



Republic of the Philippines
SUPREME COURT
Manila

FIRST DIVISION

G.R. No. 105135 June 22, 1995

SUNLIFE ASSURANCE COMPANY OF CANADA, petitioner,

vs.

The Hon. COURT OF APPEALS and Spouses ROLANDO and BERNARDA BACANI, respondents.

QUIASON, J.:

This is a petition for review for *certiorari* under Rule 45 of the Revised Rules of Court to reverse and set aside the Decision dated February 21, 1992 of the Court of Appeals in CA-G.R. CV No. 29068, and its Resolution dated April 22, 1992, denying reconsideration thereof.

We grant the petition.

I

On April 15, 1986, Robert John B. Bacani procured a life insurance contract for himself from petitioner. He was issued Policy No. 3-903-766-X valued at P100,000.00, with double indemnity in case of accidental death. The designated beneficiary was his mother, respondent Bernarda Bacani.

On June 26, 1987, the insured died in a plane crash. Respondent Bernarda Bacani filed a claim with petitioner, seeking the benefits of the insurance policy taken by her son. Petitioner conducted an investigation and its findings prompted it to reject the claim.

In its letter, petitioner informed respondent Bernarda Bacani, that the insured did not disclose material facts relevant to the issuance of the policy, thus rendering the contract of insurance voidable. A check representing the total premiums paid in the amount of P10,172.00 was attached to said letter.

Petitioner claimed that the insured gave false statements in his application when he answered the following questions:

5. Within the past 5 years have you:

a) consulted any doctor or other health practitioner?

b) submitted to:

EGG?
X-rays?
blood tests?
other tests?

c) attended or been admitted to any hospital or other medical facility?

6. Have you ever had or sought advice for:

xxx xxx xxx

b) urine, kidney or bladder disorder? (*Rollo*, p. 53)

The deceased answered question No. 5(a) in the affirmative but limited his answer to a consultation with a certain Dr. Reinaldo D. Raymundo of the Chinese General Hospital on February 1986, for cough and flu complications. The other questions were answered in the negative (*Rollo*, p. 53).

Petitioner discovered that two weeks prior to his application for insurance, the insured was examined and confined at the Lung Center of the Philippines, where he was diagnosed for renal failure. During his confinement, the deceased was subjected to urinalysis, ultra-sonography and hematology tests.

On November 17, 1988, respondent Bernarda Bacani and her husband, respondent Rolando Bacani, filed an action for specific performance against petitioner with the Regional Trial Court, Branch 191, Valenzuela, Metro Manila. Petitioner filed its answer with counterclaim and a list of exhibits consisting of medical records furnished by the Lung Center of the Philippines.

On January 14, 1990, private respondents filed a "Proposed Stipulation with Prayer for Summary Judgment" where they manifested that they "have no evidence to refute the documentary evidence of concealment/misrepresentation by the decedent of his health condition (*Rollo*, p. 62).

Petitioner filed its Request for Admissions relative to the authenticity and due execution of several documents as well as allegations regarding the health of the insured. Private respondents failed to oppose said request or reply thereto, thereby rendering an admission of the matters alleged.

Petitioner then moved for a summary judgment and the trial court decided in favor of private respondents. The dispositive portion of the decision is reproduced as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendant, condemning the latter to pay the former the amount of One Hundred Thousand Pesos (P100,000.00) the face value of insured's Insurance Policy No. 3903766, and the Accidental Death Benefit in the amount of One Hundred Thousand Pesos (P100,000.00) and further sum of P5,000.00 in the concept of reasonable attorney's fees and costs of suit.

Defendant's counterclaim is hereby Dismissed (*Rollo*, pp. 43-44).

In ruling for private respondents, the trial court concluded that the facts concealed by the insured were made in good faith and under a belief that they need not be disclosed. Moreover, it held that the health history of the insured was immaterial since the insurance policy was "non-medical".

