Title: Insular Life Assurance Company, Ltd. v. Paz Y. Khu, et al.

Facts:
– On March 6, 1997, Felipe N. Khu, Sr. purchased a Diamond Jubilee Insurance Plan from Insular Life Assurance Company, Ltd. (Insular Life), without declaring any pre-existing conditions.
– The policy lapsed on June 23, 1999, due to non-payment.
– Felipe applied for reinstatement on September 7, 1999, paying a premium of P25,020.00.
– Insular Life conditionally approved the reinstatement on October 12, 1999, requiring an additional premium and cancellation of certain riders, which Felipe agreed to and paid on December 27, 1999.
– On January 7, 2000, Insular Life issued an endorsement stating the reinstatement was approved effective June 22, 1999, with adjustments to the policy.
– Felipe continued paying premiums, and on September 22, 2001, he passed away.
– His beneficiaries filed a claim, which Insular Life denied, citing concealment and misrepresentation.
– The beneficiaries sued for specific performance with damages, while Insular Life defended its denial based on non-disclosure of health conditions.

Procedural Posture:
– The Regional Trial Court (RTC) ruled in favor of the beneficiaries, ordering Insular Life to pay the face value of the policy and other damages.
– Insular Life appealed to the Court of Appeals (CA), which upheld the RTC's decision, dismissing the appeal and affirming the judgment but removing awards for moral damages, attorney's fees, and litigation expenses.
– Insular Life then filed a Petition for Review on Certiorari to the Supreme Court.

Issues:
1. Whether the reinstated life insurance policy became incontestable at the time of Felipe's death.
2. The interpretation of the policy's reinstatement date and its impact on the contestability period.

Court's Decision:
– The Supreme Court denied the petition, affirming the CA's decision.
– It held that the reinstatement of the insurance policy was to be reckoned from the date approving the reinstatement, which, due to ambiguities in the documents, was construed to

be June 22, 1999.
– Thus, the policy was deemed incontestable at Felipe's time of death since more than two years had elapsed.
– Additionally, the Court agreed with the CA in deleting the awards for moral damages, attorney's fees, and litigation expenses for lack of basis or justification.

Doctrine:
– Ambiguities in an insurance contract, especially relating to the reinstatement date of a policy, will be interpreted in a manner favorable to the insured.
– An insurance policy becomes incontestable two years from its issue or last reinstatement, barring the insurer from denying benefits based on concealment or misrepresentation prior to the policy's issuance or last reinstatement.

Class Notes:
– **Insurance Contract Ambiguities:** In case of ambiguity, interpretations favor the insured.
– **Incontestability Clause:** Two years from issuance or reinstatement, an insurance policy cannot be contested by the insurer on grounds of fraudulent concealment or misrepresentation by the insured.
– **Critical Statutes:** Insurance Code, Section 48, emphasizes the protection of the insured after a two-year period.

Historical Background:
The case underscores the tension between the enforcement of incontestability clauses, which protect beneficiaries from late denials based on alleged misrepresentations or concealments, and the insurer's duty to investigate the veracity of claims within a reasonable period. It highlights the judiciary's role in balancing these interests, protecting policy beneficiaries while promoting fair and equitable insurance practices.