

HEIRS OF LORETO C. MARAMAG, REPRESENTED BY SURVIVING SPOUSE VICENTA PANGILINAN MARAMAG, PETITIONERS, VS. EVA VERNA DE GUZMAN MARAMAG, ODESSA DE GUZMAN MARAMAG, KARL BRIAN DE GUZ...*G.R. No. 181132. June 05, 2009*

Ponente: NACHURA, J.

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This is a petition[1] for review on certiorari under Rule 45 of the Rules, seeking to reverse and set aside the Resolution[2] dated January 8, 2008 of the Court of Appeals (CA), in CA-G.R. CV No. 85948, dismissing petitioners' appeal for lack of jurisdiction.

The case stems from a petition[3] filed against respondents with the Regional Trial Court, Branch 29, for revocation and/or reduction of insurance proceeds for being void and/or inofficious, with prayer for a temporary restraining order (TRO) and a writ of preliminary injunction.

The petition alleged that: (1) petitioners were the legitimate wife and children of Loreto Maramag (Loreto), while respondents were Loreto's illegitimate family; (2) Eva de Guzman Maramag (Eva) was a concubine of Loreto and a suspect in the killing of the latter, thus, she is disqualified to receive any proceeds from his insurance policies from Insular Life Assurance Company, Ltd. (Insular)[4] and Great Pacific Life Assurance Corporation (Grepalife);[5] (3) the illegitimate children of Loreto—Odessa, Karl Brian, and Trisha Angelie—were entitled only to one-half of the legitime of the legitimate children, thus, the proceeds released to Odessa and those to be released to Karl Brian and Trisha Angelie were inofficious and should be reduced; and (4) petitioners could not be deprived of their legitimes, which should be satisfied first.

In support of the prayer for TRO and writ of preliminary injunction, petitioners alleged, among others, that part of the insurance proceeds had already been released in favor of Odessa, while the rest of the proceeds are to be released in favor of Karl Brian and Trisha Angelie, both minors, upon the appointment of their legal guardian. Petitioners also prayed for the total amount of P320,000.00 as actual litigation expenses and attorney's fees.

In answer,[6] Insular admitted that Loreto misrepresented Eva as his legitimate wife and Odessa, Karl Brian, and Trisha Angelie as his legitimate children, and that they filed their claims for the insurance proceeds of the insurance policies; that when it ascertained that Eva was not the legal wife of Loreto, it disqualified her as a beneficiary and divided the proceeds among Odessa, Karl Brian, and Trisha Angelie, as the remaining designated beneficiaries; and that it released Odessa's share as she was of age, but withheld the release of the shares of minors Karl Brian and Trisha Angelie pending submission of letters of guardianship. Insular alleged that the complaint or petition failed to state a cause of action insofar as it sought to declare as void the designation of Eva as beneficiary, because Loreto revoked her designation as such in Policy No. A001544070 and it disqualified her in Policy No. A001693029; and insofar as it sought to declare as inofficious the shares of Odessa, Karl Brian, and Trisha Angelie, considering that no settlement of Loreto's estate had been filed nor had the respective shares of

the heirs been determined. Insular further claimed that it was bound to honor the insurance policies designating the children of Loreto with Eva as beneficiaries pursuant to Section 53 of the Insurance Code.

In its own answer^[7] with compulsory counterclaim, Grepalife alleged that Eva was not designated as an insurance policy beneficiary; that the claims filed by Odessa, Karl Brian, and Trisha Angelie were denied because Loreto was ineligible for insurance due to a misrepresentation in his application form that he was born on December 10, 1936 and, thus, not more than 65 years old when he signed it in September 2001; that the case was premature, there being no claim filed by the legitimate family of Loreto; and that the law on succession does not apply where the designation of insurance beneficiaries is clear.

As the whereabouts of Eva, Odessa, Karl Brian, and Trisha Angelie were not known to petitioners, summons by publication was resorted to. Still, the illegitimate family of Loreto failed to file their answer. Hence, the trial court, upon motion of petitioners, declared them in default in its Order dated May 7, 2004.

During the pre-trial on July 28, 2004, both Insular and Grepalife moved that the issues raised in their respective answers be resolved first. The trial court ordered petitioners to comment within 15 days.

In their comment, petitioners alleged that the issue raised by Insular and Grepalife was purely legal - whether the complaint itself was proper or not - and that the designation of a beneficiary is an act of liberality or a donation and, therefore, subject to the provisions of Articles 752^[8] and 772^[9] of the Civil Code.

