

Advantage Consumer

Monthly News Letter of Consumer Protection Council, Rourkela

“An aware consumer is an asset to the nation”

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ADVANTAGE - IV

Queries & Answers through the Web

(www.advantageconsumer.com is the website of Consumer Protection Council, Rourkela. One of the major attractions of the website is that a visitor can ask queries on issues relating to consumer protection. Answers to these queries are made free of cost, by the Chief Mentor of the Council, Sri B. Vaidyanathan.)

When the Insurance Policy proposal form lacks clarity, the insured cannot be penalised at the time of Claim settlement and deserves to be given the benefit of doubt.

IN THE NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION NEW DELHI

CONSUMER COMPLAINT NO. 1155 OF 2016

Smt. Balbir Kaur

W/o Late Sh. Iqbal Singh Bedi

R/oNo. 2331-A, Ranjit Avenue

C-Block, Amritsar,

Punjab- 143001.

... Complainant

Versus

1. PNB Metlife Insurance Company Ltd.

Registered Office: Brigade Sheeshmahal,

5, Vani Vilas Road, Basavanagudi, Bangalore- 560004, Karnataka.

2. The Chairman, Claims Committee,

PNB Metlife India Insurance Co. Ltd.

1st Floor, Techniplex-1, Techniplex Complex,

Off: Veer Sarwarkar Flyover, Goregaon West,

Mumbai 400062, Maharashtra.

... Opposite Party(ies)

BEFORE:

HON'BLE MR. JUSTICE SUDIP AHLUWALIA, PRESIDING MEMBER

HON'BLE DR. SADHNA SHANKER, MEMBER

DATED: 11.02.2026

ORDER

JUSTICE SUDIP AHLUWALIA, MEMBER

This Consumer Complaint has been filed under Section 21 (a)(i) of the Consumer Protection Act, 1986, challenging the repudiation of the Life Insurance Policy by the Opposite Parties.

2. The factual background, in brief, is that the Deceased Life Assured (DLA) had taken a Life Insurance Policy under Policy No. 21420994, issued by the opposite parties under the “ Met family Income Protector Plus Plan”. The Policy, commencing from 31.10.2014, was for a term of 15 years, with an assured sum of Rs. 1.2 Crores and an annual premium of Rs. 1,21 ,830/-. The first premium, amounting to Rs. 1,36,888/-, was duly paid by the deceased insured, and the Complainant was nominated as the beneficiary. The deceased, having only matriculated, was assisted in filling-up the Policy Proposal Form by an Authorized Agent of the Opposite Parties, who wrote the form in her own hand and marked the responses, including indicating "no previous policy" in response to a query regarding earlier Insurance Policies with other Insurers. The deceased merely signed where directed. Subsequently, in February 2015, the deceased contracted H1N1 Swine Influenza and was hospitalized in ICU from 26.02.2015 until his death on 12.03.2015. The Complainant incurred approximately Rs. 4.00 lakhs in treatment expenses. The Death Certificate was issued on 19.03.2015. She submitted the Insurance Claim form on 22.04.2015 along with supporting documentation. The Opposite Parties acknowledged the Claim and requested further documents, which were duly provided. Despite a prolonged delay involving multiple investigations by the Opposite Parties' appointed Agencies, no discrepancies were found regarding the cause of death. However, to the Complainant's shock, the Claim was repudiated vide letter dated 12.03.2016 on the ground that the deceased had failed to disclose three prior Insurance Policies with Birla Sun Life Insurance Company (BSLIC) bearing Nos. 005193546, 005193866, and 005319748. The Opposite Parties contended that such non-disclosure amounted to a fraud and rendered the Policy void under Section 45 of the Insurance Act, 1938.

3. The Complainant, however, clarified that Policies bearing Nos. 005193546 and 005193866 were cancelled by the Insurer on the very same day the Application for those Policies was submitted (21 .12.2011), and the respective cheques were returned on 23.12.2011. Policy No. 005319748 was a terminated Health Plan, not a Life Insurance Policy, and only covered Hospital admissions, offering no death benefit. Therefore, no disclosure was warranted, as no Insurance Contracts in force existed at the time of taking the impugned Policy. Moreover, these Policies were not material to the risk assumed by the Opposite Parties. It was further submitted that the Policy Proposal Form is ambiguous in its language, seeking disclosure of only "Life Insurance Policies" that are "in force", "lapsed", or "revived". The omission of terminated or never-effective Health Policies cannot be construed as fraudulent suppression. It is the case of the Complainant that even if the Insurer's stance under the amended Section 45 of Insurance Act is considered, the repudiation remains legally

unsustainable. Section 45(2) requires proof of intent to deceive, which is absent in the present case. Section 45(4) is also inapplicable, as the alleged non-disclosures do not relate to the life expectancy of the deceased. Additionally, the refusal of the Opposite Parties to refund the premium, despite no proof of fraud, amounts to a deficiency of service and unjust enrichment. Aggrieved with the same, the present Complaint was filed with the following prayers-

