

**NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION
NEW DELHI**

FIRST APPEAL NO. 593 OF 2022

(Against the Order dated 23/06/2022 in Complaint No. 74/2014 of the State Commission
Maharashtra)

1. SBI LIFE INSURANCE COMPANY LTD.

SEAWOODS GRAND CENTRAL, F WING 8TH FLOOR,
PLOT NO. R-1, SECTOR-40, SEAWOODS, NERUL, NAVI
MUMBAI-400070

.....Appellant(s)

Versus

1. HEMANGI & 2 ORS.

WD/ OF SHRI ROHIT VAID, R/O. C/O. SHRI M.P.
CHACHARKAR, 4-5, ASHVINAYAK COLONY, DHOBI
NAGAR, MAHATMA GANDHI NAGAR,
HUDKESHWAR ROAD,
NAGPUR-440034

2. KU. NAVINYA D/O. SHRI ROHIT VAID,

THROUGH HER NATURAL GURDIAN MOTHER SMT.
HEMANGI VAID WD/D SHRI ROHIT VAID, R/O. C/O. SHRI
M.P. CHACHARKAR, 4-5, ASHVINAYAK COLONY, DHOBI
NAGAR,

MAHATMA GANDHI NAGAR, HUDKESHWAR ROAD,
NAGPUR-440034

3. STATE BANK OF INDIA

RACPC DIVISION, S.V. PATEL MARG, NEAR RAILWAY
STATION,

NAGPUR MAHARASHTRA

.....Respondent(s)

BEFORE:

**HON'BLE MR. SUBHASH CHANDRA, PRESIDING MEMBER
HON'BLE DR. SADHNA SHANKER, MEMBER**

FOR THE APPELLANT :

Dated : 19 August 2024

ORDER

**For SBI Life Insurance
Advocate**

Mr. Kapil Chawla,

For Hemangi

Mr. M. P. Chacharkar, Advocate

Mr. Akhilesh and Mr Siddharth Sangal,

Advocate for R 3 – State Bank of India

ORDER

PER SUBHASH CHANDRA

First Appeal No.593 of 2022 assails the order dated 23.06.2022 of the Maharashtra State Consumer Disputes Redressal Commission, Mumbai (for short “the State Commission”) partly allowing Complaint No.74 of 2014 and directing the Appellant herein to pay ₹20 Lakhs as insurance cover for the accidental death of the late husband of Respondent No.1, with interest @ 9% p.a. along with ₹1 Lakh towards mental agony and harassment and ₹50,000/- as costs within two months or with interest @ 12% p.a. jointly and severally with Respondent No.3.

2. This order will also dispose of First Appeal No.62 of 2023 filed by the Respondent No.1 which also emanates from the same order as the facts in both the Appeals are the same. First Appeal No.593 of 2022 is taken as the lead case.

3. In brief, the facts of the case are that Mr. Rohit Vaid, the late husband of Respondent No.1, had availed two home loans of ₹14 Lakhs each from Respondent No.3 (State Bank of India) in respect of two flats. As per a Master Policy held by Respondent No.3, State Bank of India, with the Appellant, the Proposed Life Assured (PLA) was entitled to insurance cover under the life cover policy “SBI Life – RINn Raksha Insurance Policy”. A policy proposal was submitted to the Appellant by the Respondent’s late husband and premium of ₹11,080/- was paid by the Bank to the Appellant on 14.06.2013. However, vide letter dated 22.06.2013, the Appellant sent a Health Questionnaire to the borrower asking for disclosure of information regarding his health. Since the requirements as per this letter were not fulfilled, the Appellant refunded the premium back to the account of the borrower on 07.08.2013 through direct credit and wrote a letter dated 16.08.2013 informing inability to cover the insured and intimating the refund. The borrower /PLA expired on 04.09.2013 due to a heart attack while overseas on work. The claim of insurance preferred by the Respondent No.1 (wife of the PLA) was turned down by the Appellant on the ground that there was no coverage vide its letter dated 26.10.2013. Respondent No.1 thereafter filed Complaint No.74 of 2014 before the State Commission which came to be allowed on contest vide the impugned order. This order is impugned before us.

