MA. LOURDES S. FLORENDO, PETITIONER, VS. PHILAM PLANS, INC., PERLA ABCEDE AND MA. CELESTE ABCEDE, RESPONDENTS.

G.R. No. 186983. February 22, 2012

Ponente: ABAD, J.

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ABAD, J.:

This case is about an insured's alleged concealment in his pension plan application of his true state of health and its effect on the life insurance portion of that plan in case of death.

The Facts and the Case

On October 23, 1997 Manuel Florendo filed an application for comprehensive pension plan with respondent Philam Plans, Inc. (Philam Plans) after some convincing by respondent Perla Abcede. The plan had a pre-need price of P997,050.00, payable in 10 years, and had a maturity value of P2,890,000.00 after 20 years.[1] Manuel signed the application and left to Perla the task of supplying the information needed in the application.[2] Respondent Ma. Celeste Abcede, Perla's daughter, signed the application as sales counselor.[3]

Aside from pension benefits, the comprehensive pension plan also provided life insurance coverage to Florendo.[4] This was covered by a Group Master Policy that Philippine American Life Insurance Company (Philam Life) issued to Philam Plans.[5] Under the master policy, Philam Life was to automatically provide life insurance coverage, including accidental death, to all who signed up for Philam Plans' comprehensive pension plan.[6] If the plan holder died before the maturity of the plan, his beneficiary was to instead receive the proceeds of the life insurance, equivalent to the pre-need price. Further, the life insurance was to take care of any unpaid premium until the pension plan matured, entitling the beneficiary to the maturity value of the pension plan.[7]

On October 30, 1997 Philam Plans issued Pension Plan Agreement PP43005584[8] to Manuel, with petitioner Ma. Lourdes S. Florendo, his wife, as beneficiary. In time, Manuel paid his quarterly premiums.[9]

Eleven months later or on September 15, 1998, Manuel died of blood poisoning. Subsequently, Lourdes filed a claim with Philam Plans for the payment of the benefits under her husband's plan.[10] Because Manuel died before his pension plan matured and his wife was to get only the benefits of his life insurance, Philam Plans forwarded her claim to Philam Life.[11]

On May 3, 1999 Philam Plans wrote Lourdes a letter,[12] declining her claim. Philam Life found that Manuel was on maintenance medicine for his heart and had an implanted pacemaker. Further, he suffered from diabetes mellitus and was taking insulin. Lourdes renewed her demand for payment under the plan[13] but Philam Plans rejected it,[14] prompting her to file the present action against the pension plan company before the Regional Trial Court (RTC) of Quezon City.[15]

On March 30, 2006 the RTC rendered judgment,[16] ordering Philam Plans, Perla and Ma. Celeste, solidarily, to pay Lourdes all the benefits from her husband's pension plan, namely: P997,050.00, the proceeds of his term insurance, and P2,890,000.00 lump sum pension benefit upon maturity of his plan; P100,000.00 as moral

damages; and to pay the costs of the suit. The RTC ruled that Manuel was not guilty of concealing the state of his health from his pension plan application.

On December 18, 2007 the Court of Appeals (CA) reversed the RTC decision,[17] holding that insurance policies are traditionally contracts uberrimae fidae or contracts of utmost good faith. As such, it required Manuel to disclose to Philam Plans conditions affecting the risk of which he was aware or material facts that he knew or ought to know.[18]

Issues Presented
The issues presented in this case are:

1. Whether or not the CA erred in finding Manuel guilty of concealing his illness when he kept blank and did not answer questions in his pension plan application regarding the ailments he suffered from;

2. Whether or not the CA erred in holding that Manuel was bound by the failure of respondents Perla and Ma. Celeste to declare the condition of Manuel's health in the pension plan application; and

3. Whether or not the CA erred in finding that Philam Plans' approval of Manuel's pension plan application and acceptance of his premium payments precluded it from denying Lourdes' claim.

Rulings of the Court

One. Lourdes points out that, seeing the unfilled spaces in Manuel's pension plan application relating to his medical history, Philam Plans should have returned it to him for completion. Since Philam Plans chose to approve the application just as it was, it cannot cry concealment on Manuel's part. Further, Lourdes adds that Philam Plans never queried Manuel directly regarding the state of his health. Consequently, it could not blame him for not mentioning it.[19]

But Lourdes is shifting to Philam Plans the burden of putting on the pension plan application the true state of Manuel's health. She forgets that since Philam Plans waived medical examination for Manuel, it had to rely largely on his stating the truth regarding his health in his application. For, after all, he knew more than anyone that he had been under treatment for heart condition and diabetes for more than five years preceding his submission of that application. But he kept those crucial facts from Philam Plans.

