

STATE CONSUMER DISPUTES REDRESSAL COMMISSION,

UNION TERRITORY, CHANDIGARH

Appeal No.	292 of 2024
Date of Institution	06.08.2024
Date of Decision	18.11.2024

1] Max Life Insurance Company Limited (Corporate Identity Number (CIN): U74899PB2000PLC045626), through its Managing Director & Chief Executive officer/Directors/ Authorized Signatories, having its Corporate Office at: 11th floor, DLF Square, Jacaranda Marg, DLF City Phase II, Gurugram, Haryana 122002.

2nd Address: Max Life Insurance Company Limited, Operations Center – 2nd Floor, 90C, Sector 18, Udyog Vihar, Gurugram – 122015.

2] Max Life Insurance Co. Ltd, through its Branch Manager, at S.C.O No.36-38, Sector 8-C, Madhya Marg, Chandigarh-160018.

.....Appellants/Opposite PartiesNo.1 & 2.

Versus

1] Mrs. Jyoti Chawla, aged 49 yrs, W/O Late Shri Vipin Chawla @Vipan Kumar Chawla S/O Satpal Chawla;

2] Ms. Arushi Chawla, aged 22 yrs, D/O Late Shri Vipin Chawla @Vipan Kumar Chawla S/O Satpal Chawla;

Both residents of House No.285, Near Sanatan Shiv Mandir, Sector 8, Panchkula, Haryana-134109

...Respondents/Complainants.

3] Axis Bank Limited (Corporate Identity Number (CIN): L65110GJ1993PLC020769), through its Managing Director & Chief Executive officer/Directors/Authorized Signatories having its Corporate Office at: 'Axis House', C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai 400025.

4] Axis Bank Limited, through its Circle Nodal Officer at Plot No.149, 1st Floor, Industrial Area, Phase-1, Chandigarh-160002.

...Respondents/Opposite Parties No.3 & 4.

BEFORE: JUSTICE RAJ SHEKHAR ATTRI, PRESIDENT

SH. RAJESH K. ARYA, MEMBER

Argued by:-

Sh. Rajneesh Malhotra, Advocate for the appellants.

Sh. Devinder Kumar, Advocate for respondents No.1 & 2.

Sh. Ishant Kangwal, Advocate for respondents No.3 & 4 (in Court) and

Sh. Gaurav Gupta, Advocate for respondents No.3 & 4 – on VC.

PER RAJESH K. ARYA, MEMBER

The instant appeal has been filed by opposite parties No.1 & 2 – Max Life Insurance Company Limited, appellants herein, against order dated 01.04.2024, rendered by District Consumer Disputes Redressal Commission-I, U.T., Chandigarh, (hereinafter to be called as the District Commission only), vide which, Consumer Complaint No.88 of 2023 filed by the complainants (respondents No.1 & 2 herein) has been partly allowed against the appellants in the following manner:-

“4. In the light of the aforesaid discussion, the present consumer complaint succeeds, the same is hereby partly allowed and OPs 1 & 2 are directed as under :-

- i. to pay ₹19,64,026/- to the complainants alongwith interest @ 9% per annum from the date of repudiation of the claim i.e. 31.12.2022 onwards.
- ii. to pay ₹40,0000/- to the complainants as compensation for causing mental agony and harassment;
- iii. to pay ₹10,000/- to the complainants as costs of litigation.

5. This order be complied with by OPs 1 & 2 within forty five days from the date of receipt of its certified copy, failing which, the payable amounts, mentioned at Sr.No.(i) & (ii) above, shall carry interest @ 12% per annum from the date of this order, till realization, apart from compliance of direction at Sr.No.(iii) above. It is, however, made clear that the aforesaid awarded amount shall be apportioned amongst the complainants in equal share i.e. in the ratio of 50:50 each.

6. It is also made clear that bank/financier (OPs 3 & 4) shall have first charge over the aforesaid awarded amount, to the extent the same is due to be paid by the complainants towards the discharge of loan liability, if any, of the DLA.”

However, the complaint against opposite parties No. 3 & 4 was dismissed by the District Commission with no order as to costs.

