



REPUBLIC OF THE PHILIPPINES
Supreme Court
Manila
SECOND DIVISION

November 28, 2016

G.R. No. 204736

MANULIFE PHILIPPINES, INC.¹, Petitioner
vs.
HERMENEGILDA YBAÑEZ, Respondent

DECISION

DEL CASTILLO, J.:

Assailed in this Petition for Review on *Certiorari*² are the April 26, 2012 Decision³ of the Court of Appeals (CA) in CA-G.R. CV No. 95561 and its December 10, 2012 Resolution⁴ which affirmed the April 22, 2008 Decision⁵ and the June 15, 2009 Order⁶ of the Regional Trial Court (RTC), Branch 57, Makati City in Civil Case No. 04-1119.

Factual Antecedents

Before the RTC of Makati City, Manulife Philippines, Inc. (Manulife) instituted a Complaint⁷ for Rescission of Insurance Contracts against Hermenegilda Ybañez (Hermenegilda) and the BPI Family Savings Bank (BPI Family). This was docketed as Civil Case No. 04-1119.

It is alleged in the Complaint that Insurance Policy Nos. 6066517-1⁸ and 6300532-6⁹ (subject insurance policies) which Manulife issued on October 25, 2002 and on July 25, 2003, respectively, both in favor of Dr. Gumersindo Solidum Ybañez (insured), were void due to concealment or misrepresentation of material facts in the latter's applications for life insurance, particularly the forms entitled Non-Medical Evidence dated August 28, 2002 (NME),¹⁰ Medical Evidence Exam dated September 10, 2002 (MEE),¹¹ and the Declaration of Insurability in the Application for Life Insurance (DOI) dated July 9, 2003;¹² that Hermenegilda, wife of the said insured, was revocably designated as beneficiary in the subject insurance policies; that on November 17, 2003, when one of the subject insurance policies had been in force for only one year and three months, while the other for only four months, the insured died; that on December 10, 2003, Hermenegilda, now widow to the said insured, filed a Claimant's Statement-Death Claim¹³ with respect to the subject insurance policies; that the Death Certificate dated November 17, 2003¹⁴ stated that the insured had "Hepatocellular CA., Crd Stage 4, secondary to Uric Acid Nephropathy; SAM Nephropathy recurrent malignant pleural effusion; NASCVC"; that Manulife conducted an investigation into the circumstances leading to the said insured's death, in view of the aforementioned entries in the said insured's Death Certificate; that Manulife thereafter concluded that the insured misrepresented or concealed material facts at the time the subject insurance policies were applied for; and that for this reason Manulife accordingly denied Hermenegilda's death claims and refunded the premiums that the insured paid on the subject insurance policies.¹⁵

Manulife also set forth in said Complaint the details of the insured's supposed misrepresentation/s or concealment/s, to wit:

2.6. On the basis of the authority granted by [Hermenegilda] in her Claimant's

Statement (Annex "H"), [Manulife] conducted an investigation [into] the Insured's medical records and history, and discovered that the Insured concealed material facts which the law, good faith, and fair

dealing required him to reveal when he answered the [NME] (Annex "C"), [the MEE] (Annex "D"), and [the DOI] (Annex "E"), as follows:

(1) Insured's confinement at the Cebu Doctors' Hospital [CDH] from 27 December 2000 to 31 December 2000, wherein he underwent total parotidectomy on 28 December 2000 due to the swelling of his right parotid gland and the presence of a tumor, and was found to have had a history of being hypertensive, and his kidneys have become atretic or shrunken. A copy of each of the Admission and Discharge Record and PGIS' Interns' Progress Notes and Operative Record of the [CDH] is attached hereto and made an integral part hereof as Annex "K", "K-1", and "K-2", respectively.

(2) Insured's confinement at the CDH from 9 May 2002 to 14 May 2002, wherein he was diagnosed to have acute pancreatitis, in addition to being hypertensive. A copy [of] each of the Insured's Admission and Discharge Record and Doctor's History/Progress Notes is attached hereto and made an integral part hereof as Annex "L" and "L-1", respectively.