In reply, both Insular and Grepalife countered that the insurance proceeds belong exclusively to the designated beneficiaries in the policies, not to the estate or to the heirs of the insured. Grepalife also reiterated that it had disqualified Eva as a beneficiary when it ascertained that Loreto was legally married to Vicenta Pangilinan Maramag.

On September 21, 2004, the trial court issued a Resolution, the dispositive portion of which reads -

WHEREFORE, the motion to dismiss incorporated in the answer of defendants Insular Life and Grepalife is granted with respect to defendants Odessa, Karl Brian and Trisha Maramag. The action shall proceed with respect to the other defendants Eva Verna de Guzman, Insular Life and Grepalife.

SO ORDERED.^[10]

In so ruling, the trial court ratiocinated thus -

Art. 2011 of the Civil Code provides that the contract of insurance is governed by the (sic) special laws. Matters not expressly provided for in such special laws shall be regulated by this Code. The principal law on insurance is the Insurance Code, as amended. Only in case of deficiency in the Insurance Code that the Civil Code may be resorted to. (*Enriquez v. Sun Life Assurance Co.*, 41 Phil. 269.)

The Insurance Code, as amended, contains a provision regarding to whom the insurance proceeds shall be paid. It is very clear under Sec. 53 thereof that the insurance proceeds shall be applied exclusively to the proper interest of the person in whose name or for whose benefit it is made, unless otherwise specified in the policy. Since the defendants are the ones named as the primary beneficiary (sic) in the insurances (sic) taken by the deceased Loreto C. Maramag and there is no showing that herein plaintiffs were also included as beneficiary (sic) therein the insurance proceeds shall exclusively be paid to them. This is because the beneficiary has a vested right to the indemnity, unless the insured reserves the right to change the beneficiary. (*Grecio v. Sunlife Assurance Co. of Canada*, 48 Phil. [sic] 63).

Neither could the plaintiffs invoked (sic) the law on donations or the rules on testamentary succession in order to defeat the right of herein defendants to collect the insurance indemnity. The beneficiary in a contract of insurance is not the donee spoken in the law of donation. The rules on testamentary succession cannot apply

here, for the insurance indemnity does not partake of a donation. As such, the insurance indemnity cannot be considered as an advance of the inheritance which can be subject to collation (*Del Val v. Del Val*, 29 Phil. 534). In the case of *Southern Luzon Employees' Association v. Juanita Golpeo, et al.*, the Honorable Supreme Court made the following pronouncements[:]

"With the finding of the trial court that the proceeds to the Life Insurance Policy belongs exclusively to the defendant as his individual and separate property, we agree that the proceeds of an insurance policy belong exclusively to the beneficiary and not to the estate of the person whose life was insured, and that such proceeds are the separate and individual property of the beneficiary and not of the heirs of the person whose life was insured, is the doctrine in America. We believe that the same doctrine obtains in these Islands by virtue of Section 428 of the Code of Commerce x x x."

In [the] light of the above pronouncements, it is very clear that the plaintiffs has (sic) no sufficient cause of action against defendants Odessa, Karl Brian and Trisha Angelie Maramag for the reduction and/or declaration of inofficiousness of donation as primary beneficiary (sic) in the insurances (sic) of the late Loreto C. Maramag.

However, herein plaintiffs are not totally bereft of any cause of action. One of the named beneficiary (sic) in the insurances (sic) taken by the late Loreto C. Maramag is his concubine Eva Verna De Guzman. Any person who is forbidden from receiving any donation under Article 739 cannot be named beneficiary of a life insurance policy of the person who cannot make any donation to him, according to said article (Art. 1012, Civil Code). If a concubine is made the beneficiary, it is believed that the insurance contract will still remain valid, but the indemnity must go to the legal heirs and not to the concubine, for evidently, what is prohibited under Art. 1012 is the naming of the improper beneficiary. In such case, the action for the declaration of nullity may be brought by the spouse of the donor or donee, and the guilt of the donor and donee may be proved by preponderance of evidence in the same action (Comment of Edgardo L. Paras, Civil Code of the Philippines, page 897). Since the designation of defendant Eva Verna de Guzman as one of the primary beneficiary (sic) in the insurances (sic) taken by the late Loreto C. Maramag is void under Art. 739 of the Civil Code, the insurance indemnity that should be paid to her must go to the legal heirs of the deceased which this court may properly take cognizance as the action for the declaration for the nullity of a void donation falls within the general jurisdiction of this Court.[11]

Insular[12] and Grepalife[13] filed their respective motions for reconsideration, arguing, in the main, that the petition failed to state a cause of action. Insular further averred that the proceeds were divided among the three children as the remaining named beneficiaries. Grepalife, for its part, also alleged that the premiums paid had already been refunded.

