

Title:

****Ma. Lourdes S. Florendo vs. Philam Plans, Inc., Perla Abcede, and Ma. Celeste Abcede****

Facts:

Manuel Florendo applied for a comprehensive pension plan with Philam Plans, Inc. on October 23, 1997, influenced by Perla Abcede. The plan, costing P997,050.00 over 10 years, had a maturity value of P2,890,000.00 after 20 years and included life insurance provided by Philam Life. Manuel left Perla to complete the application, which her daughter, Ma. Celeste, signed as the sales counselor.

On October 30, 1997, Philam Plans issued the Pension Plan Agreement PP43005584 with Manuel's wife, Ma. Lourdes S. Florendo, as the beneficiary. Eleven months later, on September 15, 1998, Manuel died from blood poisoning. Lourdes filed a claim, but Philam Life denied it, citing that Manuel had not disclosed his heart condition and diabetes.

Lourdes subsequently filed an action against Philam Plans, Perla, and Ma. Celeste in the Regional Trial Court (RTC) of Quezon City. On March 30, 2006, the RTC ruled in her favor, awarding the full benefits of the pension plan and additional damages. The Court of Appeals (CA) reversed this decision on December 18, 2007, based on Manuel's failure to disclose his health condition.

Issues:

1. Did Manuel conceal his health condition by not filling out the medical history section of the pension plan application?
2. Is Manuel bound by Perla and Ma. Celeste's failure to declare his medical condition?
3. Did Philam Plans' approval of Manuel's application and acceptance of premium payments preclude it from denying Lourdes' claim?

Court's Decision:

****Issue 1:**** Manuel concealed his health condition by not disclosing it in the pension plan application. Despite Lourdes' contention that Philam Plans should have returned the incomplete application, the Supreme Court held that the burden was on Manuel to ensure the truthfulness of the information provided.

****Issue 2:**** Manuel is bound by Perla's actions in filling out the application. By signing the application, he certified that he either provided the information or had someone do so under his direction. Thus, he adopted as his own the representations made in the application.

Issue 3: The one-year incontestability clause did not preclude Philam Plans from denying the claim as Manuel died within the eleven months after the issuance of the plan. The clause only applies after one year from the date of issuance, thereby allowing Philam Plans to contest the claim within this period.

The Supreme Court affirmed the CA's decision, holding that Manuel's concealment entitled Philam Plans to rescind the insurance contract.

Doctrine:

1. **Contracts of Utmost Good Faith:** Insurance applicants are required to honestly disclose material facts that affect the risk involved.
2. **Section 27 of the Insurance Code:** Concealment, whether intentional or unintentional, entitles the insurer to rescind the insurance contract.

Class Notes:

1. **Material Fact Disclosure** - Insurance applicants must disclose all known material facts affecting their health.
- **Section 27, Insurance Code:** Concealment allows the insurer to rescind the contract.
2. **Certification in Applications** - Signing an application binds the applicant to the truth of all representations within it, whether completed by them or another party under their direction.
3. **Incontestability Clause** - Typically, insurance policies become incontestable after being in force for one year; however, this does not apply if the insured passes away within the first year.

Historical Background:

This case highlights the strict requirements of good faith in insurance contracts within the Philippine legal system. The decision serves as a cautionary tale on the importance of disclosing accurate health information in insurance applications to avoid potential rescission of policies. It underscores the high standards imposed on insured individuals to uphold the principles of utmost good faith, which have been a cornerstone of insurance law for centuries, derived from common law practices observed in various jurisdictions.