

SECOND DIVISION

[G.R. No. 166245, April 09, 2008]

**ETERNAL GARDENS MEMORIAL PARK CORPORATION,
PETITIONER, VS. THE PHILIPPINE AMERICAN LIFE INSURANCE
COMPANY, RESPONDENT.**

D E C I S I O N

VELASCO JR., J.:

The Case

Central to this Petition for Review on Certiorari under Rule 45 which seeks to reverse and set aside the November 26, 2004 Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 57810 is the query: May the inaction of the insurer on the insurance application be considered as approval of the application?

The Facts

On December 10, 1980, respondent Philippine American Life Insurance Company (Philamlife) entered into an agreement denominated as Creditor Group Life Policy No. P-1920^[2] with petitioner Eternal Gardens Memorial Park Corporation (Eternal). Under the policy, the clients of Eternal who purchased burial lots from it on installment basis would be insured by Philamlife. The amount of insurance coverage depended upon the existing balance of the purchased burial lots. The policy was to be effective for a period of one year, renewable on a yearly basis.

The relevant provisions of the policy are:

ELIGIBILITY.

Any Lot Purchaser of the Assured who is at least 18 but not more than 65 years of age, is indebted to the Assured for the unpaid balance of his loan with the Assured, and is accepted for Life Insurance coverage by the Company on its effective date is eligible for insurance under the Policy.

EVIDENCE OF INSURABILITY.

No medical examination shall be required for amounts of insurance up to P50,000.00. However, a declaration of good health shall be required for all Lot Purchasers as part of the application. The Company reserves the right to require further evidence of insurability satisfactory to the Company in respect of the following:

1. Any amount of insurance in excess of P50,000.00.
2. Any lot purchaser who is more than 55 years of age.

LIFE INSURANCE BENEFIT.

The Life Insurance coverage of any Lot Purchaser at any time shall be the amount of the unpaid balance of his loan (including arrears up to but not exceeding 2 months) as reported by the Assured to the Company or the sum of P100,000.00, whichever is smaller. Such benefit shall be paid to the Assured if the Lot Purchaser dies while insured under the Policy.

EFFECTIVE DATE OF BENEFIT.

The insurance of any eligible Lot Purchaser shall be effective on the date he contracts a loan with the Assured. However, there shall be no insurance if the application of the Lot Purchaser is not approved by the Company.^[3]

Eternal was required under the policy to submit to Philamlife a list of all new lot purchasers, together with a copy of the application of each purchaser, and the amounts of the respective unpaid balances of all insured lot purchasers. In relation to the instant petition, Eternal complied by submitting a letter dated December 29, 1982,^[4] containing a list of insurable balances of its lot buyers for October 1982. One of those included in the list as "new business" was a certain John Chuang. His balance of payments was PhP 100,000. On August 2, 1984, Chuang died.

Eternal sent a letter dated August 20, 1984^[5] to Philamlife, which served as an insurance claim for Chuang's death. Attached to the claim were the following documents: (1) Chuang's Certificate of Death; (2) Identification Certificate stating that Chuang is a naturalized Filipino Citizen; (3) Certificate of Claimant; (4) Certificate of Attending Physician; and (5) Assured's Certificate.

In reply, Philamlife wrote Eternal a letter on November 12, 1984,^[6] requiring Eternal to submit the following documents relative to its insurance claim for Chuang's death: (1) Certificate of Claimant (with form attached); (2) Assured's Certificate (with form attached); (3) Application for Insurance accomplished and signed by the insured, Chuang, while still living; and (4) Statement of Account showing the unpaid balance of Chuang before his death.

Eternal transmitted the required documents through a letter dated November 14, 1984,^[7] which was received by Philamlife on November 15, 1984.

After more than a year, Philamlife had not furnished Eternal with any reply to the latter's insurance claim. This prompted Eternal to demand from Philamlife the payment of the claim for PhP 100,000 on April 25, 1986.^[8]

In response to Eternal's demand, Philamlife denied Eternal's insurance claim in a letter dated May 20, 1986,^[9] a portion of which reads:

The deceased was 59 years old when he entered into Contract #9558 and 9529 with Eternal Gardens Memorial Park in October 1982 for the total maximum insurable amount of P100,000.00 each. No application for Group Insurance was submitted in our office prior to his death on August 2, 1984.