Petitioners, in their comment, reiterated their earlier arguments and posited that whether the complaint may be dismissed for failure to state a cause of action must be determined solely on the basis of the allegations in the complaint, such that the defenses of Insular and Grepalife would be better threshed out during trial.

On June 16, 2005, the trial court issued a Resolution, disposing, as follows:

WHEREFORE, in view of the foregoing disquisitions, the Motions for Reconsideration filed by defendants Grepalife and Insular Life are hereby GRANTED. Accordingly, the portion of the Resolution of this Court dated 21 September 2004 which ordered the prosecution of the case against defendant Eva Verna De Guzman, Grepalife and Insular Life is hereby SET ASIDE, and the case against them is hereby ordered DISMISSED.

SO ORDERED.[14]

In granting the motions for reconsideration of Insular and Grepalife, the trial court considered the allegations of Insular that Loreto revoked the designation of Eva in one policy and that Insular disqualified her as a beneficiary in the other policy such that the entire proceeds would be paid to the illegitimate children of Loreto with Eva pursuant to Section 53 of the Insurance Code. It ruled that it is only in cases where there are no beneficiaries

designated, or when the only designated beneficiary is disqualified, that the proceeds should be paid to the estate of the insured. As to the claim that the proceeds to be paid to Loreto's illegitimate children should be reduced based on the rules on legitime, the trial court held that the distribution of the insurance proceeds is governed primarily by the Insurance Code, and the provisions of the Civil Code are irrelevant and inapplicable. With respect to the Grepalife policy, the trial court noted that Eva was never designated as a beneficiary, but only Odessa, Karl Brian, and Trisha Angelie; thus, it upheld the dismissal of the case as to the illegitimate children. It further held that the matter of Loreto's misrepresentation was premature; the appropriate action may be filed only upon denial of the claim of the named beneficiaries for the insurance proceeds by Grepalife.

Petitioners appealed the June 16, 2005 Resolution to the CA, but it dismissed the appeal for lack of jurisdiction, holding that the decision of the trial court dismissing the complaint for failure to state a cause of action involved a pure question of law. The appellate court also noted that petitioners did not file within the reglementary period a motion for reconsideration of the trial court's Resolution, dated September 21, 2004, dismissing the complaint as against Odessa, Karl Brian, and Trisha Angelie; thus, the said Resolution had already attained finality.

Hence, this petition raising the following issues:

- a. In determining the merits of a motion to dismiss for failure to state a cause of action, may the Court consider matters which were not alleged in the Complaint, particularly the defenses put up by the defendants in their Answer?
- b. In granting a motion for reconsideration of a motion to dismiss for failure to state a cause of action, did not the Regional Trial Court engage in the examination and determination of what were the facts and their probative value, or the truth thereof, when it premised the dismissal on allegations of the defendants in their answer - which had not been proven?
- c. x x x (A)re the members of the legitimate family entitled to the proceeds of the insurance for the concubine?[15]

In essence, petitioners posit that their petition before the trial court should not have been dismissed for failure to state a cause of action because the finding that Eva was either disqualified as a beneficiary by the insurance companies or that her designation was revoked by Loreto, hypothetically admitted as true, was raised only in the answers and motions for reconsideration of both Insular and Grepalife. They argue that for a motion to dismiss to prosper on that ground, only the allegations in the complaint should be considered. They further contend that, even assuming Insular disqualified Eva as a beneficiary, her share should not have been distributed to her children with Loreto but, instead, awarded to them, being the legitimate heirs of the insured deceased, in accordance with law and jurisprudence.

The petition should be denied.

The grant of the motion to dismiss was based on the trial court's finding that the petition failed to state a cause of action, as provided in Rule 16, Section 1(g), of the Rules of Court, which reads -

SECTION 1. Grounds. - Within the time for but before filing the answer to the complaint or pleading asserting a claim, a motion to dismiss may be made on any of the following grounds:

x x x x

(g) That the pleading asserting the claim states no cause of action.