Besides, when Manuel signed the pension plan application, he adopted as his own the written representations and declarations embodied in it. It is clear from these representations that he concealed his chronic heart ailment and diabetes from Philam Plans. The pertinent portion of his representations and declarations read as follows:

> I hereby represent and declare to the best of my knowledge that:
>
> x x x x
>
> (c)
>
> I have never been treated for heart condition, high blood pressure, cancer, diabetes, lung, kidney or stomach disorder or any other physical impairment in the last five years.
>
> (d)
>
> I am in good health and physical condition.
>
> If your answer to any of the statements above reveal otherwise, please give details in the space provided for:
>
> Date of confinement :

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_____

Name of Hospital or Clinic :

_____

Name of Attending Physician :

_____

Findings :

_____

Others: (Please specify) :

_____

x x x x.[20] (Emphasis supplied)

Since Manuel signed the application without filling in the details regarding his continuing treatments for heart condition and diabetes, the assumption is that he has never been treated for the said illnesses in the last five years preceding his application. This is implicit from the phrase "If your answer to any of the statements above (specifically, the statement: I have never been treated for heart condition or diabetes) reveal otherwise, please give details in the space provided for." But this is untrue since he had been on "Coumadin," a treatment for venous thrombosis,[21] and insulin, a drug used in the treatment of diabetes mellitus, at that time.[22]

Lourdes insists that Manuel had concealed nothing since Perla, the soliciting agent, knew that Manuel had a pacemaker implanted on his chest in the 70s or about 20 years before he signed up for the pension plan.[23] But by its tenor, the responsibility for preparing the application belonged to Manuel. Nothing in it implies that someone else may provide the information that Philam Plans needed. Manuel cannot sign the application and disown the responsibility for having it filled up. If he furnished Perla the needed information and delegated to her the filling up of the application, then she acted on his instruction, not on Philam Plans' instruction.

Lourdes next points out that it made no difference if Manuel failed to reveal the fact that he had a pacemaker implant in the early 70s since this did not fall within the five-year timeframe that the disclosure contemplated.[24] But a pacemaker is an electronic device implanted into the body and connected to the wall of the heart, designed to provide regular, mild, electric shock that stimulates the contraction of the heart muscles and restores normalcy to the heartbeat.[25] That Manuel still had his pacemaker when he applied for a pension plan in October 1997 is an admission that he remained under treatment for irregular heartbeat within five years preceding that application.

Besides, as already stated, Manuel had been taking medicine for his heart condition and diabetes when he submitted his pension plan application. These clearly fell within the five-year period. More, even if Perla's knowledge of Manuel's pacemaker may be applied to Philam Plans under the theory of imputed knowledge,[26] it is not claimed that Perla was aware of his two other afflictions that needed medical treatments. Pursuant to Section 27[27] of the Insurance Code, Manuel's concealment entitles Philam Plans to rescind its contract of insurance with him.

Two. Lourdes contends that the mere fact that Manuel signed the application in blank and let Perla fill in the required details did not make her his agent and bind him to her concealment of his true state of health. Since there is no evidence of collusion between them, Perla's fault must be considered solely her own and cannot prejudice Manuel.[28]

But Manuel forgot that in signing the pension plan application, he certified that he wrote all the information stated in it or had someone do it under his direction. Thus:

> APPLICATION FOR PENSION PLAN
>
> (Comprehensive)
>
> I hereby apply to purchase from PHILAM PLANS, INC. a Pension Plan Program described herein in accordance with the General Provisions set forth in this application and hereby certify that the date and other information stated herein are written by me or under my direction. x x x.[29] (Emphasis supplied)

Assuming that it was Perla who filled up the application form, Manuel is still bound by what it contains since he certified that he authorized her action. Philam Plans had every right to act on the faith of that certification.