“a. Direct the OPs to pay the Complainant the amount of the sum sured on the Impugned Policy being a sum of Rs. 1,20,00,000/- (Rupees One Crore and Twenty Lacs only) along with 18% interest from the date of submission of claim form on 22.04.2015 till the date of payment to the Complainant;

b. Direct the Ops to give compensation to the Complainant to the tune of Rs. 50,00,000/- (Rupees Fifty Lacs only) for mental agony, trauma and harassment;

c. Grant pendent lite and future interest at 18% p.a. on all amount found due to the Complainant from the OPs from the date of filing of the instant Complaint till the date of actual receipt of such amounts by the Complainant;

d. Grant exemplary costs, including costs of litigation, in favour of the complainant and against the OPs;”

4. The Opposite Parties have filed their Written Statement and resisted the Complaint. They have denied all the material averment made by the Complainant. The Opposite Parties have averred that the impugned Insurance Policy was rightfully repudiated due to material non-disclosure by the DLA, who, at the time of filling-up the Proposal Form, failed to disclose his previous existing Insurance Policies with Birla Sun Life Insurance. This non-disclosure constituted a suppression of material facts, rendering the Contract voidable under Section 45 of the Insurance Act, 1938. The Opposite Parties have placed reliance on the decisions of this Commission in "**Dinesh Bhai Chandarana & Anr. v. LIC of India, 111 (2010) CPJ 358 (NC)**" and "**LIC of India v. Smt. Vidya Devi & Anr., RP No. 382 of 2011**", where similar repudiations were upheld on grounds of non-disclosure. Further reliance has been placed on the decision of the Hon'ble Supreme Court in "**Satwant Kaur Sandhu v. New India Assurance Co. Ltd., (2009) 8 SCC 316**", in which it was clarified that any fact that could influence the decision of a prudent Insurer is a material fact, and inaccurate responses to Proposal Form questions can entitle the Insurer to repudiate liability; That the deceased, after being explained the terms of the "Met Family Income Protector Plus" Policy, voluntarily filled and signed the Proposal Form, declaring all information to be true. Based on this representation, Policy No. 21420994 was issued on 31.10.2014 for a sum assured of Rs. 1.20 crores, against an annual premium of Rs. 1,21,830/-. In the Proposal Form, the DLA had categorically declared 'no previous policies' despite having previously applied for three Policies with Birla Sun Life Insurance. Even if such Policies were later cancelled or terminated, the act of prior application or rejection is deemed material and should have been disclosed.

Such suppression directly vitiated the Insurer's ability to underwrite risk.

5. The Opposite Parties have further averred in their Written Statement that upon receiving the Claim (within 6 months of Policy issuance), a detailed investigation was initiated. It revealed the existence of prior Policies amounting to approximately Rs. 60.00 lakhs, which had not been disclosed; That under the principle of *uberrima fidei*, the insured was obligated to disclose all the facts affecting risk assessment, especially his previous Policy history. That the DLA's act of omitting details in the specific Column regarding prior insurance, while answering 'no previous policy' constituted a deliberate concealment. The Insurer, having relied upon this misrepresentation, was entitled to treat the Contract as null and void; That there was no deficiency in service or unfair trade practice on their part, as all actions were undertaken in good faith, in accordance with law, and based on standard IRDA-approved procedures. The complaint is therefore baseless, misconceived, lacks a course of action, and was filed with malafide intent to claim benefits not legally due. The contention that the deceased was uneducated or misled by any Insurance Agent is denied. The deceased understood and accepted the Policy terms voluntarily and confirmed the truth of all information provided. The repudiation was therefore squarely within legal bounds, particularly in terms of section 45 of the Insurance Act, which allows an Insurer to repudiate a Policy within two years of its issuance, if there is proof of fraudulent suppression of material facts known to be false by the Policyholder.