A cause of action is the act or omission by which a party violates a right of another.[16] A complaint states a cause of action when it contains the three (3) elements of a cause of action—(1) the legal right of the plaintiff; (2)

the correlative obligation of the defendant; and (3) the act or omission of the defendant in violation of the legal right. If any of these elements is absent, the complaint becomes vulnerable to a motion to dismiss on the ground of failure to state a cause of action.[17]

When a motion to dismiss is premised on this ground, the ruling thereon should be based only on the facts alleged in the complaint. The court must resolve the issue on the strength of such allegations, assuming them to be true. The test of sufficiency of a cause of action rests on whether, hypothetically admitting the facts alleged in the complaint to be true, the court can render a valid judgment upon the same, in accordance with the prayer in the complaint. This is the general rule.

However, this rule is subject to well-recognized exceptions, such that there is no hypothetical admission of the veracity of the allegations if:

- the falsity of the allegations is subject to judicial notice;
- such allegations are legally impossible;
- the allegations refer to facts which are inadmissible in evidence;
- by the record or document in the pleading, the allegations appear unfounded; or
- there is evidence which has been presented to the court by stipulation of the parties or in the course of the hearings related to the case.[18]

In this case, it is clear from the petition filed before the trial court that, although petitioners are the legitimate heirs of Loreto, they were not named as beneficiaries in the insurance policies issued by Insular and Grepalife. The basis of petitioners' claim is that Eva, being a concubine of Loreto and a suspect in his murder, is disqualified from being designated as beneficiary of the insurance policies, and that Eva's children with Loreto, being illegitimate children, are entitled to a lesser share of the proceeds of the policies. They also argued that pursuant to Section 12 of the Insurance Code,[19] Eva's share in the proceeds should be forfeited in their favor, the former having brought about the death of Loreto. Thus, they prayed that the share of Eva and portions of the shares of Loreto's illegitimate children should be awarded to them, being the legitimate heirs of Loreto entitled to their respective legitimes.

It is evident from the face of the complaint that petitioners are not entitled to a favorable judgment in light of Article 2011 of the Civil Code which expressly provides that insurance contracts shall be governed by special laws, i.e., the Insurance Code. Section 53 of the Insurance Code states—

SECTION 53. The insurance proceeds shall be applied exclusively to the proper interest of the person in whose name or for whose benefit it is made unless otherwise specified in the policy.

Pursuant thereto, it is obvious that the only persons entitled to claim the insurance proceeds are either the insured, if still alive; or the beneficiary, if the insured is already deceased, upon the maturation of the policy.[20] The exception to this rule is a situation where the insurance contract was intended to benefit third persons who are not parties to the same in the form of favorable stipulations or indemnity. In such a case, third parties may directly sue and claim from the insurer.[21]

Petitioners are third parties to the insurance contracts with Insular and Grepalife and, thus, are not entitled to the proceeds thereof. Accordingly, respondents Insular and Grepalife have no legal obligation to turn over the insurance proceeds to petitioners. The revocation of Eva as a beneficiary in one policy and her disqualification as such in another are of no moment considering that the designation of the illegitimate children as beneficiaries in Loreto's insurance policies remains valid. Because no legal proscription exists in naming as beneficiaries the

children of illicit relationships by the insured,[22] the shares of Eva in the insurance proceeds, whether forfeited by the court in view of the prohibition on donations under Article 739 of the Civil Code or by the insurers themselves for reasons based on the insurance contracts, must be awarded to the said illegitimate children, the designated beneficiaries, to the exclusion of petitioners. It is only in cases where the insured has not designated any beneficiary,[23] or when the designated beneficiary is disqualified by law to receive the proceeds,[24] that the insurance policy proceeds shall redound to the benefit of the estate of the insured.

In this regard, the assailed June 16, 2005 Resolution of the trial court should be upheld. In the same light, the Decision of the CA dated January 8, 2008 should be sustained. Indeed, the appellate court had no jurisdiction to take cognizance of the appeal; the issue of failure to state a cause of action is a question of law and not of fact, there being no findings of fact in the first place.[25]

WHEREFORE, the petition is DENIED for lack of merit. Costs against petitioners.

SO ORDERED.

Ynares-Santiago, (Chairperson), Carpio,[*] Corona,**] and Peralta, JJ., concur.

[*] Additional member in lieu of Associate Justice Conchita Carpio Morales per Special Order No. 646 dated May 15, 2009.

**] Additional member in lieu of Associate Justice Minita V. Chico-Nazario per Special Order No. 631 dated April 29, 2009.