(3) Insured's diagnosis for leptospirosis in 2000. A copy [of] each of the Insured's Admission and Discharge Record and History Sheet is attached hereto and made an integral part hereof as Annex "M" and "M-1", respectively.

x x xx

2.8. Due to the Insured's concealment of material facts at the time the subject insurance policies were applied for and issued, [Manulife] exercised its right to rescind the subject insurance contracts and denied the claims on those policies.

xxxx¹⁶

Manulife thus prayed that judgment be rendered finding its act of rescinding the subject insurance policies proper; declaring these subject insurance policies null and void; and discharging it from any obligation whatsoever under these policies.¹⁷

In her Answer, Hermenegilda countered that:

6. [Manulife's own insurance agent, Ms. Elvira Monteclaros herself] assured [the insured,] that there would be no problem regarding the application for the insurance policy. In fact, it was Monteclaros who filled up everything in the questionnaire (Annex "C" of the [C]omplaint), so that [all that the insured needed to do was sign it,] and it's done. [It was also Ms. Monteclaros who herself] checked in advance all the boxes in Annex "C," [that the insured himself was required to answer or check].

x x x x

10. The four grounds for denial as enumerated in Annex "N" of the complaint are refuted as follows:

1) [The insured's] hospital confinement on 27 December 2000 at [the CDH was] due to right parotid swelling secondary to tumor [for which he] underwent Parotidectomy on 28 December 2000. (- There is an obvious scar and disfigurement in the right side of [the insured's] face, in front, and below his ear. This [ought to] have been easily noticed by [Manulife's company] physician, Dr. [Winifredo] Lumapas.

2) [The insured's] history of Hypertension [has been] noted 03 years prior to [the insured's] admission on 27 December 2000. (This is not something serious or fatal)

3) [The insured's] history of Leptospirosis in 2000. (This is not confirmed)

4) [The insured's] hospital confinement [at the CDH] on 09 May 2002 with findings of Acute Pancreatitis (This is related to the gallstones of [the insured]). When the gallbladder is diseased, distention is impossible and its pressure-regulating function is lost - a fact that may explain high incidence of pancreatitis in patient with cholecystic disease. [The insured] had cholecystitis, so his acute pancreatitis is related to the cholecystitis and chol[e]lithiasis (gallstones).

x x xx

11. [Manulife] accepted [the insured's] application, and now that a claim for the benefits [is] made, [Manulife now] says that [the insured] misrepresented and concealed his past illnesses[!] In the form filled up by [Dr. Winifredo F. Lumapas,] Manulife's [company] physician, dated 9/10/02, [the insured] checked the column which says "yes" [to] the following questions:

- Have you had electrocardiograms, when, why, result? ([Manulife's company physician] wrote the answer which stated that result was normal.) ' .
- Have you seen a doctor, or had treatment operation on hospital case during the last five years?

12. x x x It is rather strange that [the insured's] parotidectomy was not included in the report when the scar of that operation can not be concealed because it caused a disfigurement in the right side of his face in front and below his ear. This is just too obvious to be overlooked by [Manulife's company physician] who examined and interviewed [the insured] before accepting the policy. x x x

13. x x x [Undoubtedly, Manulife] had the option to inquire further [into the insured's physical condition, because the insured had given it authority to do so] based on the authority given by [the insured. And how come that Manulife] was able to gather all [these] information now and not before [the insured] was insured? x x x

x x x x

16. Moreover, in the comments of [the said] Dr. Lumapas, (Annex "D" of the Complaint), he said the physical condition of [the] then prospective insurance policy holder, [the insured, was] "below average". x x x [Estoppel now bars Manulife from claiming the contrary.]

17. [Especially] worth noting are the [following] comments of [the said Dr. Lumapas, on the insured's answer to the questionnaires] - (Annex "D" of the Complaint). [to wit:]

"4.d. Have you had any electrocardiograms, when, why, result. **"Yes"**

- on June 2002 at CDH, Cebu City

= Cardiac clearance for surgery

= **Result normal**

16. Have you seen a doctor, or had treatment, operation or hospital care during the last 5 years? **"Yes"** admitted at [CDH,] Cebu City by Dr. Lamberto Garcia and Dr. Jorge Ang for Chronic Calculous Chol[e]cystitis

=Cholecystectomy done [J]une 7[,] 2002 by Dr. Ang

=Biopsy: Gallbladder Chronic Calculous Cholestitis

=CBC, Hepatitis Panel done – all negative results except hepatitis antigen(+)

18. Do you consume alcohol beverages? If so, how much? **Yes**, consumes 1-2 shots of whisky during socials.

25. The abdomen - Abnormality of any viscus, genitalia or evidence of hernia or operation - post cholecystectomy scar.

26. The head and neck - vision, optic, fundi, hearing, speech, thyroid etc. **Yes** wears eyeglasses for reading. (This is where [Manulife's company physician] should have written the scar of [the insured's] parotidectomy as shown in the picture).

