

THIRD DIVISION

[G.R. No. 126223, November 15, 2000]

**PHILIPPINE AMERICAN LIFE INSURANCE COMPANY,
PETITIONER, VS. COURT OF APPEALS AND ELIZA PULIDO,
RESPONDENTS.**

D E C I S I O N

GONZAGA-REYES, J.:

This petition for review on certiorari seeks to reverse the Decision of the Special Second Division of the Court of Appeals dated August 27, 1996,^[1] which affirmed *in toto* the Decision of the Regional Trial Court of Baguio City,^[2] allowing herein private respondent, the beneficiary under a life insurance policy issued by petitioner, to recover the face amount of the said policy.

Briefly, the antecedent facts are:

On January 9, 1989, petitioner received from one Florence Pulido an application for life insurance, dated December 16, 1988, in the amount of P100,000.00 which designated her sister, herein private respondent, as its principal beneficiary. Because the insurance applied for was non-medical, petitioner did not require a medical examination and issued a policy on the sole basis of the application on February 11, 1989. On April 1992, petitioner received private respondent's claim, which declared that the insured, Florence Pulido, died of acute pneumonia on September 10, 1991.

Petitioner withheld payment on the ground that the policy claimed under was void from the start for having been procured in fraud. It is petitioner's contention that even before they received private respondent's claim for death benefits, their investigation concerning the subject policy yielded the information that the insured, Florence Pulido, died in 1988, before the application for insurance on her life was made.^[3] While this was communicated to private respondent in a letter dated April 29, 1992,^[4] private respondent had already filed her claim earlier that month.^[5] In another letter dated July 27, 1992, however, petitioner confirmed to private respondent receipt of the claim papers and assured her that her case was "being given preferential attention and prompt action".^[6]

Following the filing by private respondent of her claim, petitioner caused another investigation respecting the subject policy. Pursuant to the findings of this second investigation, petitioner stood by its initial decision to treat the policy as void and not to honor the claim. On November 9, 1992, private respondent enlisted the services of counsel in reiterating her claim for death benefits.^[7] Petitioner still refused to make payment and thus, this action.

The complaint before the lower court sought payment of the face amount of the policy, equivalent to P100,000.00, with interest at 24% *per annum* for undue delay in payment pursuant to Section 244 of the Insurance Code, and for P5,000.00 as "consequential damages".

For its part, petitioner interposed that it was legally justified in denying plaintiff's claim, the results of its investigations having indicated that the insured was already dead at the time the policy was applied for. It also counterclaimed for attorney's fees.

To substantiate its defense, petitioner submitted copies of the reports of its investigators. The first report,^[8] prepared by one Dr. Benedicto Briones, was dated April 1, 1992, and had attached to it a questionnaire, responded to by one Ramon Piganto,^[9] who represented to be the brother-in-law of the insured and the barangay chairman of Cardiz, Bagulin, La Union. To the question "Where does [Florence Pulido] reside now?", Piganto had replied that Florence Pulido used to live in Cardiz, but was dead since 1988. Piganto's statement was signed by him, and witnessed by his wife, Nenita Piganto. This report was petitioner's basis for treating the disputed policy as void since April 1992, even before receipt of private respondent's claim. The next two reports pertained to the investigation petitioner commenced after private respondent filed her claim. One report, dated October 2, 1992, was submitted by Ferdinand Tanchoco, another of petitioner's investigators, and dealt with Tanchoco's interview with a certain Remylyn Piganto, a 14-year old high school student who was the niece of the insured and daughter of Ramon Piganto. Remylyn purportedly told Tanchoco that her auntie Florence Pulido died young a long time ago, before Remylyn was even born.^[10] Remylyn, however, did not execute any written statement. The other report, dated December 28, 1992,^[11] was prepared by Dr. Benedicto Briones, who also prepared the first report dated April 1, 1992. This last report intimated the claim of some neighbors of the Pulido family that Florence Pulido died in a car accident in 1985. These persons, however, refused to give their names or execute statements on the matter, as they were reportedly afraid of Ramon Piganto, the insured's brother-in-law.^[12]