Lourdes could not seek comfort from her claim that Perla had assured Manuel that the state of his health would not hinder the approval of his application and that what is written on his application made no difference to the insurance company. But, indubitably, Manuel was made aware when he signed the pension plan application that, in granting the same, Philam Plans and Philam Life were acting on the truth of the representations contained in that application. Thus:

> DECLARATIONS AND REPRESENTATIONS
>
> x x x x
>
> I agree that the insurance coverage of this application is based on the truth of the foregoing representations and is subject to the provisions of the Group Life Insurance Policy issued by THE PHILIPPINE AMERICAN LIFE INSURANCE CO. to PHILAM PLANS, INC.[30] (Emphasis supplied)

As the Court said in New Life Enterprises v. Court of Appeals:[31]

> It may be true that x x x insured persons may accept policies without reading them, and that this is not negligence per se. But, this is not without any exception. It is and was incumbent upon petitioner Sy to read the insurance contracts, and this can be reasonably expected of him considering that he has been a businessman since 1965 and the contract concerns indemnity in case of loss in his money-making trade of which important consideration he could not have been unaware as it was precisely the reason for his procuring the same.[32]

The same may be said of Manuel, a civil engineer and manager of a construction company.[33] He could be expected to know that one must read every document, especially if it creates rights and obligations affecting him, before signing the same. Manuel is not unschooled that the Court must come to his succor. It could reasonably be expected that he would not trifle with something that would provide additional financial security to him and to his wife in his twilight years.

Three. In a final attempt to defend her claim for benefits under Manuel's pension plan, Lourdes points out that any defect or insufficiency in the information provided by his pension plan application should be deemed waived after the same has been approved, the policy has been issued, and the premiums have been collected. [34]

The Court cannot agree. The comprehensive pension plan that Philam Plans issued contains a one-year incontestability period. It states:

> VIII. INCONTESTABILITY
>
> After this Agreement has remained in force for one (1) year, we can no longer contest for health reasons any claim for insurance under this Agreement, except for the reason that installment has not been paid (lapsed), or that you are not insurable at the time you bought this pension program by reason of age. If this Agreement

> lapses but is reinstated afterwards, the one (1) year contestability period shall start again on the date of approval of your request for reinstatement.[35]

The above incontestability clause precludes the insurer from disowning liability under the policy it issued on the ground of concealment or misrepresentation regarding the health of the insured after a year of its issuance.

Since Manuel died on the eleventh month following the issuance of his plan,[36] the one year incontestability period has not yet set in. Consequently, Philam Plans was not barred from questioning Lourdes' entitlement to the benefits of her husband's pension plan.

WHEREFORE, the Court AFFIRMS in its entirety the decision of the Court of Appeals in CA-G.R. CV 87085 dated December 18, 2007.

SO ORDERED.

Velasco, Jr., (Chairperson), Peralta, Mendoza, and Perlas-Bernabe, JJ., concur.

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[1] Rollo, pp. 285, 326.

[2] Id. at 285.

[3] Records, p. 225 (dorsal side).

[4] Rollo, pp. 285, 324.

[5] TSN, May 6, 2003, p. 879.

[6] Id. at 894; records, p. 226.

[7] Id. at 888-895.

[8] Records, pp. 9-13.

[9] Id. at 174-177.

[10] Rollo, p. 286.

[11] Records, pp. 227-232.

[12] Rollo, p. 110.

[13] Id. at 111-112.

[14] Records, p. 246.

[15] Rollo, pp. 93-96.

[16] Records, pp. 363-399.

[17] Penned by Associate Justice Monina Arevalo-Zeñarosa with Associate Justices Conrado M. Vasquez, Jr. and Edgardo F. Sundiam concurring; rollo, pp. 38-55.

[18] Id. at 51.

[19] Id. at 292, 294, 296-297.

[20] Supra note 3.

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[21] Mims & Mims Annual, 116th Ed., pp. 86-87.

[22] Webster's New World College Dictionary, Third Edition.

[23] Rollo, pp. 285, 297-299.

[24] Id.

[25] Supra note 21, p. 968.

[26] Section 30 of the Insurance Code; see: Sunace International Management Services, Inc. v. National Labor Relations Commission, 515 Phil. 779, 787 (2006); New Life Enterprises v. Court of Appeals, G.R. No. 94071, March 31, 1992, 207 SCRA 669, 675.

[27] Section 27. A concealment whether intentional or unintentional entitles the injured party to rescind a contract of insurance.

[28] Rollo, pp. 308-311.

[29] Records, p. 171.

[30] Supra note 3.

[31] Supra note 26.

[32] Id. at 676-677.

[33] TSN, October 28, 2002, p. 463.

[34] Rollo, pp. 294, 296-297.

[35] Records, p. 173.

[36] Rollo, p. 286.

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