Petitioner appealed to the Court of Appeals, which affirmed the decision of the trial court. The appellate court ruled that petitioner cannot avoid its obligation by claiming concealment because the cause of death was unrelated to the facts concealed by the insured. It also sustained the finding of the trial court that matters relating to the health history of the insured were irrelevant since petitioner waived the medical examination prior to the approval and issuance of the insurance policy. Moreover, the appellate court agreed with the trial court that the policy was "non-medical" (*Rollo*, pp. 4-5).

Petitioner's motion for reconsideration was denied; hence, this petition.

II

We reverse the decision of the Court of Appeals.

The rule that factual findings of the lower court and the appellate court are binding on this Court is not absolute and admits of exceptions, such as when the judgment is based on a misappreciation of the facts (*Geronimo v. Court of Appeals*, 224 SCRA 494 [1993]).

In weighing the evidence presented, the trial court concluded that indeed there was concealment and misrepresentation, however, the same was made in "good faith" and the facts concealed or misrepresented were irrelevant since the policy was "non-medical". We disagree.

Section 26 of The Insurance Code is explicit in requiring a party to a contract of insurance to communicate to the other, in good faith, all facts within his knowledge which are material to the contract and as to which he makes no warranty, and which the other has no means of ascertaining. Said Section provides:

A neglect to communicate that which a party knows and ought to communicate, is called concealment.

Materiality is to be determined not by the event, but solely by the probable and reasonable influence of the facts upon the party to whom communication is due, in forming his estimate of the disadvantages of the proposed contract or in making his inquiries (The Insurance Code, Sec. 31).

The terms of the contract are clear. The insured is specifically required to disclose to the insurer matters relating to his health.

The information which the insured failed to disclose were material and relevant to the approval and issuance of the insurance policy. The matters concealed would have definitely affected petitioner's action on his application, either by approving it with the corresponding adjustment for a higher premium or rejecting the same. Moreover, a disclosure may have warranted a medical examination of the insured by petitioner in order for it to reasonably assess the risk involved in accepting the application.

In *Vda. de Canilang v. Court of Appeals*, 223 SCRA 443 (1993), we held that materiality of the information withheld does not depend on the state of mind of the insured. Neither does it depend on the actual or physical events which ensue.

Thus, "good faith" is no defense in concealment. The insured's failure to disclose the fact that he was hospitalized for two weeks prior to filing his application for insurance, raises grave doubts about his *bonafides*. It appears that such concealment was deliberate on his part.

The argument, that petitioner's waiver of the medical examination of the insured debunks the materiality of the facts concealed, is untenable. We reiterate our ruling in *Saturnino v. Philippine American Life Insurance Company*, 7 SCRA 316 (1963), that ". . . the waiver of a medical examination [in a non-medical insurance contract] renders even more material the information required of the applicant concerning previous condition of health and diseases suffered, for such information necessarily constitutes an important factor which the insurer takes into consideration in deciding whether to issue the policy or not . . . "

Moreover, such argument of private respondents would make Section 27 of the Insurance Code, which allows the injured party to rescind a contract of insurance where there is concealment, ineffective (See *Vda. de Canilang v. Court of Appeals*, *supra*).

Anent the finding that the facts concealed had no bearing to the cause of death of the insured, it is well settled that the insured need not die of the disease he had failed to disclose to the insurer. It is sufficient that his non-disclosure misled the insurer in forming his estimates of the risks of the proposed insurance policy or in making inquiries (*Henson v. The Philippine American Life Insurance Co.*, 56 O.G. No. 48 [1960]).

We, therefore, rule that petitioner properly exercised its right to rescind the contract of insurance by reason of the concealment employed by the insured. It must be emphasized that rescission was exercised within the two-year contestability period as recognized in Section 48 of The Insurance Code.

WHEREFORE, the petition is GRANTED and the Decision of the Court of Appeals is REVERSED and SET ASIDE.

SO ORDERED.

Padilla, Davide, Jr., Bellosillo and Kapunan, JJ., concur.