2] In brief, the facts of the case before the District Commission was that in November 2021, Sh. Vipin Chawla, husband of complainant No.1 and father of complainant No.2, approached opposite party No.3 for a loan against property. Opposite Party No.3 informed him that purchasing a Group Credit Life Insurance Policy from opposite party No.1 was mandatory to secure the loan. Consequently, Sh. Vipin Chawla purchased the policy, "Max Life Group Credit Life Secure Plan," for Rs.68,817.56, with a sum assured of Rs.20,68,818/- and coverage for 96 months. Tragically, on 15.2.2022, he suffered a sudden cardiac arrest and passed away. The complainants filed a claim with opposite party No.1 but it was repudiated on 31.8.2022, citing material non-disclosure and mis-statement of health issues such as hypertension and depressive disorder. It was the case of the complainants that Sh. Vipin Chawla was in good health when the policy was purchased and died suddenly from cardiac arrest. They contended that rejection of the claim constituted deficiency in service and unfair trade practices, as their repeated requests for claim approval were ignored.

3] On the other hand, opposite parties No.1 & 2 (appellants) stated that they repudiated the complainants' claim on the grounds that the DLA had concealed material facts at the time of purchasing the policy, specifically his history of hypertension, postural hypertension and depressive disorder, for which he was undergoing treatment. It was further stated that the policy was obtained to secure a loan but the DLA

failed to disclose these health issues in the proposal form and related documents. It was further stated that this concealment was deemed a fundamental breach of the policy, leading to the claim's rejection.

1. After hearing the Counsel for the parties and going through the evidence and record of the case, the District Commission partly allowed the complaint in the manner, as stated above.
2. The order of the District Commission has been assailed by the appellants on the ground that the District Commission has erroneously given a finding that there was no nexus between the medical treatment taken by the policy holder before the policy and his cause of death whereas the Hon'ble National Consumer Disputes Redressal Commission in case 'LIC Versus Krishan Chander Sharma', II (2007) CPJ 51 (NC) has held that ultimate cause of death of the deceased has no relevance whatsoever to the disclosing of information regarding health required in the proposal form. Further reliance has been placed on Ajay Parkash Mittal Vs. LIC, 1997 (2) CPJ 234. It has further been stated that since the DLA failed in his duties to disclose the material facts in the proposal form, therefore, the contract becomes *void ab initio* in terms of Section 17 of Indian Contract Act, 1872. It has further been stated that the insurance policy is a legal contract based on terms and conditions and the claim, if any, is payable only if there is no violation of the terms of the policy. The appellants further placed reliance on Vikram Greentech (I) Ltd. & Anr. Vs. New India Assurance Co. Ltd., II (2009) CPJ 34, P. C. Chacko and another Vs. Chairman, Life Insurance Corporation of India and others, (2008) 1 SCC 321; General Assurance Society Ltd. Vs. Chandumull Jain and another, AIR 1966 SC 1644; Reliance Life Insurance Co. Ltd. Vs. Rekhaben Nareshbhai Rathod (SC), Civil Appeal No.4261 of 2019 (arising out of SLP(c) No.14312 of 2015) decided on 24.04.2019; Grasim Industries Ltd. Vs. Agarwal Steel, Civil Appeal Nos.5994 of 2004, 7477 of 2004 & 1733 of 2005 decided by Hon'ble Supreme Court on 20.10.2009; Mithu Lal Naik Vs. LIC, AIR 1962 SC 841; LIC Versus Krishan Chander Sharma, II (2007) CPJ 51 (NC); Satwant Kaur Sandhu Versus New India Assurance Company Ltd., IV (2009) CPJ 8 (SC) and Dineshbhai Chandarana & Others Vs. LIC of India, First Appeal No.242 of 2006 decided by Hon'ble National Commission on 27.07.2010.
3. On the other hand, respondents No.1 & 2/complainants vehemently argued that the District Commission rightly partly allowed their consumer complaint after appreciating the facts and evidence before it and as such, the appeal filed by the appellants be dismissed.
4. After considering the rival contentions of the parties, thoroughly reviewing the impugned order and material on record, and carefully analyzing the written arguments, we hold that the appeal must be dismissed for the reasons set forth hereinafter. The present case revolves around the repudiation of a life insurance claim by the appellants, who rejected the claim of respondents No.1 & 2/complainants (legal heirs of the DLA) based on alleged non-disclosure of pre-existing medical conditions, including hypertension, postural hypotension, and depressive disorder, by the DLA at the time of obtaining the insurance policy. The DLA passed away due to a heart attack in February 2022 and the claim was repudiated on the ground of material non-disclosure. Upon careful examination of the policy terms, the medical records and the repudiation letter, this Commission finds that the primary issue is whether the pre-existing conditions, which were treated in 2018, were related to the cause of death (cardiac arrest) in 2022. The Commission holds that there is no evidence linking the pre-existing ailments to the heart attack that caused the DLA's death. The discharge summary from 2018, which mentioned symptoms like vertigo and burning micturition, does not suggest a life-threatening condition related to the cause of death. We would like to refer precedents where common lifestyle diseases such as hypertension are not considered grounds for repudiation unless they are directly linked to the cause of death.

