SEGUNDINA MUSÑGI, ET AL., plaintiffs-appellees,
vs.
WEST COAST LIFE INSURANCE CO., defendant-appellant.

G.R. No. L-41794 August 30, 1935
EN BANC DECISION
J. IMPERIAL

The Case:

The plaintiffs, as beneficiaries, brought suit against the defendant to recover the value of two life insurance policies. The defendant appealed from a judgment sentencing it to pay the plaintiffs the amount of said policies, and the costs.

Facts:

1. Arsenio T. Garcia was insured by the WCLIC in the sum of P5,000;
2. Garcia was again insured by the WCLIC in the sum of P10,000;
3. The two policies were valid and subsisting at the time of the death of the insured on December 30, 1932;
4. The beneficiaries in said policies, Segundina Musñgi and Buenaventura Garcia demanded upon the WCLIC for the payment of the two policies, but the defendant company refused to pay.

The two policies were issued upon applications filed by the insured on July 20, 1931 and October 15, of the same year, respectively. In both applications, the insured had to answer inquiries as to his state of health and that of his family, which he did voluntarily. In each of the said applications the following question was asked: "1. What physician or practitioner or any other person not named above have you consulted or been treated by, and for what illness, or ailment? (If none, so state.)" In the first application, the insured answered "None", and in the second, "No". These answers of the insured as well as his other statements contained in his applications were one of the causes or considerations for the issuance of the policies, and they so positively appear therein.

After the death of the insured and as a result of the demand made by the beneficiaries upon the defendant to pay the value of the policies, the latter discovered that the aforementioned answers were false and fraudulent, because the truth was that the insured, before answering and signing the applications and before the issuance of the policies, had been treated in the General Hospital by a lady physician for different ailments.

It indisputably appears that between May 13 and 19, 1929, the insured had entered the General Hospital in Manila, and was treated by Dr. Cruz for peptic ulcer and chronic catarrhal nasopharyngitis; on August 5, 1930, he entered the same hospital and was treated by the same physician for chronic pyelocystitis and for incipient pulmonary tuberculosis; on the 13th of the same month he returned to the hospital and was treated by the same physician for chronic suppurative pyelocystitis and for chronic bronchitis; on the 20th of the same month he again entered the hospital and was treated by the same doctor for acute tracheo-bronchitis and chronic suppurative pyelocystitis; on the 27th of the same month he again entered the same hospital and was treated for the same ailments; on December 11, 1930, he again entered the hospital and was treated for the same ailments; on the 18th of the same month, he again entered the hospital and was treated for the same ailments; on the 28th of the same month he again entered the hospital and was treated for the same ailments, and, finally, on January 11, 1931, he again entered the hospital and was treated by the same doctor for the same ailments.

The defendant contended at the outset that the two policies did not create any valid obligation because they were fraudulently obtained by the insured. The appealed decision holds that the health of the insured before the acceptance of his applications and the issuance of the policies could neither be discussed nor questioned by the defendant, because the insured was examined by three physicians of the company and all of them unanimously certified that he was in good health and that he could be properly insured.

Issue:

Whether the two answers given by the insured in his applications are false, and if they were the cause, or one of the causes, which induced the defendant to issue the policies.

Held:

On the first point, the facts above set out leave no room for doubt. The insured knew that he had suffered from a number of ailments, including incipient pulmonary tuberculosis, before subscribing the applications, yet he concealed them and omitted the hospital where he was confined as well as the name of the lady physician who treated him. That this concealment and the false statements

constituted fraud, is likewise clear, because the defendant by reason thereof accepted the risk which it would otherwise have flatly refused. When not otherwise specially provided for by the Insurance Law, the contract of life insurance is governed by the general rules of the civil law regarding contracts. Article 1261 of the Civil Code provides that there is no contract unless there should be, in addition to consent and a definite object, a consideration for the obligation established. And article 1276 provides that the statement of a false consideration shall render the contract void. The two answers being one of the considerations of the policies, and it appearing that they are false and fraudulent, it is evident that the insurance contracts were null and void and did not give rise to any right to recover their value or amount.

One ground for the rescission of a contract of insurance under the Insurance Act is a "concealment", which in section 25 is defined as "A neglect to communicate that which a party knows and ought to communicate". Appellant argues that the alleged concealment was immaterial and insufficient to avoid the policy.

In an action on a life insurance policy where the evidence conclusively shows that the answers to questions concerning diseases were untrue, the truth or falsity of the answers become the determining factor. If the policy was procured by fraudulent representations, the contract of insurance apparently set forth therein was never legally existent. It can fairly be assumed that had the true facts been disclosed by the assured, the insurance would never have been granted.

In Joyce, The Law of Insurance, second edition, volume 3, Chapter LV, is found the following:

> "Concealment exists where the assured has knowledge of a fact material to the risk, and honesty, good faith and fair dealing requires that he should communicate it to the assured, but he designedly and intentionally withholds the same."

Disposition:

The appealed judgment was reversed and the defendant absolved from the complaint, with the costs of both instances to the plaintiffs.