Personal Accident Insurance Coverage of Rheozel Laingo with legal interest of six percent (6%) *per annum* reckoned from February 20, 2004 until this Decision becomes final. Thereafter, an interest of twelve percent (12%) *per annum* shall be imposed until fully paid.
>
> SO ORDERED.[7]

Petitioners filed a Motion for Reconsideration which was denied by the appellate court in a Resolution dated 11 December 2012.

Hence, the instant petition.

The Issue

The main issue for our resolution is whether or not Laingo, as named beneficiary who had no knowledge of the existence of the insurance contract, is bound by the three calendar month deadline for filing a written notice of claim upon the death of the insured.

The Court's Ruling

The petition lacks merit.

Petitioners contend that the words or language used in the insurance contract, particularly under paragraph 15, is clear and plain or readily understandable by any reader which leaves no room for construction. Petitioners also maintain that ignorance about the insurance policy does not exempt respondent from abiding by the deadline and petitioners cannot be faulted for respondent's failure to comply.

Respondent, on the other hand, insists that the insurance contract is ambiguous since there is no provision indicating how the beneficiary is to be informed of the three calendar month claim period. Since petitioners did not notify her of the insurance coverage of her son where she was named as beneficiary in case of his death, then her lack of knowledge made it impossible for her to fulfill the condition set forth in the insurance contract.

In the present case, the source of controversy stems from the alleged non-compliance with the written notice of insurance claim to FGU Insurance within three calendar months from the death of the insured as specified in the insurance contract. Laingo contends that as the named beneficiary entitled to the benefits of the insurance claim she had no knowledge that Rheozel was covered by an insurance policy against disability or death issued by FGU Insurance that was attached to Rheozel's savings account with BPI. Laingo argues that she dealt with BPI after her son's death, when she was allowed to withdraw funds from his savings account in the amount of P995,000. However, BPI did not notify her of the attached insurance policy. Thus, Laingo attributes responsibility to BPI and FGU Insurance for her failure to file the notice of insurance claim within three months from her son's death.

We agree.

BPI offered a deposit savings account with life and disability insurance coverage to its customers called the Platinum 2-in-1 Savings and Insurance account. This was a marketing

strategy promoted by BPI in order to entice customers to invest their money with the added benefit of an insurance policy. Rheozel was one of those who availed of this account, which not only included banking convenience but also the promise of compensation for loss or injury, to secure his family's future.

As the main proponent of the 2-in-1 deposit account, BPI tied up with its affiliate, FGU Insurance, as its partner. Any customer interested to open a deposit account under this 2-in-1 product, after submitting all the required documents to BPI and obtaining BPI's approval, will automatically be given insurance coverage. Thus, BPI acted as agent of FGU Insurance with respect to the insurance feature of its own marketed product.

Under the law, an agent is one who binds himself to render some service or to do something in representation of another.[8] In *Doles v. Angeles*,[9] we held that the basis of an agency is representation. The question of whether an agency has been created is ordinarily a question which may be established in the same way as any other fact, either by direct or circumstantial evidence. The question is ultimately one of intention. Agency may even be implied from the words and conduct of the parties and the circumstances of the particular case. For an agency to arise, it is not necessary that the principal personally encounter the third person with whom the agent interacts. The law in fact contemplates impersonal dealings where the principal need not personally know or meet the third person with whom the agent transacts: precisely, the purpose of agency is to extend the personality of the principal through the facility of the agent.

In this case, since the Platinum 2-in-1 Savings and Insurance account was BPI's commercial product, offering the insurance coverage for free for every deposit account opened, Rheozel directly communicated with BPI, the agent of FGU Insurance. BPI not only facilitated the processing of the deposit account and the collection of necessary documents but also the necessary endorsement for the prompt approval of the insurance coverage without any other action on Rheozel's part. Rheozel did not interact with FGU Insurance directly and every transaction was coursed through BPI.

In *Eurotech Industrial Technologies, Inc. v. Cuizon*,[10] we held that when an agency relationship is established, the agent acts for the principal insofar as the world is concerned. Consequently, the acts of the agent on behalf of the principal within the scope of the delegated authority have the same legal effect and consequence as though the principal had been the one so acting in the given situation.

BPI, as agent of FGU Insurance, had the primary responsibility to ensure that the 2-in-1 account be reasonably carried out with full disclosure to the parties concerned, particularly the beneficiaries. Thus, it was incumbent upon BPI to give proper notice of the existence of the insurance coverage and the stipulation in the insurance contract for filing a claim to Laingo, as Rheozel's beneficiary, upon the latter's death.