8] The Hon'ble Supreme Court in **Sulbha Prakash Motegaonkar & Ors. Vs. LIC of India [Civil Appeal No.8245 of 2015]** decided on 5.10.2015, wherein, although it was proved that the insured therein had concealed regarding his pre-existing disease but he died on account of some other reason, allowed the consumer complaint while holding that the disease from which the insured had died has no nexus with the pre-existing disease. Relevant part of the said order is reproduced hereunder:-

".....We are of the opinion that the National Commission was in error in denying to the appellants the insurance claim and accepting the repudiation of the claim by the respondent. The death of the insured due to ischaemic heart disease and myocardial infarction had nothing to do with his lumbar spondylitis with PID with sciatica. In our considered opinion, since the alleged concealment was not of such a nature as would disentitle the deceased from getting his life insured, the repudiation of the claim was incorrect and not justified....."

1. In **Life Insurance Corporation of India Vs. Jyotsna Rawal, Revision Petition No. 864 of 2018 decided on 08.05.2018**, also the Hon'ble National Commission, New Delhi, held as under :

8. *In this context, I would like to rely upon the decision of Hon'ble Supreme Court in Civil Appeal No.8254 of 2015 in the case of **Sulbha Prakash Motegaonkar & Ors. Vs. Life Insurance Corporation of India**, decided on 05-10-2015. This was the case where the deceased died due to Ischemic Heart disease and myocardial infarction. There was a concealment of lumbar spondylitis with PID with sciatica and, therefore, the insurance company repudiated the claim. Hon'ble Supreme Court held that it was not the case of insurance company that the deceased was suffering from life threatening disease which could or did cause death of the insured. The Court observed as below:*

"We are of the opinion that the National Commission was in error in denying to the appellants the insurance claim and accepting the repudiation of the claim by the respondent. The death of the insured due to ischemic heart disease and myocardial infarction had nothing to do with his lumbar spondylitis with PID with sciatica. In our considered opinion, since the alleged concealment was not of such a nature as would disentitle the deceased from getting his life insured, the repudiation of the claim was incorrect and not justified.

- 10] In **Neelam Chopra Vs. Life Insurance Corporation of India and Ors, Revision Petition No. 4461 of 2012 decided on 08.10.2018**, the Hon'ble National Commission, New Delhi, held as under :

"13. From the above observations of the Hon'ble Supreme Court, it is clear that suppression of any information relating to pre-existing disease if it has not resulted in death or has no direct relationship to cause of death, would not completely disentitle the claimant for the claim."

- 11] In **Lachman Sarup Vs. LIC of India, Revision Petition No. 42 of 2013 decided on 04.02.2019**, the Hon'ble National Commission, New Delhi, held as under :

7.....Even if it is presumed for the sake of arguments that she had not succumbed to the injuries which she sustained when she fell from the stairs, the fact remains that the claim could not have been denied unless it was shown that she had died on account of suffering from Kochi's Chest. No material has been placed before this Commission to show that Kochi's Chest by itself was a life threatening disease even at the time when the deceased insured is alleged to have died. The onus was upon the insurer to prove either that the deceased insured had died on account of she suffering from Kochi's Chest or that Kochi's Chest was by itself a life threatening disease. Therefore, relying upon the decision of the Hon'ble Supreme Court in Sulbha Prakash (supra), I hold that the repudiation of the claim was not justified.

