IN THE DELHI STATE CONSUMER DISPUTES REDRESSAL COMMISSION

Date of Institution: 03.12.2019
Date of Hearing: 24.07.2026
Date of Decision: 27.07.2026

FIRST APPEAL NO.-598/2019

IN THE MATTER OF

HDFC LIFE INSURANCE COMPANY LTD.
MINDSPACE LINK ROAD,
MALAD (W), MUMBAI – 400064

ALSO AT
OFFICE – H – 69, OUTER CIRCLE,
CONNAUGHT CIRCUS,
NEW DELHI – 110001

(THROUGH: MR. RISHABH RAJ JAIN, ADVOCATE)
…APPELLANT

VERSUS

SMT. KIRAN SHARMA,
W/O LATE SH. SUBHAS CHAND SHARMA,
R/O B – 209, SURYA NAGAR,
GHAZIABAD, U.P. - 201011

(THROUGH:MS. SHANTHA DEVI RAMAN, ADVOCATE)
…RESPONDENT

CORAM:

HON'BLE JUSTICE SANGITA DHINGRA SEHGAL (PRESIDENT)
HON'BLE MS.BIMLA KUMARI, MEMBER (FEMALE)

Present: Ms.Aditi Dixit, counsel for the appellant.
Ms.Shantha Devi Raman and Ms.TanishaGopal, counsel for the respondent on VC.

PER: HON'BLE MS. BIMLA KUMARI, MEMBER (FEMALE)

JUDGMENT

1. The facts of the case as per the District Commission record are as under:

> "The husband of the complainant namely Sh. Subhash Chand Sharma had taken a Policy, bearing no.13146880 for a assured sum of Rs.15,00,000/- from the OP on 24/02/2009. The proposal form for the policy in question was filled by the agent and only the signature of complainant's husband was taken. The deceased deposited two premiums of Rs.3 lacs each to the OP but unfortunately before the 3rd premium he died on 24/04/2011 due to cardiac attack in Max Balaji Hospital. The complainant lodged claim with the OP to the tune of Rs. 15,00,000/- and the same was repudiated by the OP on the ground of non-discloser and the deceased policy holder had divulged false information regarding his job. It is further submitted that despite her repeated requests, follow up, OP failed to consider her genuine claim and stuck up on the previous repudiation which is on false and frivolous grounds. Complainant, therefore, approached this Forum for redressal of her grievance.
>
> OP had filed written statement opposing complaint of the complainant.It was stated that the deceased had given the wrong declaration in the proposal form with regarding his job. The DLA(Deceased Life Assured) has violated the principle of utmost good faith, mis-stated and furnished wrong information in the proposal form viz. suspension and later, termination of his service by his employer much prior to taking the Insurance, hence, death claim was rightly repudiated in terms of clause 18 of Standard Policy Provision.
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> Both the parties filed their evidence by way of affidavits. Parties also filed written arguments.'

2. The District Commission after taking into consideration the material available on record passed the judgment dated 02.09.2019, whereby it held as under:

"We have heard argument advance at the Bar and have perused the record.

It is argued on behalf of complainant that it is made clear in the first meeting to the agent that DLA has been suspended and subsequently terminated from his service due to some official conception and the termination has been challenged before the Hon'ble High Court which is still pending. It is further argued that the OP did not verify any facts at the time of issuance of the policy and is trying to escape from his liability under the pretext of concealment of the facts, which is not a material one.

Ld. counsel for the OP argued that the deceased had given the wrong declaration in the proposal form regarding his job. The DLA has violated the principle of utmost good faith, he has mis-stated and furnished wrong Information in the proposal form regarding his occupation stating himself tobe salaried working as a Section Officer whereas he was suspended and later on terminated from his service by his employer much prior to taking the Insurance, hence, death claim was rightly repudiated in terms of clause 18 of Standard Policy Provision. In support of its contention he has drawn our attention towards the copy of Memorandum dt.12.2.2004, Memo.Dt 15.2.2006 and letter dt. 9.8.2011 issued by Under Secretary, Staff Selection Commission, New Delhi. Since, the policy was obtained by concealment and suppression of material facts, it makes the policy in question void. It is argued that the claim was rightly repudiated.

Perusal of the file shows that although the DLA was first suspended from his service and later on terminated but he had paid the premium regularly without any default till he was alive. It is not the case of the OP that the DLA had failed to pay the premium on account of his termination,

nor there is any term or condition in the policy that the policy could not be issued to the person who was terminated from the service. The OP failed to elucidate the fact that policy in question was meant only for employees. The forum failed to buy the arguments of OP that the complainant has intentionally concealed the Information. The OP failed to bring on record any fact that there was change of premium for a employee or a non employee.

