

Title: ****Sunlife Assurance Company of Canada v. Spouses Rolando and Bernarda Bacani****

Facts: Robert John B. Bacani secured a life insurance policy from Sunlife Assurance Company of Canada (petitioner) on April 15, 1986. The policy, valued at P100,000.00 with an additional double indemnity for accidental death, named his mother, Bernarda Bacani (respondent), as the beneficiary. On June 26, 1987, Bacani perished in a plane crash. Bernarda Bacani filed a claim for the insurance benefits, which Sunlife subsequently rejected, claiming the insured had not disclosed material facts relevant to the policy's issuance—specifically, his hospitalization and tests at the Lung Center of the Philippines for renal failure shortly before applying for insurance.

The Bacanis filed a suit for specific performance against Sunlife at the Regional Trial Court (RTC), Branch 191, Valenzuela, Metro Manila. Despite initially showing an intention to concede to Sunlife's evidence of concealment/misrepresentation by the deceased, the Bacanis proceeded with the case. The trial court ruled in favor of the Bacanis, imposing on Sunlife the obligation to pay the policy amounts plus attorney's fees. Sunlife's appeal to the Court of Appeals (CA) resulted in an affirmation of the RTC's decision, emphasizing the cause of death was unrelated to the nondisclosed facts, and stating that Sunlife had waived the medical examination rendering the undisclosed history irrelevant.

Sunlife then elevated the matter to the Supreme Court on the grounds of misappreciation of facts by the lower courts.

Issues:

1. Did the insured's nondisclosure of previous hospitalization and medical tests constitute material concealment affecting the insurance policy?
2. Does the waiver of medical examination by the insurer negate the relevance of the insured's health history disclosure?
3. Is the cause of death relevant in determining the impact of nondisclosed health information on the policy's validity?

Court's Decision: The Supreme Court reversed the decisions of both the Court of Appeals and the Regional Trial Court. It ruled that the nondisclosure was indeed material and relevant to the issuance of the policy, which could have influenced the petitioner's decision to accept the application with a higher premium or to undertake further medical examination. The Supreme Court clarified that good faith or the relevancy of the concealed information to the cause of death does not negate the effect of concealment. It underscored

that concealment allows an insurer to rescind a contract within the two-year contestability period per Section 48 of The Insurance Code. Thus, Sunlife lawfully exercised its right to rescind the contract due to concealment.

Doctrine:

- Materiality in non-disclosure or concealment is determined by the potential influence of the concealed facts on the insurer's decision regarding the insurance contract, not by the cause of the insured's death or the state of mind of the insured.
- An insurer's waiver of medical examination increases the importance of accurate self-disclosure by the applicant and does not invalidate the insurer's right to rescind the contract for concealment.
- Section 48 of The Insurance Code allows an insurer to rescind a contract within the two-year contestability period due to concealment.

Class Notes:

- Material Concealment: Failure to disclose in the insurance application any fact within the knowledge of the insured relevant to the issuance of the policy which the insurer has no means to ascertain.
- Insurance Contract Rescission: The insurer's right to rescind the insurance contract within the two-year contestability period if proven that the insured had concealed material information.
- Importance of Accurate Self-disclosure: Accurate and complete disclosure by the insured is critical, especially when the insurer waives the medical examination. Misrepresentation or concealment can lead to revocation of the policy.

Historical Background: This case underscores the stringent obligation of disclosure imposed on those applying for insurance policies and affirms the insurance companies' right to rely on the disclosures made in assessing the risks associated with granting insurance. It also illustrates the judiciary's role in interpreting and enforcing contracts of insurance, emphasizing the principles of good faith and materiality in disclosures.