

SECOND DIVISION

[G.R. No. 175666, July 29, 2013]

**MANILA BANKERS LIFE INSURANCE CORPORATION, PETITIONER
VS. CRESENCIA P. ABAN, RESPONDENT.**

DECISION

DEL CASTILLO, J.:

The ultimate aim of Section 48 of the Insurance Code is to compel insurers to solicit business from or provide insurance coverage only to legitimate and *bona fide* clients, by requiring them to thoroughly investigate those they insure within two years from effectivity of the policy and while the insured is still alive. If they do not, they will be obligated to honor claims on the policies they issue, regardless of fraud, concealment or misrepresentation. The law assumes that they will do just that and not sit on their laurels, indiscriminately soliciting and accepting insurance business from any Tom, Dick and Harry.

Assailed in this Petition for Review on *Certiorari*^[1] are the September 28, 2005 Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 62286 and its November 9, 2006 Resolution^[3] denying the petitioner's Motion for Reconsideration.^[4]

Factual Antecedents

On July 3, 1993, Delia Sotero (Sotero) took out a life insurance policy from Manila Bankers Life Insurance Corporation (Bankers Life), designating respondent Cresencia P. Aban (Aban), her niece,^[5] as her beneficiary.

Petitioner issued Insurance Policy No. 747411 (the policy), with a face value of P100,000.00, in Sotero's favor on August 30, 1993, after the requisite medical examination and payment of the insurance premium.^[6]

On April 10, 1996,^[7] when the insurance policy had been in force for more than two years and seven months, Sotero died. Respondent filed a claim for the insurance proceeds on July 9, 1996. Petitioner conducted an investigation into the claim,^[8] and came out with the following findings:

1. Sotero did not personally apply for insurance coverage, as she was illiterate;
2. Sotero was sickly since 1990;
3. Sotero did not have the financial capability to pay the insurance premiums on Insurance Policy No. 747411;

4. Sotero did not sign the July 3, 1993 application for insurance;^[9] [and]

5. Respondent was the one .who filed the insurance application, and x x x designated herself as the beneficiary.^[10]

For the above reasons, petitioner denied respondent's claim on April 16, 1997 and refunded the premiums paid on the policy.^[11]

On April 24, 1997, petitioner filed a civil case for rescission and/or annulment of the policy, which was docketed as Civil Case No. 97-867 and assigned to Branch 134 of the Makati Regional Trial Court. The main thesis of the Complaint was that the policy was obtained by fraud, concealment and/or misrepresentation under the Insurance Code,^[12] which thus renders it voidable under Article 1390^[13] of the Civil Code.

Respondent filed a Motion to Dismiss^[14] claiming that petitioner's cause of action was barred by prescription pursuant to Section 48 of the Insurance Code, which provides as follows:

Whenever a right to rescind a contract of insurance is given to the insurer by any provision of this chapter, such right must be exercised previous to the commencement of an action on the contract.

After a policy of life insurance made payable on the death of the insured shall have been in force during the lifetime of the insured for a period of two years from the date of its issue or of its last reinstatement, the insurer cannot prove that the policy is void *ab initio* or is rescindible by reason of the fraudulent concealment or misrepresentation of the insured or his agent.

During the proceedings on the Motion to Dismiss, petitioner's investigator testified in court, stating among others that the insurance underwriter who solicited the insurance is a cousin of respondent's husband, Dindo Aban,^[15] and that it was the respondent who paid the annual premiums on the policy.^[16]

Ruling of the Regional Trial Court

On December 9, 1997, the trial court issued an Order^[17] granting respondent's Motion to Dismiss, thus:

WHEREFORE, defendant CRESENCIA P. ABAN's Motion to Dismiss is hereby granted. Civil Case No. 97-867 is hereby dismissed.

SO ORDERED.^[18]

In dismissing the case, the trial court found that Sotero, and not respondent, was the one who procured the insurance; thus, Sotero could legally take out insurance on her own life and validly designate - as she did — respondent as the beneficiary. It held further that under Section 48, petitioner had only two years from the effectivity of the policy to question the same; since the policy had been in force for more than two years, petitioner is now barred from contesting the same or seeking a rescission

or annulment thereof.

Petitioner moved for reconsideration, but in another Order^[19] dated October 20, 1998, the trial court stood its ground.