In the present case, the termination of the DLA did not have any effect on the payment of the premium and continuation of the policy in question, hence, in our opinion, the OP has repudiated the claim of the complainant on the flimsy ground of non-disclosure of the termination, despite receiving two premiums of Rs.3 lacseach. We failed to understand as to how the termination would affect the Insurance policy in question particularly when the DLA has successfully paid two premium of Rs.3 lacs each to the OP during his lifetime. Insurance Co. ought to have insisted for the Income proof which it failed to do so. Without verifying the same, the OP issued the policy to gain Insurance business. The concerned agent and the Insurance Officer must have taken due caution at the time of issuance of policy. The complainant has categorically stated that the policy form was filled by the agent. So by a mere tick mark that the complainant was a salaried person or Section Officer does not vitiate the policy itself and the same cannot be termed as material concealment. The Forum failed to find in the averments made by the OP that there is any correlation between the employments affecting Insurance Policy. When a company, relying upon the declaration of a insurer, issues a policy by accepting the money, then OP Insurance Co. is under obligation to indemnify the insured, the OP's Co. cannot escape from his liability under the pretext of concealment of the facts.

As per above discussions, we are of the considered view that the repudiation of the claim by the OP is not justified and is arbitrary, which amounts to deficiency in service on

its part. Therefore, we hold OP guilty of deficiency of service and direct it as under:-

1. Pay to the complainant a sum of Rs.15,00,000/- (sum assured) alongwith 9% Interest from the date of filing of complaint i.e. 10/06/2013 till realization.

2. Pay to the complainant a sum of Rs. 30,000/- on account pain and mental agony suffer by her, which will also include the cost of litigation."

3. Aggrieved by the aforesaid order, the appellant has preferred the present appeal on the grounds that the District Commission has passed the judgment which is perverse to law, illegal and contrary to facts. Ld. District Forum failed to appreciate that non-disclosure of material facts by the policy holder is in violation of the terms and consideration of policy; Ld. District Forum erred in considering as to what is material fact and it is the duty of policy holder to disclose all material information to the insurer in order to enable the insurer to decide whether to accept or decline, to determine the risk and in the event of acceptance of risk to determine the rates, terms and conditions of a cover to be granted, Ld. District Forum ought not to have gone beyond the terms and considerations of the policy, Ld. District Forum ignored clause 18 of the standard policy dealing with incorrect information and non-disclosure, which clearly states that the policy will be void in case of incomplete or incorrect information. Ld. District Forum also overlooked the fact that the complaint of the respondent was dismissed by insurer Ombudsmanvide order dated 23.07.2012 in case no. LI/548 & 586/HDFC/11 titled as*"Kiran Sharma Vs HDFC Standard Life Insurance Company Limited"*. The appellant has prayed that the

impugned order dated 02.09.2019 passed by the District Forum be set aside.

4. Notice of appeal was issued to respondent by Ld. Predecessor on 17.12.219.

5. On 24.04.2023, Ld. counsel for respondent submitted that he had filed reply to appeal but was not able to furnish the dairy number and date by which he had filed reply to appeal. Thus, on 11.12.2023 Ld. counsel for respondent was directed to file another copy of reply within a period of two weeks. Since, no reply was filed by respondent, Ld. counsel for respondent on 03.04.2024 gave the statement that it is only the written synopsis which has been filed by the respondent instead of filing the reply. Hence, the IA/806/2024 moved by respondent for correction in order dated 11.12.2023 was allowed.

6. The appellant and respondent have filed their written arguments.

7. We have gone through the written arguments submitted by the parties and also perused the material on record.

8. **The*only question forour consideration is that there is any material irregularity or illegality in the impugned order passed by the District Commission.***

9. It is the main contention of the appellant that the insured did not furnish the **'material facts'** regarding his suspension and termination of his service by his employee in the

proposal form and thus violated the terms and conditions of clause 18 of the policy.

10. It is worth noting that the term**'material facts'** is not defined under the Consumer Protection Act.

11. To deal with this issue, we would like to refer the judgment passed by **Hon'ble Apex Court** in the case of **SatwantKaurSandhu v. New India Assurance Co. Ltd., (2009)8 SCC 316** wherein it was *inter-alia* held as under:

> *"The term "material fact" is not defined in the Act and, therefore, it has been understood and explained by the Courts in general terms to mean as any fact which would influence the judgment of a prudent insurer in fixing the premium or determining whether he would like to accept the risk. Any fact which goes to the root of the Contract of Insurance and has a bearing on the risk involved would be "material"."*

12. Further,we would also like to refer the judgment of**Hon'ble Apex CourtinCivil Appeal No. 8386 of 2015titled as"Manmohan Nanda v. United India Assurance Co. Ltd. &Anr." 2022(1) Apex Court Judgment (SC) 685** wherein following principles have been enumeratedto deal with the cases pertaining to Medi-claim policy:

> *"(i) There is a duty or obligation of disclosure by the insured regarding any material fact at the time of making the proposal. What constitutes a material fact would depend upon the nature of the insurance policy to be taken, the risk to be covered, as well as the queries that are raised in the proposal form.*

(ii) What may be a material fact in a case would also depend upon the health and medical condition of the proposer.