[1] Rollo, pp. 11-36.

[2] Penned by Associate Justice Marina L. Buzon, with Associate Justices Rosmari D. Carandang and Mariflor P. Punzalan Castillo, concurring; id. at 37-52.

[3] Rollo, pp. 59-64.

[4] Two Life Insurance plans with Policy Nos. A001544070, for the sum of P1,500,000.00; and 1643029, for the sum of P500,000.00.

[5] Two Pension Plans with Policy Nos. PTLIG 1000326-0000, with a maturity value of P1,000,000.00; and PTLIG 1000344-0000, with a maturity value of P500,000.00; and a Memorial Plan with Policy No. M0109-159064-0000 with plan value of P50,000.00.

[6] Cited in the January 8, 2008 Resolution of the Court of Appeals in CA-G.R. CV No. 85948; rollo, pp. 40-41.

[7] Id. at 40.

[8] ART. 752. The provisions of Article 750 notwithstanding, no person may give or receive, by way of donation, more than he may give or receive by will.

ART. 750. The donation may comprehend all the present property of the donor, or part thereof, provided he reserves, in full ownership or in usufruct, sufficient means for the support of himself, and of all relatives who, at the time of the acceptance of the donation, are by law entitled to be supported by the donor. Without such reservation, the donation shall be reduced on petition of any person affected.

[9] ART. 772. Only those who at the time of the donor's death have a right to the legitime and their heirs and successors in interest may ask for the reduction of inofficious donations.

Those referred to in the preceding paragraph cannot renounce their right during the lifetime of the donor, either by express declaration, or by consenting to the donation.

The donees, devisees and legatees, who are not entitled to the legitime and the creditors of the deceased can neither ask for the reduction nor avail themselves thereof.

[10] Rollo, pp. 42-43.

[11] Id. at 43-45.

[12] Id. at 65-72.

[13] Id. at 73-80.

[14] Id. at 46-47.

[15] Id. at 20-21.

[16] RULES ON CIVIL PROCEDURE, Rule 2, Sec. 2.

[17] Bank of America NT&SA v. Court of Appeals, G.R. No. 120135, March 31, 2003, 400 SCRA 156, 167.

[18] Perkin Elmer Singapore Pte Ltd. v. Dakila Trading Corporation, G.R. No. 172242, August 14, 2007, 530 SCRA 170; China Road and Bridge Corporation v. Court of Appeals, G.R. No. 137898, December 15, 2000, 348 SCRA 401, 409, 412; Dabuco v. Court of Appeals, 379 Phil. 939 (2000); Peltan Dev., Inc. v. CA, 336 Phil. 824 (1997); City of Cebu v. Court of Appeals, G.R. No. 109173, July 5, 1996, 258 SCRA 175, 182-184; United States of America v. Reyes, G.R. No. 79253, March 1, 1993, 219 SCRA 192; Santiago v. Pioneer Savings & Loan Bank, No. L-77502, January 15, 1988, 157 SCRA 100; Marcopper Mining Corporation v. Garcia, No. L-55935, July 30, 1986, 143 SCRA 178, 187-189; Tan v. Director of Forestry, No. L-24548, October 27, 1983, 125 SCRA 302, 315.

[19] SECTION 12. The interest of a beneficiary in a life insurance policy shall be forfeited when the beneficiary is the principal, accomplice, or accessory in willfully bringing about the death of the insured; in which event, the nearest relative of the insured shall receive the proceeds of said insurance if not otherwise disqualified.

[20] Southern Luzon Employees' Ass. v. Golpeo, et al., 96 Phil. 83, 86 (1954), citing Del Val v. Del Val, 29 Phil. 534, 540-541 (1915).

[21] Coquila v. Fieldmen's Insurance Co., Inc., No. L-23276, November 29, 1968, 26 SCRA 178, 181; Guingon v. Del Monte, No. L-22042, August 17, 1967, 20 SCRA 1043.

[22] Southern Luzon Employees' Ass. v. Golpeo, et al., supra note 20, at 87-88.

[23] Vda. de Consuegra v. Government Service Insurance System, No. L-28093, January 30, 1971, 37 SCRA 315.

[24] The Insular Life Assurance Company, Ltd. v. Ebrado, No. L-44059, October 28, 1977, 80 SCRA 181.

[25] China Road and Bridge Corporation v. Court of Appeals, supra note 18, at 409-410.

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