32. From your knowledge of this person would you consider his/ her health to be Average **Below average** Poor

(Underscoring ours)

18. It is interesting to note that the answers in the insurance agent's form for [the insured] (Annex "C" of the Complaint) did **not** jibe with the answers [made by] Dr. Lumapas in Annex "D" of the Complaint. This only boosts Hermenegilda's claim that x x x indeed, it was the Manulife's agent herself, (Ms. Montesclaros) who checked all the items in the said form to speed up the insurance application and its approval, [so she could] get her commission as soon as possible.

19. In fine, at the time when both insurance policies in question were submitted for approval to [Manulife, the latter had had all the forewarnings that should have put it on guard or on notice that things were not what it wanted them to be, reason enough to bestir it into exercising greater prudence and caution to further inquire into] the health or medical history of [the insured]. In particular, Manulife

ought to have noted the fact that the insured was at that time already 65 years old, x x x that he had a previous operation, and x x x that his health was "below average. x x x"¹⁸

On November 25, 2005, BPI Family filed a Manifestation¹⁹ praying that either it be dropped from the case or that the case be dismissed with respect to it (BPI Family), because it no longer had any interest in the subject insurance policies as assignee because the insured's obligation with it (BPI Family) had already been settled or paid. Since no objection was interposed to this prayer by either Manulife or Hermenegilda, the RTC granted this prayer in its Order of

November 25, 2005.²⁰

Then in the Second Order dated November 25, 2005,²¹ the RTC considered the pre-trial as terminated. Trial then ensued.

Manulife presented its sole witness in the person of Ms. Jessiebelle Victoriano (Victoriano), the Senior Manager of its Claims and Settlements Department.²² The oral testimony of this witness chiefly involved identifying herself as the Senior Manager of Manulife's Claims and Settlements Department and also identifying the following pieces of evidence;²³ the subject insurance policies; NME, MEE, DOI; the Assignment of Policy No. 6066517-1 to BPI Family as collateral, dated July 9, 2003; its Letter dated July 10, 2003 re: assignment of said Policy; death claim filed by Hermenegilda on December 10, 2003; the insured's Death Certificate; the Marriage Contract between the insured and Hermenegilda; copies of CDH's Admission and Discharge Records of the insured for December 2000 re: parotidectomy; copies of CDH's PGIS' Interns' Notes and CDH Operative Record dated December 28, 2000 re: hypertension; copies of CDH's Admission and Discharge Record of the insured for May 2002, and the Doctor's History/Progress Notes re: acute pancreatitis and hypertension; copies of CDH's Admission and Discharge Record of the insured for October 2003 re: leptospirosis; letters dated March 24, 2004 to Hermenegilda and BPI Family; and BPI Checks deposited on April 10, 2004 and May 14, 2004 to the bank accounts of BPI Family and Hermenegilda, respectively, representing the premium refund.

In its Order of October 2, 2006,²⁴ the RTC admitted all these exhibits.

Like Manulife, Hermenegilda, in amplification of her case, also called only one witness to the witness stand: her counsel of record, Atty. Edgardo Mayol (Atty. Mayol), whose testimony focused on his professional engagement with Hermenegilda and the monetary expenses he incurred in attending to the hearings in this case.²⁵ Hermenegilda thereafter filed her Formal Offer of Evidence²⁶ wherein she proffered the following: NME, MEE, DOI, the insured's driver's license, her letter dated May 8, 2004 protesting the denial by Manulife of her insurance claim, the contract of services between her and Atty. Mayol, the official receipts for plane tickets, terminal fees, and boarding passes, attesting to Atty. Mayol's plane travels to and from Cebu City to attend to this case. These were all admitted by the RTC.²⁷

Ruling of the Regional Trial Court

After due proceedings, the RTC dismissed Manulife's Complaint, thus:

WHEREFORE, premises duly considered, judgment is hereby rendered DISMISSING the instant case for insufficiency of evidence.

[Manulife] is hereby ordered to pay [Hermenegilda] actual expenses in the sum of ₱40,050.00 and attorney's fees in the sum of ₱100,000. [Hermenegilda's] claim for moral and exemplary damages is denied for lack of evidence.