Petitioner interposed an appeal with the CA, docketed as CA-G.R. CV No. 62286. Petitioner questioned the dismissal of Civil Case No. 97-867, arguing that the trial court erred in applying Section 48 and declaring that prescription has set in. It contended that since it was respondent - and not Sotero - who obtained the insurance, the policy issued was rendered void *ab initio* for want of insurable interest.

Ruling of the Court of Appeals

On September 28, 2005, the CA issued the assailed Decision, which contained the following decretal portion:

WHEREFORE, in the light of all the foregoing, the instant appeal is **DISMISSED** for lack of merit.

SO ORDERED.^[20]

The CA thus sustained the trial court. Applying Section 48 to petitioner's case, the CA held that petitioner may no longer prove that the subject policy was void *ab initio* or rescindible by reason of fraudulent concealment or misrepresentation after the lapse of more than two years from its issuance. It ratiocinated that petitioner was equipped with ample means to determine, within the first two years of the policy, whether fraud, concealment or misrepresentation was present when the insurance coverage was obtained. If it failed to do so within the statutory two-year period, then the insured must be protected and allowed to claim upon the policy.

Petitioner moved for reconsideration,^[21] but the CA denied the same in its November 9, 2006 Resolution.^[22] Hence, the present Petition.

Issues

Petitioner raises the following issues for resolution:

I

[WHETHER] THE COURT OF APPEALS ERRED IN SUSTAINING THE ORDER OF THE TRIAL COURT DISMISSING THE COMPLAINT ON THE GROUND OF PRESCRIPTION IN CONTRAVENTION (OF) PERTINENT LAWS AND APPLICABLE JURISPRUDENCE.

II

[WHETHER] THE COURT OF APPEALS ERRED IN SUSTAINING THE APPLICATION OF THE INCONTESTABILITY PROVISION IN THE INSURANCE CODE BY THE TRIAL COURT.

III

[WHETHER] THE COURT OF APPEALS ERRED IN DENYING PETITIONER'S MOTION FOR RECONSIDERATION.^[23]

Petitioner's Arguments

In praying that the CA Decision be reversed and that the case be remanded to the trial court for the conduct of further proceedings, petitioner argues in its Petition and Reply^[24] that Section 48 cannot apply to a case where the beneficiary under the insurance contract posed as the insured and obtained the policy under fraudulent circumstances. It adds that respondent, who was merely Sotero's niece, had no insurable interest in the life of her aunt.

Relying on the results of the investigation that it conducted after the claim for the insurance proceeds was filed, petitioner insists that respondent's claim was spurious, as it appeared that Sotero did not actually apply for insurance coverage, was unlettered, sickly, and had no visible source of income to pay for the insurance premiums; and that respondent was an impostor, posing as Sotero and fraudulently obtaining insurance in the latter's name without her knowledge and consent.

Petitioner adds that Insurance Policy No. 747411 was void *ab initio* and could not have given rise to rights and obligations; as such, the action for the declaration of its nullity or inexistence does not prescribe.^[25]

Respondent's Arguments

Respondent, on the other hand, essentially argues in her Comment^[26] that the CA is correct in applying Section 48. She adds that petitioner's new allegation in its Petition that the policy is void *ab initio* merits no attention, having failed to raise the same below, as it had claimed originally that the policy was merely voidable.

On the issue of insurable interest, respondent echoes the CA's pronouncement that since it was Sotero who obtained the insurance, insurable interest was present. Under Section 10 of the Insurance Code, Sotero had insurable interest in her own life, and could validly designate anyone as her beneficiary. Respondent submits that the CA's findings of fact leading to such conclusion should be respected.

Our Ruling

The Court denies the Petition.

The Court will not depart from the trial and appellate courts' finding that it was Sotero who obtained the insurance for herself, designating respondent as her beneficiary. Both courts are in accord in this respect, and the Court is loath to disturb this. While petitioner insists that its independent investigation on the claim reveals that it was respondent, posing as Sotero, who obtained the insurance, this claim is no longer feasible in the wake of the courts' finding that it was Sotero who obtained the insurance for herself. This finding of fact binds the Court.

With the above crucial finding of fact - that it was Sotero who obtained the insurance for herself - petitioner's case is severely weakened, if not totally