

Title: Ng Gan Zee vs. Asian Crusader Life Assurance Corporation

Facts:

Kwong Nam, before his death on December 6, 1963, due to liver cancer, had successfully applied for a 20-year endowment life insurance policy for P20,000.00 with Asian Crusader Life Assurance Corporation (Defendant-Appellant), designating his wife, Ng Gan Zee (Plaintiff-Appellee), as the beneficiary. Upon his death, all premiums had been paid. However, when Ng Gan Zee claimed the insurance proceeds, the company denied payment, citing misrepresentation and concealment by Kwong Nam in his application, specifically regarding a prior insurance application with the Insular Life Insurance Co., Ltd. and medical history about a tumor operation. After failed appeals to the Insurance Commissioner and the latter's advice for the corporation to settle, Ng Gan Zee took the case to the Court of First Instance of Manila, which ruled in her favor, directing the insurance company to pay the policy amount with interest and costs. The insurer's appeal was certified by the Court of Appeals to the Supreme Court due to the involvement of pure questions of law.

Issues:

1. Whether the insured, Kwong Nam, was guilty of misrepresentation and concealment for not disclosing a prior insurance application and providing misleading information about his health condition.
2. Whether these alleged misrepresentations materially affected the insurance company's decision to undertake the risk at the agreed premium rate.

Court's Decision:

The Supreme Court affirmed the trial court's judgment, holding that there was no misrepresentation or material concealment by Kwong Nam. The Court reasoned that the insured's denial of having an insurance application refused was accurate, as his prior application for reinstatement was eventually accepted. Furthermore, Kwong Nam had disclosed his operation and condition to the medical examiner, and the Court determined that any misstatements were not made with fraudulent intent—a necessary element for rescission of the contract under Section 27 of the Insurance Law. The Supreme Court emphasized that the insurer failed to conduct further inquiries despite having the opportunity, thereby waiving its right to claim misrepresentation or concealment.

Doctrine:

- The doctrine of waiver by omission was highlighted, where an insurer neglects to pursue further inquiries in the face of imperfect or incomplete answers, thereby waiving the

imperfections and rendering any omission to answer fully immaterial.

- The necessity of proving fraudulent intent for rescission of an insurance contract due to misrepresentation or concealment under Section 27 of the Insurance Law.

Class Notes:

1. Material Misrepresentation in Insurance Contracts: Misrepresentation must materially affect the insurer's decision to cover the risk or set the premium rate, and must be made with fraudulent intent to warrant rescission of the policy.
2. Waiver by Omission: An insurer waives the imperfection of an answer or an omission to answer fully when it issues a policy without making further inquiries despite noticeable imperfections or incompleteness in the application.
3. Section 27 of the Insurance Law emphasizes the requirement of good faith and materiality in disclosure by the insured, stressing the importance of fraudulent intent in determining the insurer's right to rescind.

Historical Background:

This case delves into the principles of disclosure in insurance law, specifically focusing on the insured's obligation to disclose material facts and the consequences of failure to do so. It underscores the judicial scrutiny applied to insurers' claims of misrepresentation or concealment and reinforces the requirement of fraudulent intent for such claims to prosper. Through its clarification of legal doctrines and emphasis on insurers' responsibilities to inquire further when faced with ambiguous or incomplete information, this decision has contributed to the jurisprudence on insurance contracts and the concept of good faith in the Philippines.