SO .ORDERED.²⁸

The RTC found no merit at all in Manulife's Complaint for rescission of the subject insurance policies because it utterly failed to prove that the insured had committed the alleged misrepresentation/s or concealment/s. In fact, Victoriano, the one and only witness that Manulife called to the witness stand, gave no first-hand, direct evidence at all relative to the particulars of the alleged misrepresentation/s or concealment/s that the insured allegedly practiced or committed against it. This witness did not testify at all in respect to the circumstances under which these documentary exhibits were executed, nor yet about what these documentary exhibits purported to embody. The RTC stressed that the CDH medical records that might or could have established the insured's misrepresentation/s or concealment/s were inadmissible for being hearsay, because Manulife did not present the physician or doctor, or any responsible official of the CDH, who could confirm the due execution and authenticity of its medical records; that if anything, Manulife itself admitted in its Reply²⁹ that its very own company physician, Dr. Winifredo Lumapas, had duly noted the insured's scar, even as the same company physician also categorized in the MEE the insured's health as "below average"; and that in short, it is evident that Manulife thus had had ample opportunity to verify and to inquire further into the insured's medical history commencing from the date of the MEE but opted not to do so; and that if things did not come up to its standards or expectations, it was totally at liberty to reject the insured's applications altogether, or it could have demanded a higher premium for the insurance coverage.

The RTC further ruled that Hermenegilda was entitled to attorney's fees in the sum of ₱100,000.00 and actual expenses in the amount of ₱40,050.00, because she was compelled to litigate to defend her interest against Manulife's patently unjustified act in rejecting her clearly valid and lawful claim. The RTC also found merit in Hermenegilda's claims relative to the expenses she paid her Cebu-based counsel.

In its Order of June 15, 2009,³⁰ the RTC denied for lack of merit Manulife's motion for reconsideration³¹ and Hermenegilda's motion for partial reconsideration.³²

From the RTC's Decision, Manulife filed a Notice of Appeal³³ which was given due course by the RTC in its Order of June 11, 2010.³⁴

Ruling of the Court of Appeals

In its appellate review, the CA virtually adopted *en toto* the findings of facts made by, and the conclusions of law arrived at, by the RTC. Thus, the CA decreed:

WHEREFORE, the instant appeal is DENIED. The assailed Decision dated April 22, 2008 and Order dated June 15, 2009 of the Regional Trial Court of Makati, Branch 57, are hereby AFFIRMED.

SO ORDERED.³⁵

The CA, like the RTC, found Manulife's Complaint bereft of legal and factual bases. The CA ruled that it is settled that misrepresentation or concealment in insurance is an affirmative defense, which the insurer must establish by convincing evidence if it is to avoid liability; and that in this case the one and only witness presented by Manulife utterly failed to prove the basic elements of the alleged misrepresentation/s or concealment/s of material facts imputed by Manulife against the now deceased insured. The CA held that there is no basis for Manulife's claim that it is exempted from the duty of proving the insured's supposed misrepresentation/s or concealment/s, as these had allegedly been admitted already in Hermenegilda's Answer; that in the absence of authentication by a competent witness, the purported CDH medical records of the insured are deemed hearsay hence, inadmissible, and devoid of probative value; and that the medical certificate, even if admitted in evidence as an exception to the hearsay rule, was still without probative value because the physician or doctor or the hospital's official who issued it, was not called to the witness stand to validate it or to attest to it.

Manulife moved for reconsideration³⁶ of the CA's Decision, but this was denied by the CA in its Resolution of December 10, 2012;³⁷ hence, the present recourse.

Issue

Whether the CA committed any reversible error in affirming the RTC Decision dismissing Manulife's Complaint for rescission of insurance contracts for failure to prove concealment on the part of the insured.

Our Ruling

The present recourse essentially challenges anew the findings of fact by both the RTC and the CA that the Complaint for rescission of the insurance policies in question will not prosper because Manulife failed to prove concealment on the part of the insured. This is not allowed. It is horn-book law that in appeal by *certiorari* to this Court under Rule 45 of the Revised Rules of Court, the findings of fact by the CA, especially where such findings of fact are affirmatory or confirmatory of the findings of fact of the RTC, as in this case, are conclusive upon this Court. The reason is simple: this Court not being a trial court, it does not embark upon the task of dissecting, analyzing, evaluating, calibrating or weighing all over again the evidence, testimonial or documentary, that the parties adduced during trial. Of course, there are exceptions to this rule, such as (1) when the conclusion is grounded upon speculations, surmises or conjectures; (2) when the inference is manifestly mistaken, absurd or impossible; (3) when there is a grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when there is no citation of specific evidence on which the factual findings are based; (7) when the findings of absence of facts is contradicted by the presence of evidence on record; (8) when the findings of the CA are contrary to the findings of the RTC; (9) when the CA manifestly overlooked certain relevant and undisputed facts that, if properly considered, would justify a different conclusion; (10) when the findings of the CA are beyond the issues of the case; and (11) when the CA's findings are contrary to the admission of both parties.³⁸ We are satisfied that none of these exceptions obtains in the Petition at bench. Thus, this Court must defer to the findings of fact of the RTC – as affirmed or confirmed by the CA – that Manulife's Complaint for rescission of the insurance policies in question was totally bereft of factual and legal bases because it had utterly failed to prove that the insured had committed the alleged misrepresentation/s or concealment/s of material facts imputed against him. The RTC correctly held that the CDH's medical records that might have established the insured's purported misrepresentation/s or concealment/s was inadmissible for being hearsay, given the fact that Manulife failed to present the physician or any responsible official of the CDH who could confirm or attest to the due execution and authenticity of the alleged medical records. Manulife had utterly failed to prove by convincing evidence that it had been beguiled, inveigled, or cajoled into selling the insurance to the insured who purportedly with malice and deceit

