

****Title:** Sun Life of Canada (Philippines), Inc. v. Ma. Daisy S. Sibya, et al.**

****Facts:****

On January 10, 2001, Atty. Jesus Sibya, Jr. applied for life insurance with Sun Life, indicating in his application a past kidney issue treated in 1987. Sun Life approved his application on February 5, 2001, with a death benefit of P1,000,000.00 for his beneficiaries. Atty. Sibya died from a gunshot wound on May 11, 2001. When his beneficiaries filed for the death benefit, Sun Life denied the claim, asserting undisclosed medical history, and initiated a Complaint for Rescission with the RTC, alleging material concealment. The respondents countered, claiming no misrepresentation. The RTC dismissed Sun Life's complaint, ordering the payment of the insurance proceeds and damages to the beneficiaries. Sun Life appealed to the CA, which affirmed the RTC's decision, although absolving Sun Life from charges related to violating Sections 241 and 242 of the Insurance Code.

****Issues:****

1. Did Sun Life lawfully deny the claim based on alleged concealment or misrepresentation by Atty. Jesus Jr.?
2. Is Sun Life obligated to pay the death benefits despite their claims of material concealment?

****Court's Decision:****

The Supreme Court denied Sun Life's petition, affirming the CA and RTC's decisions. It highlighted the two-year contestability period under Section 48 of the Insurance Code, emphasizing that any death within this period obligates the insurer to honor the policy, barring fraud. Given Atty. Jesus Jr.'s death occurred three months post-policy issuance, Sun Life's right to rescind was nullified. Moreover, the Court found no fraudulent intent or concealment in Atty. Jesus Jr.'s application, noting his transparency and Sun Life's opportunity to investigate further. Therefore, Sun Life was ordered to pay the insurance proceeds and associated damages.

****Doctrine:****

This case affirmed the doctrine under Section 48 of the Insurance Code regarding the two-year contestability period, emphasizing the insurer's obligation to honor the policy if the insured dies within this period, notwithstanding any alleged concealment or misrepresentation.

****Class Notes:****

- ****Insurance Code, Section 48 & Contestability Period:**** A life insurance policy becomes incontestable after a two-year period, obligating the insurer to pay out, regardless of the presence or absence of concealment or misrepresentation, should the insured die within this timeframe.
- ****Material Concealment and Misrepresentation:**** For an insurer to rescind a policy based on concealment or misrepresentation, fraudulent intent on the part of the insured must be conclusively proven.
- ****Authorization for Medical Investigation:**** The insured's consent for the insurer to investigate their medical history could dilute claims of concealment.

****Historical Background:****

The application of the contestability period in Philippine life insurance law ensures a balance between protecting insurers from fraudulent applications and upholding the rights of insured parties and their beneficiaries. This case underscores the judiciary's role in interpreting provisions of the Insurance Code to prevent insurers from unjustly denying legitimate claims based on alleged misrepresentations or concealment, especially when the insured had been transparent and allowed for investigation into their medical history.