2025 LiveLaw (SC) 346

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION
VIKRAM NATH; J., SANDEEP MEHTA; J.
MARCH 03, 2025.
CIVIL APPEAL NO(S). OF 2025 (ARISING FROM SLP(C.) No(s). 15354/2020)
LIFE INSURANCE CORPORATION *versus* **SUNITA & ORS.**

Insurance Policy - Suppression of Material Facts - Exclusion Clause - Hospital Cash Benefit Policy - Repudiation of Claim - Chronic Alcoholism – Pre-existing Condition – Consumer Disputes Redressal Forums - The Supreme Court allowed an appeal by the Life Insurance Corporation (LIC) against an order of the NCDRC which had upheld the decisions of the State and District Consumer Forums directing LIC to compensate the respondent-claimants under the "Jeevan Arogya" hospital cash benefit policy. The deceased insured, a chronic alcoholic, had suppressed this fact in the proposal form, answering "No" to questions regarding alcohol consumption. Following his hospitalization and death due to complications linked to chronic liver disease and cardiac arrest, LIC repudiated the claim under Clause 7(xi) of the policy, which excludes coverage for conditions arising from alcohol misuse. Held, the lower forums erred in interpreting the policy terms and the exclusion clause, as the deceased's chronic alcoholism was a material fact directly related to his hospitalization and death. Overruling the NCDRC's reliance on *Sulbha Prakash Motegaoneker v. LIC*, the Court clarified that suppression of a pre-existing condition justifies repudiation if it is linked to the cause of death. The appeal was allowed, the NCDRC order was set aside, and the repudiation upheld. However, considering the respondents' hardships and payments already made (approximately ₹3,00,000), the Court directed that no recovery of these amounts be sought, though no further payments were to be made. *(Para 16 – 21)*

[Arising out of impugned final judgment and order dated 12-03-2020 in RP No. 54/2018 passed by the National Consumers Disputes Redressal Commission, New Delhi]

For Petitioner(s): Mr. R. Chandrachud, AOR Mr. Dhuli Venkata Krishna, Adv.

For Respondent(s): Mr. Rajesh Kumar Gautam, AOR Mr. Anant Gautam, Adv. Mr. Deepanjal Choudhary, Adv. Ms. Likivi Jakhalu, Adv. Mr. Kushagra Nilesh Sahay, Adv.

O R D E R

1. Leave granted.

2. The present appeal arises from the order dated 12.03.2020 passed by the National Consumer Disputes Redressal Commission (hereinafter, "NCDRC") in Revision Petition No. 54 of 2018. By this order, the NCDRC upheld the decision of the State Consumer Disputes Redressal Commission ("SCDRC") and the District Consumer Disputes Redressal Forum ("District Forum"), directing the appellant, Life Insurance Corporation ("LIC"), to compensate the respondentclaimants in accordance with the terms of the life insurance policy.

3. The deceased insured, Sh. Mahipal, husband of Respondent No.1, was a policyholder under the LIC's "Jeevan Arogya" scheme, which commenced on 28.03.2013. This policy provided hospital cash benefits, entitling the insured to daily cash payments of ₹1,000 for non-ICU hospitalization and ₹2,000 for ICU hospitalization. Under the policy, the deceased was the principal insured, and Respondent No.1 was the second insured.

The policy was issued based on the information provided by the deceased in his proposal form.

4. Approximately a year after obtaining the policy, the deceased was admitted to Sir Ganga Ram Hospital on 03.05.2014 with severe abdominal pain and vomiting. He remained under treatment throughout May and was subsequently admitted to the ICU on 31.05.2014. The following day, on 01.06.2014, he passed away.

5. Respondent No.1 then filed a claim under the policy, seeking reimbursement for the hospital and treatment expenses incurred for her late husband. The appellant considered the claim and, by letter dated 26.09.2014, repudiated it on the ground that the deceased had concealed material information regarding his chronic alcoholism. The claim was deemed to fall under the exclusion clause of the Jeevan Arogya Plan, specifically Clause 7(xi), which excludes coverage for:"Selfafflicted injuries or conditions (attempted suicide) and/or the use or misuse of any drugs or alcohol and complications arising from it."

6. Aggrieved by the repudiation, the respondent-claimants filed Consumer Complaint No. 230/14 before the District Consumer Disputes Redressal Forum, Jhajjar, Haryana ("District Forum"). The District Forum allowed the complaint and directed the appellant to pay ₹5,21,650 as medical expenses, along with interest at 9% per annum from 01.06.2014, ₹20,000 as compensation, and ₹5,500 as litigation costs. It observed that there was no mention of the deceased's alcoholism in the medical records.

7. Challenging this order, the appellant filed First Appeal No. 122/2016 before the SCDRC, Haryana, Panchkula, which was dismissed on 27.07.2017. The appellant then approached the NCDRC by filing Revision Petition No. 54/2018, arguing that the lower forums failed to consider evidence establishing that the insured had suppressed his chronic alcoholism while obtaining the policy, thereby justifying the repudiation of the claim.