Articles 1884 and 1887 of the Civil Code state:

> Art. 1884. The agent is bound by his acceptance to carry out the agency and is liable for the damages which, through his non-performance, the principal may suffer.
>
> He must also finish the business already begun on the death of the principal, should delay entail any danger.
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> Art. 1887. In the execution of the agency, the agent shall act in accordance with the instructions of the principal.
>
> In default, thereof, he shall do all that a good father of a family would do, as required by the nature of the business.

The provision is clear that an agent is bound to carry out the agency. The relationship existing between principal and agent is a fiduciary one, demanding conditions of trust and confidence. It is the duty of the agent to act in good faith for the advancement of the interests of the principal. In this case, BPI had the obligation to carry out the agency by informing the beneficiary, who appeared before BPI to withdraw funds of the insured who was BPI's depositor, not only of the existence of the insurance contract but also the accompanying terms and conditions of the insurance policy in order for the beneficiary to be able to properly and timely claim the benefit.

Upon Rheozel's death, which was properly communicated to BPI by his mother Laingo, BPI, in turn, should have fulfilled its duty, as agent of FGU Insurance, of advising Laingo that there was an added benefit of insurance coverage in Rheozel's savings account. An insurance company has the duty to communicate with the beneficiary upon receipt of notice of the death of the insured. This notification is how a good father of a family should have acted within the scope of its business dealings with its clients. BPI is expected not only to provide utmost customer satisfaction in terms of its own products and services but also to

give assurance that its business concerns with its partner entities are implemented accordingly.

There is a rationale in the contract of agency, which flows from the "doctrine of representation," that notice to the agent is notice to the principal,[11] Here, BPI had been informed of Rheozel's death by the latter's family. Since BPI is the agent of FGU Insurance, then such notice of death to BPI is considered as notice to FGU Insurance as well. FGU Insurance cannot now justify the denial of a beneficiary's insurance claim for being filed out of time when notice of death had been communicated to its agent within a few days after the death of the depositor-insured. In short, there was timely notice of Rheozel's death given to FGU Insurance within three months from Rheozel's death as required by the insurance company.

The records show that BPI had ample opportunity to inform Laingo, whether verbally or in writing, regarding the existence of the insurance policy attached to the deposit account. *First*, Rheozel's death was headlined in a daily major newspaper a day after his death. *Second*, not only was Laingo, through her representative, able to inquire about Rheozel's deposit account with BPI two days after his death but she was also allowed by BPI's Claveria, Davao City branch to withdraw from the funds in order to help defray Rheozel's funeral and burial expenses. *Lastly*, an employee of BPI visited Rheozel's wake and submitted documents for Laingo to sign in order to process the withdrawal request. These circumstances show that despite being given many opportunities to communicate with Laingo regarding the existence of the insurance contract, BPI neglected to carry out its duty.

Since BPI, as agent of FGU Insurance, fell short in notifying Laingo of the existence of the insurance policy, Laingo had no means to ascertain that she was entitled to the insurance claim. It would be unfair for Laingo to shoulder the burden of loss when BPI was remiss in its duty to properly notify her that she was a beneficiary.

Thus, as correctly decided by the appellate court, BPI and FGU Insurance shall bear the loss and must compensate Laingo for the actual damages suffered by her family plus attorney's fees. Likewise, FGU Insurance has the obligation to pay the insurance proceeds of Rheozel's personal accident insurance coverage to Laingo, as Rheozel's named beneficiary.

WHEREFORE, we **DENY** the petition. We **AFFIRM** the Decision dated 29 June 2012 and Resolution dated 11 December 2012 of the Court of Appeals in CA-G.R. CV No. 01575.

SO ORDERED.

Del Castillo, and *Mendoza, JJ.*, concur.
Brion, J., on leave.
Leonen, J., on official leave.

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[1] Under Rule 45 of the 1997 Revised Rules of Civil Procedure.

[2] *Rollo*, pp. 8-19. Penned by Associate Justice Jhosep Y. Lopez, with Associate Justices Edgardo T. Lloren and Maria Elisa Sempio Diy concurring.

[3] Id. at 21-25. Penned by Associate Justice Jhosep Y. Lopez, with Associate Justices Edgardo T. Lloren and Henri Jean Paul B. Inting concurring.

[4] Docketed as Civil Case No. 30,236-2004.

[5] *Rollo*, pp. 72-74.

[6] Id. at 74.

[7] Id. at 18-19.

[8] Article 1868 of the Civil Code.

[9] 525 Phil. 673 (2006).

[10] 550 Phil. 165 (2007). See also *Rallos v. Felix Go Chan & Sons Realty Corporation*, 171 Phil. 222 (1978).

[11] *Air France v. CA*, 211 Phil. 601 (1983).

Date created: March 06, 2018