In accordance with our Creditor's Group Life Policy No. P-1920, under Evidence of Insurability provision, "a declaration of good health shall be required for all Lot Purchasers as party of the application." We cite further the provision on Effective Date of Coverage under the policy which states that "there shall be no insurance if the application is not approved by the Company." Since no application had been submitted by the Insured/Assured, prior to his death, for our approval but was submitted instead on November 15, 1984, after his death, Mr. John Uy Chuang was not covered under the Policy. We wish to point out that Eternal Gardens being the Assured was a party to the Contract and was therefore aware of these pertinent provisions.

With regard to our acceptance of premiums, these do not connote our approval per se of the insurance coverage but are held by us in trust for the payor until the prerequisites for insurance coverage shall have been met. We will however, return all the premiums which have been paid in behalf of John Uy Chuang.

Consequently, Eternal filed a case before the Makati City Regional Trial Court (RTC) for a sum of money against Philamlife, docketed as Civil Case No. 14736. The trial court decided in favor of Eternal, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of Plaintiff ETERNAL, against Defendant PHILAMLIFE, ordering the Defendant PHILAMLIFE, to pay the sum of P100,000.00, representing the proceeds of the Policy of John Uy Chuang, plus legal rate of interest, until fully paid; and, to pay the sum of P10,000.00 as attorney's fees.

SO ORDERED.

The RTC found that Eternal submitted Chuang's application for insurance which he accomplished before his death, as testified to by Eternal's witness and evidenced by the letter dated December 29, 1982, stating, among others: "Encl: Phil-Am Life Insurance Application Forms & Cert."^[10] It further ruled that due to Philamlife's inaction from the submission of the requirements of the group insurance on December 29, 1982 to Chuang's death on August 2, 1984, as well as Philamlife's acceptance of the premiums during the same period, Philamlife was deemed to have approved Chuang's application. The RTC said that since the contract is a group life insurance, once proof of death is submitted, payment must follow.

Philamlife appealed to the CA, which ruled, thus:

WHEREFORE, the decision of the Regional Trial Court of Makati in Civil Case No. 57810 is **REVERSED and SET ASIDE**, and the complaint is **DISMISSED**. No costs.

SO ORDERED.^[11]

The CA based its Decision on the factual finding that Chuang's application was not enclosed in Eternal's letter dated December 29, 1982. It further ruled that the non-accomplishment of the submitted application form violated Section 26 of the Insurance Code. Thus, the CA concluded, there being no application form, Chuang

was not covered by Philamlife's insurance.

Hence, we have this petition with the following grounds:

The Honorable Court of Appeals has decided a question of substance, not therefore determined by this Honorable Court, or has decided it in a way not in accord with law or with the applicable jurisprudence, in holding that:

- I. The application for insurance was not duly submitted to respondent PhilamLife before the death of John Chuang;
- II. There was no valid insurance coverage; and
- III. Reversing and setting aside the Decision of the Regional Trial Court dated May 29, 1996.

The Court's Ruling

As a general rule, this Court is not a trier of facts and will not re-examine factual issues raised before the CA and first level courts, considering their findings of facts are conclusive and binding on this Court. However, such rule is subject to exceptions, as enunciated in *Sampayan v. Court of Appeals*:

(1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the [CA] went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; **(7) when the findings [of the CA] are contrary to the trial court;** (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.^[12] (Emphasis supplied.)

In the instant case, the factual findings of the RTC were reversed by the CA; thus, this Court may review them.

Eternal claims that the evidence that it presented before the trial court supports its contention that it submitted a copy of the insurance application of Chuang before his death. In Eternal's letter dated December 29, 1982, a list of insurable interests of buyers for October 1982 was attached, including Chuang in the list of new businesses. Eternal added it was noted at the bottom of said letter that the corresponding "Phil-Am Life Insurance Application Forms & Cert." were enclosed in the letter that was apparently received by Philamlife on January 15, 1983. Finally, Eternal alleged that it provided a copy of the insurance application which was signed by Chuang himself and executed before his death.