(iii) If specific queries are made in a proposal form then it is expected that specific answers are given by the insured who is bound by the duty to disclose all material facts.

(iv) If any query or column in a proposal form is left blank then the insurance company must ask the insured to fill it up. If in spite of any column being left blank, the insurance company accepts the premium and issues a policy, it cannot at a later stage, when a claim is made under the policy, say that there was a suppression or nondisclosure of a material fact, and seek to repudiate the claim.

(v) The insurance company has the right to seek details regarding medical condition, if any, of the proposer by getting the proposer examined by one of its empanelled doctors. If, on the consideration of the medical report, the insurance company is satisfied about the medical condition of the proposer and that there is no risk of pre-existing illness, and on such satisfaction it has issued the policy, it cannot thereafter, contend that there was a possible pre-existing illness or sickness which has led to the claim being made by the insured and for that reason repudiate the claim.

(vi) The insurer must be able to assess the likely risks that may arise from the status of health and existing disease, if any, disclosed by the insured in the proposal form before issuing the insurance policy. Once the policy has been issued after assessing the medical condition of the insured, the insurer cannot repudiate the claim by citing an existing medical condition which was disclosed by the insured in the proposal form, which condition has led to a particular

risk in respect of which the claim has been made by the insured.

(vii) In other words, a prudent insurer has to gauge the possible risk that the policy would have to cover and accordingly decide to either accept the proposal form and issue a policy or decline to do so. Such an exercise is dependant on the queries made in the proposal form and the answer to the said queries given by the proposer."

13. In the present case, it is the case of appellant that the insured had given false information in the proposal form that he was a salaried person and was working as Section Officer but he was suspended and terminated from the service and thus he concealed this material fact from the appellant.

14. However, that the appellant has not placed on record any material to show that the policy issued by it was containing any such conditions or exclusion clause that policy will not be issued to a non-salaried person.

15. It is significant to note that the husband of respondent had paid two premium of Rs.3,00,000/- each to the appellant during his life time without any fault.Further, he was haleand hearty at the time of taking the policy butsuddenly suffered cardiac arrest on 24.04.2011 and died. It is worth noting that the appellant did not place on record any material to show that medical condition of the insured was not good at the time of taking the policy.

16. Further, there was no column in the proposal form to furnish such information, as alleged by the appellant or filing of pay slips or Income Tax returns on the part of deceased life insured was necessary. It is not the case of appellant that the insured had left any column in the proposal form as

blank. It is significant to note that the appellant had already accepted the premium from the insured and issued the policy to him.

17. In these facts and circumstances of case, we are of the considered view that the appellant was not right in repudiating the claim of respondent by alleging that the insured had concealed material fact at the time of taking the policy. We are of the considered view the Ld. District Commission has rightly dealt with every plea of appellant in the impugned order. Thus, we find no material irregularity or illegality in the impugned order passed by Ld. District Commission, which requires interference by this Commission.

18. At this stage, we would also like to refer **the judgment ofHon'ble Supreme Court** in **Oriental Insurance Co. Ltd. vs M/S Ozma Shipping Company &Anr Civil appeal no.6289 of 2001decided on25.08.2009**, wherein it was inter-alia held as under:

> *"The insurance companies in genuine and bona fide claims of the insured, should not adopt the attitude of avoiding payments on one pretext or the other. This attitude avoiding puts a serious question mark on their credibility and trustworthiness of the insurance companies. Incidentally, by adopting honest approach and attitude, the insurance companies would be able to save enormous litigation costs and the interest liability."*

19. Accordingly, the appeal filed by the appellant is hereby dismissed.

20. However, in the facts and circumstances of the case the parties shall bear their own costs.

21. Applications pending, if any, stand disposed of in terms of the aforesaid judgment.

22. A copy of this judgment be provided to all the parties free of cost as mandated by the Consumer Protection Act, 1986.

23. The judgment be uploaded forthwith on the website of the commission for the perusal of the parties.

24. Appeal files be consigned to record room along with a copy of this Judgment.

25. Trial court record, if any, be sent back alongwith copy of this Judgment.

(JUSTICE SANGITA DHINGRA SEHGAL)
PRESIDENT

(BIMLA KUMARI)
MEMBER (FEMALE)

Pronounced On: 27.07.2026.