During the trial, plaintiff-private respondent testified that the insured died of acute pneumonia on September 10, 1991 in Barangay Cardiz, Bagulin, La Union and was buried two days after within their own yard. Plaintiff next presented as a witness Dr. Irineo Gutierrez, who testified that he attended to the ailing Florence Pulido on September 8, and 9, 1991 at their house in Cardiz. Dr. Gutierrez then authenticated a Certificate of Death,^[13] issued on September 12, 1991 by the Local Civil Registrar of Bagulin, La Union, which bore his signature in his capacity as then Municipal Health Officer of Bagulin, La Union. The death certificate declared that Florence Pulido died on September 10, 1991 at around 4:00 in the afternoon.

A neighbor of the Pulidos, Francisco Villano, also testified in support of plaintiff that the insured died of illness on September 1991. Villano claimed that he was at the Pulido's house when Dr. Gutierrez attended to the insured. He also said that he went to the wake of Florence Pulido and was able to view her remains.^[14]

Meanwhile, defendant-petitioner presented Pablito Angalot, petitioner's Life Claims Manager, who said that even before the filing of private respondent's claim,

petitioner's Claims Committee had already declared the disputed policy null and void in light of the investigative report dated April 1, 1992. However, petitioner was unable to present Dr. Benedicto Briones, the investigator who prepared the April 1, 1992 report. Also, when it presented Ramon Piganto, whose statement attached to Dr. Briones's report dated April 1, 1992 was the basis for petitioner's treating the subject policy as void, Piganto denied giving the statement that Florence Pulido died in 1988, and said that he was made to sign a blank coupon bond.^[15]

Ferdinand Tanchoco, petitioner's other investigator, identified his investigative report^[16] and recounted the results of his investigation focusing particularly on the interview with Remylyn Piganto. Tanchoco also reported that private respondent's information on the insured's death, as declared in her claim certificate, tallied with the entries of the death certificate as found in the records of the Local Civil Register of Bagulin, La Union.

The dispositive portion of the decision of the Regional Trial Court, which was affirmed *in toto* by the Court of Appeals, states:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant, ordering the latter to pay the former the amount of P100,000.00, representing the face value of the insurance policy sued upon, with interest thereon at the legal rate from January 8, 1993, the date of the filing of the complaint, until fully paid, plus P20,000.00 for and as attorney's fees and costs of suit.

In ruling in favor of plaintiff-private respondent, the trial court found no reason to doubt the correctness of the entries in the Certificate of Death, which declared that Florence Pulido died on September 10, 1991. It is also found that defendant, petitioner herein, failed to discharge the burden of proving its affirmative defense that fraud attended the issuance of the policy sued upon. Contrarily, as the lower court observed, the evidence defendant presented sustained the validity of the policy instead of establishing its alleged fraud.

The lower court also struck down as hearsay the two reports prepared by Dr. Benedicto Briones, the said investigator not having been presented as a witness in court. It also held as hearsay the alleged declaration of Remylyn Piganto, as recounted by Ferdinand Tanchoco in his report and on testimony, since Remylyn herself did not take the witness stand.

However, the lower court found plaintiff-private respondent entitled to legal interest only, and not to 24% *per annum* as prayed for. Under Section 242 of the Insurance Code, the refusal of the insurer to pay a life insurance claim within the period prescribed will entitle the beneficiary to collect interest on the proceeds "at the rate of twice the ceiling prescribed by the Monetary Board" for the duration of the delay, unless the refusal to pay is based on the ground that the claim is fraudulent. Fraud being the ground invoked by petitioner for refusing to honor the claim, the lower court found no unreasonable delay in petitioner's decision to withhold payment.

The petition is without merit.

As a rule, a petition for review on certiorari may raise only questions of law which