

****Title:**** GREAT PACIFIC LIFE ASSURANCE CORP. v. COURT OF APPEALS AND MEDARDA V. LEUTERIO

****Facts:****

This legal contention starts with a Group Life Insurance Contract between Great Pacific Life Assurance Corporation (Grepalife) and the Development Bank of the Philippines (DBP), insuring DBP's housing loan mortgagors. Dr. Wilfredo Leuterio, a physician, and housing debtor of DBP, applied for membership in the group life insurance on November 11, 1983, and was issued Certificate No. B-18558 on November 15, 1983, assuring coverage of his mortgage debts worth PHP 86,200.00. Dr. Leuterio passed away due to "massive cerebral hemorrhage" on August 6, 1984, and upon DBP's claim submission, Grepalife denied the claim citing non-disclosure of a pre-existing hypertension condition by Dr. Leuterio, which they alleged caused his death.

Medarda V. Leuterio, Dr. Leuterio's widow, pursued the claim by filing a complaint for Specific Performance with Damages against Grepalife at the Regional Trial Court of Misamis Oriental, Branch 18. The trial court, on February 22, 1988, decided in Medarda's favor, which was affirmed by the Court of Appeals on May 17, 1993. Grepalife's contention to the Supreme Court was primarily against these decisions, posing several procedural and substantial legal issues, with the principal argument revolving around the alleged non-disclosure by Dr. Leuterio.

****Issues:****

1. The proper party in interest for the claim and the jurisdictional authority over the case.
2. The alleged concealment of hypertension by Dr. Leuterio as a material fact that could annul the insurance contract.
3. The computation and justification of the claim amount due to the lack of established outstanding indebtedness of Dr. Leuterio to DBP at the time of his demise.

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

The Supreme Court denied Grepalife's petition, affirming the Court of Appeals' decision with modification regarding the beneficiary of the insurance proceeds. It held:

1. Mortgagors under a group life insurance policy have an insurable interest and maintain their roles as parties in the contract. Thus, the widow, as Dr. Leuterio's heir and pursuant to the policy's stipulations and the Philippine Insurance Code, can rightfully claim the insurance proceeds.
2. There was insufficient evidence to prove concealment of hypertension by Dr. Leuterio.

The mere assertion supported by the attending physician's uncertain testimony did not conclusively establish that Dr. Leuterio was aware of and intentionally withheld his health condition.

3. Regarding the payable amount, the policy directly specified the benefit amount (PHP 86,200.00), and any requirement to prove the exact outstanding mortgage debt was moot, especially since DBP had already foreclosed on the mortgaged property.

****Doctrine:****

1. ****Insurable Interest in Mortgaged Properties:**** Mortgagors possess an insurable interest and remain parties to an insurance contract against their mortgage obligation.
2. ****Concealment and Non-Disclosure:**** To nullify a contract based on non-disclosure, the insurer must conclusively prove the insured's intent to withhold material information.
3. ****Valued Policy Doctrine:**** Life insurance policies are valued contracts where the benefit amount is predetermined, simplifying the settlement process irrespective of the actual outstanding debt at the time of the insured's death.

****Class Notes:****

- ****Insurable Interest:**** Legally, an interest by which a policyholder is legally entitled to insure property, life, or liability—demonstrated through ownership or direct relation.
- ****Good Faith in Insurance:**** Both parties in an insurance agreement must provide truthful disclosure of all facts relevant to the policy's risk.
- ****Insurance Proceeds Beneficiary:**** The designated beneficiary, often clarified within the insurance policy, is entitled to the proceeds upon the policy conditions being met.
- ****Doctrine of Concealment:**** Deliberate withholding of material information by the applicant from the insurer can render the insurance contract voidable.

****Historical Background:****

The dispute demonstrates critical aspects of insurance law in the Philippines, particularly around group life insurance and the concepts of insurable interest, concealment, and the rights of beneficiaries under such policies. This case sheds light on how the Philippine legal system navigates the complexities of insurance claims and contractual rights, illustrating the judiciary's role in interpreting policy provisions against statutory laws and principles of equity.