

Title: Thelma Vda. de Canilang vs. Court of Appeals & Great Pacific Life Assurance Corporation

Facts:

1. **Medical History**:

- **18 June 1982**: Jaime Canilang consulted Dr. Wilfredo B. Claudio and was diagnosed with “sinus tachycardia”. Medication prescribed: Trazepam and Aptin.
- **3 August 1982**: Consulted Dr. Claudio again, diagnosed with “acute bronchitis”.

2. **Insurance Application**:

- **4 August 1982**: Jaime Canilang applied for a “non-medical” life insurance policy with Great Pacific Life Assurance Company, naming his wife, Thelma, as the beneficiary.
- **9 August 1982**: Insurance policy worth P19,700 was issued.

3. **Death and Claim**:

- **5 August 1983**: Jaime Canilang died of “congestive heart failure” and “chronic anemia”.
- **5 December 1983**: The claim submitted by Thelma Canilang was denied by Great Pacific for alleged concealment of material information.

4. **Procedural Posture**:

- **Complaint Filing**: Thelma Canilang filed a complaint with the Insurance Commission for the insurance proceeds.
- **Insurance Commission Ruling (5 November 1985)**: Decided in favor of Thelma Canilang, ordered Great Pacific to pay P19,700 plus interest and attorney’s fees.
- **Appeal to Court of Appeals**: Great Pacific appealed, resulting in the reversal of the Insurance Commission decision and dismissal of Thelma Canilang’s complaint.
- **Supreme Court**: Thelma Canilang petitioned for a review on certiorari.

Issues:

1. **Intentional Concealment**: Whether the issue agreed upon was whether Jaime Canilang “intentionally” made a material concealment of his health condition at the time of applying for insurance.
2. **Material Information**: If the non-disclosure of Jaime Canilang’s health history constituted a material concealment that justified Great Pacific’s denial of the insurance claim.
3. **Waiver of Inquiry**: Whether Great Pacific waived its right to inquire into Jaime

Canilang's health condition by issuing the insurance policy despite incomplete answers.

Court's Decision:

1. **Intentional Concealment**:

- **Court's Ruling**: Supreme Court agreed with the Court of Appeals that intent was not a requirement as per the prevalent law at the time. Section 27 of the Insurance Code provided for rescission based on concealment irrespective of intent.

2. **Material Information**:

- **Court's Ruling**: Affirmed that non-disclosure of medical consultations for "sinus tachycardia" and "acute bronchitis" was material as it would have influenced Great Pacific's decision on the insurance application.

3. **Waiver of Inquiry**:

- **Court's Ruling**: Rejected petitioner's argument, stating there was no waiver of the insurer's right to investigate. A waiver implies a voluntary relinquishment of a known right, which did not occur.

Doctrine:

- **Materiality in Insurance**: Information which influences the insurer's decision in accepting or rating the risk is material, and omission of such information, whether intentional or not, can lead to rescission of the insurance contract.

- **Non-Medical Insurance**: Applicants for non-medical insurance are under stricter obligations to disclose their health conditions accurately.

- **Concealment (Sec. 26 & 28 of Insurance Code)**: Concealment is the failure to disclose material facts that a party knows and should communicate.

Class Notes:

- **Concealment**: Neglect to communicate material facts is termed as concealment (Sec. 26, Insurance Code).

- **Materiality (Sec. 31, Insurance Code)**: Determines the impact of facts on the estimation of risk by the insurer.

- **Right to Rescind (Sec. 27, Insurance Code)**: Concealment entitles the injured party to rescind the insurance contract, regardless of intent.

- **Doctrine in Saturnino Case**: Emphasis on the importance of disclosed health information in non-medical insurance applications.

Historical Background:

- **Insurance Regulation**: Reflects evolution in the law governing insurance contracts from Act No. 2427 (1914) to the Insurance Code of 1978, and subsequent amendment by B.P. Blg. 874 (1985).
- **Shift from Intent Requirement**: The omission of the “intentional or unintentional” phrase in the 1978 Insurance Code initially caused interpretative challenges, ultimately resolved by B.P. Blg. 874 which clarified that any concealment affects the validity of the insurance contract.
- **Credibility and Reliability in Claims**: Emphasizes the necessity for honest disclosure in insurance applications to protect both insurer and insured interests.