

**GREAT PACIFIC LIFE ASSURANCE CORP., petitioner vs. COURT OF APPEALS AND
MEDARDA V. LEUTERIO, respondents.**

G.R. No. 113899 October 13, 1999

SECOND DIVISION DECISION

J. QUISUMBING

The case:

This is a petition for review under Rule 45 of the Rules of Court, assailing the decision and resolution of the Court of Appeals dated May 17, 1994 and January 4, 1994, respectively, in CA G.R. CV No. 18341. The appellate court affirmed in toto the judgment of the Regional Trial Court of Misamis Oriental in an insurance claim filed by private respondent against Great Pacific Life Assurance Co.

Facts:

A contract of group life insurance was executed between petitioner Great Pacific Life Assurance Corporation (Grepalife) and Development Bank of the Philippines (DBP). Grepalife agreed to insure the lives of eligible housing loan mortgagors of DBP.

Dr. Wilfredo Leuterio, a physician and a housing debtor of DBP applied for membership in the group life insurance plan. In an application form, Dr. Leuterio answered questions concerning his health condition. Among those questions were: Have you ever had, or consulted, a physician for a heart condition, high blood pressure, cancer, diabetes, lung, kidney or stomach disorder or any other physical impairment? Dr. Leuterio answered "no." and answered "yes" to the question: Are you now, to the best of your knowledge, in good health?

Grepalife issued Certificate No. B-18558, as insurance coverage of Dr. Leuterio, to the extent of his DBP mortgage indebtedness amounting P86,200.00.

On August 6, 1984, Dr. Leuterio died due to massive cerebral hemorrhage. Consequently, DBP submitted a death claim to Grepalife. Grepalife denied the claim alleging that Dr. Leuterio was not physically healthy when he applied for an insurance coverage on November 15, 1983. Grepalife insisted that Dr. Leuterio did not disclose he had been suffering from hypertension, which caused his death. Allegedly, such non-disclosure constituted concealment that justified the denial of the claim.

The widow of the late Dr. Leuterio, respondent Medarda V. Leuterio, filed a complaint against Grepalife for Specific Performance with Damages. During the trial, Dr. Hernando Mejia, who issued the death certificate, was called to testify. Dr. Mejia's findings, based partly from the information given by the respondent widow, stated that Dr. Leuterio complained of headaches presumably due to high blood pressure. The inference was not conclusive

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Digested by: Therese Zsa S. Raval-Torres

June 20, 2015

because Dr. Leuterio was not autopsied, hence, other causes were not ruled out.

The trial court rendered a decision in favor of respondent widow and against Grepalife. The Court of Appeals sustained the trial courts decision. Hence, the present petition.

Issue:

1. Whether the Court of Appeals erred in holding petitioner liable to DBP as beneficiary in a group life insurance contract from a complaint filed by the widow of the decedent/mortgagor?
2. Whether the Court of Appeals erred in not finding that Dr. Leuterio concealed that he had hypertension, which would vitiate the insurance contract?
3. Whether the Court of Appeals erred in holding Grepalife liable in the amount of eighty six thousand, two hundred (P86,200.00) pesos without proof of the actual outstanding mortgage payable by the mortgagor to DBP.

Held:

1. The rationale of a group insurance policy of mortgagors, otherwise known as the mortgage redemption insurance, is a device for the protection of both the mortgagee and the mortgagor. On the part of the mortgagee, it has to enter into such form of contract so that in the event of the unexpected demise of the mortgagor during the subsistence of the mortgage contract, the proceeds from such insurance will be applied to the payment of the mortgage debt, thereby relieving the heirs of the mortgagor from paying the obligation. In a similar vein, ample protection is given to the mortgagor under such a concept so that in the event of death; the mortgage obligation will be extinguished by the application of the insurance proceeds to the mortgage indebtedness. Consequently, where the mortgagor pays the insurance premium under the group insurance policy, making the loss payable to the mortgagee, the insurance is on the mortgagors interest, and the mortgagor continues to be a party to the contract. In this type of policy insurance, the mortgagee is simply an appointee of the insurance fund, such loss-payable clause does not make the mortgagee a party to the contract. (SC cited Sec. 8 of the Insurance Code)
2. The insured private respondent did not cede to the mortgagee all his rights or interests in the insurance, the policy stating that: In the event of the debtors death before his indebtedness with the Creditor [DBP] shall have been fully paid, an amount to pay the outstanding indebtedness shall first be paid to the creditor and the balance of sum assured, if there is any, shall then be paid to the beneficiary/ies designated by the debtor. When DBP submitted the insurance claim against petitioner, the latter denied payment thereof, interposing the defense of concealment committed by the insured. Thereafter, DBP

collected the debt from the mortgagor and took the necessary action of foreclosure on the residential lot of private respondent. In *Gonzales La O vs. Yek Tong Lin Fire & Marine Ins. Co.* we held: Insured, being the person with whom the contract was made, is primarily the proper person to bring suit thereon. *** Subject to some exceptions, insured may thus sue, although the policy is taken wholly or in part for the benefit of another person named or unnamed, and although it is expressly made payable to another as his interest may appear or otherwise. *** Although a policy issued to a mortgagor is taken out for the benefit of the mortgagee and is made payable to him, yet the mortgagor may sue thereon in his own name, especially where the mortgagees interest is less than the full amount recoverable under the policy, *** And in volume 33, page 82, of the same work, we read the following: Insured may be regarded as the real party in interest, although he has assigned the policy for the purpose of collection, or has assigned as collateral security any judgment he may obtain. And since a policy of insurance upon life or health may pass by transfer, will or succession to any person, whether he has an insurable interest or not, and such person may recover it whatever the insured might have recovered, the widow of the decedent Dr. Leuterio may file the suit against the insurer, Grepalife.

3. The question of whether there was concealment was aptly answered by the appellate court, thus: The insured, Dr. Leuterio, had answered in his insurance application that he was in good health and that he had not consulted a doctor for any of the enumerated ailments, including hypertension; when he died the attending physician had certified in the death certificate that the former died of cerebral hemorrhage, probably secondary to hypertension. From this report, the appellant insurance company refused to pay the insurance claim. Appellant alleged that the insured had concealed the fact that he had hypertension. Contrary to appellants allegations, there was no sufficient proof that the insured had suffered from hypertension. Aside from the statement of the insureds widow who was not even sure if the medicines taken by Dr. Leuterio were for hypertension, the appellant had not proven nor produced any witness who could attest to Dr. Leuterios medical history x x x Appellant insurance company had failed to establish that there was concealment made by the insured, hence, it cannot refuse payment of the claim. 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. In the case at bar, the petitioner failed to clearly and satisfactorily establish its defense, and is therefore liable to pay the proceeds of the insurance.

Disposition:

The petition was DENIED. The Decision and Resolution of the Court of Appeals in CA-G.R. CV 18341 was AFFIRMED with MODIFICATION that the petitioner was ORDERED to pay the insurance proceeds

amounting to P86,200.00 to the heirs of the insured, Dr. Wilfredo Leuterio (deceased), upon presentation of proof of prior settlement of mortgagors indebtedness to Development Bank of the Philippines. Costs against petitioner.