passed himself off as thoroughly sound and healthy, and thus a fit and proper applicant for life insurance. Manulife's sole witness gave no evidence at all relative to the particulars of the purported concealment or misrepresentation allegedly perpetrated by the insured. In fact, Victoriano merely perfunctorily identified the documentary exhibits adduced by Manulife; she never testified in regard to the circumstances attending the execution of these documentary exhibits much less in regard to its contents. Of course, the mere mechanical act of identifying these documentary exhibits, without the testimonies of the actual participating parties thereto, adds up to nothing. These documentary exhibits did not automatically validate or explain themselves. "The fraudulent intent on the part of the insured must be established to entitle the insurer to rescind the contract. Misrepresentation as a defense of the insurer to avoid liability is an affirmative defense and the duty to establish such defense by satisfactory and convincing evidence rests upon the insurer."³⁹ For failure of Manulife to prove intent to defraud on the part of the insured, it cannot validly sue for rescission of insurance contracts.

WHEREFORE, the Petition is **DENIED**. The assailed Decision of the Court of Appeals dated April 26, 2012 in CA-G.R. CV No. 95561 and its December 10, 2012 Resolution, are **AFFIRMED**.

SO ORDERED.

MARIANO C. DEL CASTILLO

Associate Justice

WE CONCUR:

ANTONIO T. CARPIO

Associate Justice
Chairperson

ARTURO D. BRION

Associate Justice

JOSE CATRAL MENDOZA

Associate Justice

MARVIC M.V.F. LEONEN

Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO

Associate Justice
Chairperson

CERTIFICATION

Pursuant to the Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P.A. SERENO

Chief Justice

Footnotes

¹ Also referred to as "Manufacturers Life Insurance Company (Philippines)" or "The Manufacturers Life Insurance Co. (Phils.), Inc." in some parts of the records.

² *Rollo*, pp. 14-56.

³ *CA rollo*, pp. 144-160; penned by Associate Justice Vicente S. E. Veloso and concurred in by Associate Justices Mario V. Lopez and Angelita A. Gacutan.

⁴ *CA rollo*, p. 253.

⁵ Records, pp. 457463; penned by Pairing Judge Reynaldo M. Laigo.

⁶ *Id.* at 547.

- ⁷ *Id.* at 7.
- ⁸ *Id.* at 273-275.
- ⁹ *Id.* at 276-282.
- ¹⁰ *Id.* at 283 and 284 (front and dorsal side).
- ¹¹ *Id.* at 285: front and dorsal side.
- ¹² *Id.* at 286 (front and dorsal side) and 287.
- ¹³ *Id.* at 290,
- ¹⁴ *Id.* at 291.
- ¹⁵ *Id.* at 303-310.
- ¹⁶ *Id.* at 4-5.
- ¹⁷ *Id.* at 6.
- ¹⁸ *Id.* at 109-114.
- ¹⁹ *Id.* at 241-243.
- ²⁰ *Id.* at 246.
- ²¹ *Id.* at 247-248.
- ²² TSN, April 6, 2006 and June 22, 2006.
- ²³ Records, pp. 266-311.
- ²⁴ *Id.* at 314.
- ²⁵ TSN, March 13, 2007 and June 7, 2007.
- ²⁶ Records, pp. 348-368.
- ²⁷ *Id.* at 404.
- ²⁸ *Id.* at 463.
- ²⁹ *Id.* at 157.
- ³⁰ *Id.* at 547.
- ³¹ *Id.* at 477-490.
- ³² *Id.* at 493-494.
- ³³ *Id.* at 548-550.
- ³⁴ *Id.* at 553.
- ³⁵ CA *rollo*, p. 160.
- ³⁶ *Id.* at 165-199.
- ³⁷ *Id.* at 254.
- ³⁸ *Samala v. Court of Appeals*, 467 Phil. 563, 568 (2004).
- ³⁹ *Great Pacific Life Assurance Corporation v. Court of Appeals*, 375 Phil. 142, 152 (1999).

