

SECOND DIVISION

[G.R. No. 204736, November 28, 2016]

**MANULIFE PHILIPPINES, INC.,^[1] PETITIONER, VS.
HERMENEGILDA YBAÑEZ, RESPONDENT.**

D E C I S I O N

DEL CASTILLO, J.:

Assailed in this Petition for Review on *Certiorari*^[2] are the April 26, 2012 Decision^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 95561 and its December 10, 2012 Resolution^[4] which affirmed the April 22, 2008 Decision^[5] and the June 15, 2009 Order^[6] 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 Complaint^[7] 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. 6066517-1^[8] and 6300532-6^[9] (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 Claim^[13] with respect to the subject insurance policies; that the Death Certificate dated November 17, 2003^[14] 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.

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 x x

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.

x x x x^[16]

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 Montecclaros herself] assured [the insured,] that there would be no problem regarding the application for the insurance policy. In fact, it was Montecclaros 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. Montecarlos 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 Agute 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 x x

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 Cholecystitis

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

18. Do you. consume alcohol beverages? If so, how much? **Yes**, consumes 12 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 Manifestation^[19] 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