6. Rejoinder on behalf of the Complainant to the Written Statement by the Opposite Parties has been filed. It has been averred in the Rejoinder that the Opposite Parties' reliance on judgments such as "**Dinesh Bhai Chandarana v. LIC**" (supra), "**LIC v. Vidya Devi**" (supra), and "**Satwant Kaur Sandhu v. New India Assurance Co. Ltd.**" (supra) is misplaced, as the present case is factually distinguishable. The DLA had not deliberately or fraudulently withheld any material facts, and that the Policies referred to by the Opposite Parties were either Health Insurance Plans or proposals that never resulted in enforceable Contracts and thus were not material for underwriting the impugned Policy. That the Proposal Form was filled entirely by the Opposite Parties' own Insurance Agent and that the DLA, being only matriculate and not equipped to comprehend the legal implications of the Form, merely signed where directed. That the ambiguity in Question D of the form, which referred to "policies in force/lapsed/revived" did not require disclosure of terminated or unissued Policies, and this ambiguity should be construed in favour of the Insured by application of the doctrine of *contra proferentem*. That the Opposite Parties failed to prove that the alleged misstatement pertained to a "material matter" as required under Section 45 of the Insurance Act, 1938. It was emphasized that the term "material" is not defined in the Act and has been judicially interpreted to mean facts that directly influence the underwriting risk. Since the past Policies in question had no bearing on the life expectancy or health

condition of the deceased, who died from H1N1, an unforeseen viral illness, there was no concealment of any material fact.

7. It has been further averred in the Rejoinder that the Opposite Parties have failed to discharge their burden under Section 45 by not proving the existence of any fraudulent intent, or that the DLA knew of the falsity of any statement at the time of signing the Proposal. In fact, the repudiation was based not on a health-related misstatement but merely on alleged non-disclosure of unrelated insurance history, which was either terminated or not in force. The Complainant also denies any intent to cheat or mislead the Opposite Parties and clarifies that the Claim was genuine, lawfully pursued, and not an abuse of the process as alleged. That the repudiation was arbitrary, unsupported by evidence, and constituted a deficiency in service and an unfair trade practice, thereby squarely bringing the Complaint within the ambit of a "Consumer dispute" under the Consumer Protection Act.

8. Evidence by way of Affidavit has been filed by Complainant Smt. Balbir Kaur; Evidence by way of Affidavit has been filed on behalf of the Opposite Party Nos. 1 and 2 by Mr. Rajeev Sharma, Senior Manager Legal of M/s PNB MetLife India Insurance Co. Ltd.

9. Heard Ld. Counsel for Complainant and the Opposite Parties and perused the material available on record.

10. The Claim of the Complainant was repudiated by the Opposite Parties with the following remarks —

..While verifying the claim, we have found that prior to solicitation of the impugned insurance policy of Late Mr. Iqbal Singh Bedi was already insured with other life insurance companies, as follows :

Name of Insurance Company	Policy No. / Application No.	Risk Commencement Date	Sum Assured (Rs.)
Birla Sunlife	005193546/	01-11-2011/	50,00,000/-
	005193866/	01-11-2011/	4,00,000/-
	005319748	13-01-2012	6,00,000/-

(Emphasis added)

In this case, the above-mentioned fact was a material fact for the purposes of underwriting the risk. If this material fact was disclosed to us in the application form, we would not have issued the policy on existing terms. The same was not disclosed to us intentionally and fraudulently at the time of solicitation of the above referenced policy in spite of a specific question posed to Late Mr. Iqbal Singh Bedi in the application form dated 29/10/2014, which was answered as "NO".

Therefore, through this letter, we therefore regret to inform you that we are unable to admit liability for the above claim due to intentional nondisclosure of material facts, as highlighted herein above, and fraud committed to deceive the company after misleading it to issue the policy. All the premiums paid under this policy stand forfeited and in accordance to the provisions of Sec. 45 of the Insurance Act 1938, as amended from time to time.....”

11 . It is, therefore, clear that the categorical ground on which the Claim was repudiated, was that the deceased life assured "was already insured" with another Life Insurance Company, the details of which were mentioned in the repudiation letter dated 12.3.2016. It has, however, transpired that two of the aforesaid Policies bearing Nos. 005193866 and 005193546 were non-existent on the date the deceased life assured had filled up the Proposal Form (29.10.2014). It is the categorical case of the Complainant that the premium amount of Rs. 21,663/- and Rs. 51 ,400/- towards these two Policies, which had been applied for with Birla Sunlife on 21.12.2011, was returned by the Insurer on the same date, and that the Policies consequently stood cancelled. This position has not been contradicted on behalf of the Opposite Party, and is in fact confirmed from Annexure- OP-2 which is a part of the evidence by way of Affidavit of OP-1&2, Shri Rajeev Sharma, Sr. Manager-Legal of the Opposite Party No. 1, which is on Page 34 of his Affidavit. The said page happens to be a printout of the mail sent by Birla Sunlife Insurance to the Opposite Parties on 17.2.2016 in which it has been clearly mentioned that the status of the aforesaid two Policies was "REJECTED" thereby confirming that the aforesaid Policies were not in existence.

To be concluded in the next issue

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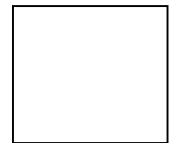
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