8. The NCDRC, by its order dated 12.03.2020, dismissed the revision petition. It observed that while the deceased was suffering from diabetes mellitus and chronic liver disease at the time of hospitalization, his death was due to cardiac arrest, which was not directly linked to the pre-existing ailments. The NCDRC relied on the Supreme Court's decision in Sulbha Prakash Motegaoneker & Ors. v. Life Insurance Corporation [(2021) 13 SCC 561], wherein it was held that suppression of a pre-existing disease would not disentitle a claimant unless the disease directly caused the insured's death.

9. Aggrieved by these findings, the appellant—LIC has preferred the present appeal.

10. We have heard learned counsel for the parties and considered the material on record.

11. The appellant contends that the claim was repudiated based on clear evidence that the deceased was a chronic alcoholic. The prescription slip from Siwach Hospital, dated 01.05.2014—one day before the deceased's hospitalization at Ganga Ram Hospital—explicitly mentions a history of "chronic alcohol intake." Thus, the hospitalization and subsequent death resulted from a self-afflicted condition due to alcohol misuse, which falls squarely within the policy's exclusion clause.

12. The respondent-claimants, on the other hand, argue that there is no cogent evidence to support the repudiation. They submit that the existence of an insurance policy and the death of the insured entitle them to reimbursement of medical expenses.

13. Upon examining the record, we find merit in the appellant's submissions. The lower forums failed to correctly interpret the terms and conditions of the Jeevan Arogya Plan.

Notably, this is a hospital cash benefit policy, not a medical reimbursement policy. Therefore, even if the claim had been otherwise valid, the claimants would not have been entitled to full reimbursement of hospitalization costs, as directed by the lower forums.

14. More significantly, the deceased provided false information in the proposal form. The relevant question in the form asked:"Does the Life Insured consume Alcohol/Cigarettes/Bidis or tobacco in any form?" The deceased answered “No.” The policy was issued based on this declaration. However, evidence on record—including the Siwach Hospital prescription—clearly establishes that the deceased was a chronic alcoholic. This fact was not disclosed at the time of obtaining the policy. Since the Jeevan Arogya Plan was issued under a Non-Medical General Scheme (where no pre-policy medical examination was conducted), the insurer relied solely on the accuracy of the insured’s declarations.

15. The SCDRC rejected the Siwach Hospital prescription on the ground that it was dated nearly a year after the policy was taken. However, this reasoning is flawed. Chronic liver disease, caused by prolonged alcohol consumption, does not develop overnight. The deceased’s alcoholism was a longstanding condition, which he knowingly suppressed while subscribing to the policy. Given this suppression of material facts, the appellant was justified in repudiating the claim under the exclusion clause.

16. The NCDRC erred in concluding that the deceased’s death was unrelated to his pre-existing liver disease. The record shows that he was hospitalized for severe abdominal pain and vomiting—complications commonly associated with chronic liver disease. He remained hospitalized for nearly a month before succumbing to a cardiac arrest. Given this medical history, it cannot be said that the cardiac arrest was an isolated event, unrelated to the pre-existing chronic liver disease.

17. Furthermore, the NCDRC’s reliance on Sulbha Prakash Motegaoneker (supra) was misplaced. That decision was based on peculiar facts where the insured had concealed lumbar spondylitis, which was entirely unrelated to his death due to a myocardial infarction. The Supreme Court clarified this distinction in Bajaj Allianz Life Insurance Co. Ltd. v. Balbir Kaur[(2021) 13 SCC 553], holding:

"11. The decision of this Court in Sulbha Prakash Motegaonkarv. LIC [Subba Prakash Motegaonkar v. LIC, (2021) 13 SCC 561], which has been relied upon by NCDRC, is clearly distinguishable. In that case, the assured suffered a myocardial infarction and succumbed to it. The claim was repudiated by the insurance company on the ground that there was a suppression of a preexisting lumbar spondylitis. It was in this background that this Court held that the alleged concealment was of such a nature that would not disentitle the deceased from getting his life insured. In other words, the pre-existing ailment was clearly unrelated to the cause of death. This Court had also observed in its decision that the ailment concealed by the deceased was not a life-threatening disease. This decision must, therefore, be distinguished from the factual position as it has emerged before this Court."

18. Thus, Sulbha Prakash Motegaoneker does not establish a general principle of law applicable to all cases of nondisclosure. Instead, each case must be assessed based on its specific facts.

19. In light of the foregoing discussion, it is evident that the lower forums erred in directing the appellant to compensate the respondents. The deceased’s chronic alcoholism and liver disease were material facts that were deliberately suppressed when the policy was obtained. Given the clear exclusion clause, the appellant was justified in repudiating the claim.

20. The appellant has already made certain payments to the respondent-claimants, amounting to around Rs.3,00,000/- approximately. Considering the significant passage of time since these payments were made, the financial and emotional hardships endured by respondent no.1 following the demise of her husband, and the principle that undue hardship should be avoided in such circumstances, we deem it inappropriate to direct recovery of the amounts already disbursed. Accordingly, while the repudiation of the claim is upheld, the appellant shall not seek reimbursement of the sums previously paid. It is further directed that no future payments shall be made by the appellant in relation to this claim.

21. Therefore, the appeal is allowed and impugned order dated 12.03.2020 passed by the NCDRC is set aside. However, considering the facts and circumstances of the case, the amount paid by the appellant to the respondents- claimants would not be recovered.

22. Pending application(s), if any, is/are disposed off.