- 12] In **Bajaj Allianz General Insurance Co. Ltd. Vs. Usha P Joshi and Ors., First Appeal No. 48 of 2012 decided on 01.02.2019**, the Hon'ble National Commission, New Delhi, observed as under:

"13. The Appellant has failed to show that diabetes, hypertension and angina had any nexus with 'SYNCOPE' for which the respondent was treated and the claim put up."

18. The appellant, however, has failed to bring to my notice any proved fact in support of the contention that there was suppression of any material information or concealment of a pre-existing disease which had the nexus with the disease for which the respondent/complainant was treated in USA and for which she had put up her claim. It is noteworthy that the present claim is under 'travel secure policy' to redeem the insured for the expenses for the treatment of an ailments abroad. The appellant has failed to prove that the ailment with which the respondent/complainant had taken treatment while in USA had any nexus with her earlier condition of diabetes or two/three fainting episodes or hypertension etc. and that she had deliberately concealed her condition of "SYNCOPE" for which she was treated in USA.

- 13] In **Pratibha Bevinval Vs. Metlife India Insurance Co. Ltd., Consumer Complaint No. 88 of 2011 decided on 07.10.2022** the Hon'ble National Commission, New Delhi, held as under :

7.....*This Commission in Revision Petitions (supra) has also been guided by this judgement of the Hon'ble Supreme Court and these orders have attained finality. In the instant case, the OP 's ground for repudiation of the policy is the concealment of a heart condition and diabetes mellitus. However, the cause of death of the DLA is a road accident due to rash and negligent driving by a motor cyclist. I am, therefore, of the view that the matter is squarely covered by Sulbha Prakash Motegaonkar (supra) and therefore the complaint is liable to succeed.*

14] It may also be stated here that when there is no direct nexus or causal connection between a pre-existing disease and the cause of death, the insurer cannot validly repudiate the death claim based on the existence of the pre-existing condition. In such cases, the mere presence of a pre-existing ailment, unless it can be shown to have contributed directly or materially to the death, does not justify the repudiation of the claim. As discussed above, the law on this issue is well-settled. Courts have consistently held that insurance policies cannot be voided, nor can claims be denied, simply due to the non-disclosure or existence of a pre-existing disease, unless the insurer can establish that the pre-existing condition was either the proximate cause of the death or would have materially affected the insurer's decision to provide coverage had it been disclosed. In other words, for repudiation to be lawful, the insurer must demonstrate that the pre-existing condition directly contributed to or caused the death of the insured. In instances where the cause of death is unrelated to the pre-existing conditions disclosed or undisclosed by the insured, the insurer's refusal to honor the claim constitutes an unjust repudiation. This principle is particularly relevant in cases involving lifestyle diseases such as hypertension or diabetes, where it is well-recognized that these conditions may not be directly linked to certain fatal events, such as a sudden heart attack or stroke, unless there is medical evidence to establish such a connection. Thus, in the absence of clear and cogent evidence that the pre-existing disease played a material role in causing the death, the insurer cannot deny the claim on the grounds of non-disclosure or pre-existing conditions. To hold otherwise, would be to disregard the essential purpose of life insurance, which is to provide financial security to the beneficiaries in the event of the policyholder's death, irrespective of the existence of non-life-threatening pre-existing conditions unless they are causally related to the fatal event. Moreover, the policy itself required medical examination reports before issuance, making it the insurer's responsibility to review the DLA's medical history before issuing the policy. As the appellants had accepted the policy despite being aware of the DLA's medical history, the repudiation on the basis of non-disclosure has rightly been deemed unjustified by the District Commission. Thus, the judgments relied upon by the appellants are of no help to them.

1. In view of the principle of law laid down by the Hon'ble Supreme Court and also the Hon'ble National Commission, New Delhi, in the above said cases, we are of the view that there was no nexus between the cause of death of the insured and the alleged preexisting disease. Therefore, we do not find any infirmity or material irregularity in the impugned order passed by the District Commission, which is legal, just and fair.
2. For the reasons recorded above, this appeal, being devoid of merit, is dismissed with no order as to costs.
3. Certified copies of this order be sent to the parties free of charge.
4. File be consigned to Record Room after completion.

Pronounced.

18.11.2024.

[JUSTICE RAJ SHEKHAR ATTRI]

PRESIDENT

[RAJESH K. ARYA]

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