4. We have heard learned Counsel for the parties and perused the record carefully. We have also gone through the short synopsis of written arguments filed by all the parties.

5. The Appellant’s case is that while the loan amount was sanctioned by the bank and life insurance premium was sent on 08.05.2013 (disbursed on 14.06.2013) by Respondent No.3, the life insurance policy was not sanctioned since the PLA did not provide the health information required. Therefore, the premium was refunded on 07.08.2013 and intimated to Respondent No.3 and the PLA as it was a case of an un-concluded contract and as the death occurred prior to acceptance of this, the claim was repudiated. It was the case of the Appellant that the claim had been rightly repudiated. Reliance was placed on the judgment of the Hon’ble Supreme Court in *LIC of India vs. Rajavasireddy & Others* (AIR 1984 SC 1014) in which it is held that “*a contract concludes only when the party to whom an offer*

has been made accepts it unconditionally and communicates his acceptance to the person making offer and acceptance must be signified by some act of acts agreed on by the parties or from which the law raises a presumption of acceptance". Reliance was also placed on the judgment of this Commission in **Uttamchand vs. LIC** in First Appeal No.750 of 2007 wherein relying on **Rajavasireddy** (supra) it is held that "*the mere fact that a person is paying premium and filing proposal form does not mean that ipso facto he gets vested rights to claim insurance policy*" and in **LIC of India vs. Bimala Routray**, First Appeal No.126 of 1992, 11 (1993) CPJ 146 (NC), "*no concluded contract of insurance comes into force when the proposer dies before the acceptance of the proposal*". It was also contended that this Commission had in **Avtar Singh & Others vs. SBI Life Insurance Co. Ltd.**, Revision Petition No.2680 of 2012 dated 02.08.2013 held that "*merely by encashing the cheque of premium, insurance contract does not come into force. Mere encashment of cheque, given towards first premium, is not enough to conclude that a contract had come into existence between the parties.*" Therefore, it was contended that there was no deficiency in service on their part and the Complaint be dismissed.

6. *Per contra*, it was argued on behalf of the Respondent that the Appellant had not sent any letter dated 26.10.2013 with regard to cancellation of the policy on the ground that the NRI Questionnaire had not been submitted. It was also stated that the Appellant had refunded the insurance premium after partial deduction in one account and the full premium in the second account after the death of the PLA (late husband of the Respondent No.1). It was contended that the Appellant and Respondent No.3 while stating that the guidelines of IRDA and Insurance Act are adhered to by them, did not process the insurance proposal within 15 days, as prescribed by IRDA and cancelled the proposal illegally for want of immaterial information even after the premium had been paid to the SBI Life, the Appellant. It was contended that the impugned order failed to appreciate that the home loan insurance cover under the Master Policy was to be extended to the borrower and that the rejection of the policy at the stage of proposal was contrary to its policy of securing the loan by way of insurance cover.

7. According to Respondent No.3 (State Bank of India), while admitting the facts of sanction of Housing Loan of ₹28 Lakhs for two flats (₹14 Lakhs for each case) to the PLA vide sanction dated 08.05.2013 along with premium of ₹55,400/- and disbursal of premium of ₹11,080/- to the Appellant on 14.06.2013 from the loan account, it is contended that the SBI Life Insurance Policy was not mandatory or a condition precedent for the disbursal of the home loan. It was stated that the borrower failed to fulfil the requirements of the Appellant regarding disclosure of requirements (health details) as per letter dated 22.06.2013, the premium amount was refunded to the borrower's account on 07.08.2013 through direct credit and intimated the same vide letter dated 16.08.2013. It was contended that as no Certificate of Insurance was ever issued and the borrower's name was not included in the Master Policy of the SBI the claim had been rightly turned down by the Appellant. It was also submitted that there was no deficiency in service on its part.

8. The moot issue in this case which falls for consideration is whether the PLA was eligible for life cover and whether the repudiation of the claim by Respondent No. 1 was justified.

9. From the record and the submissions by the parties, it is manifest that no policies for life cover were issued by the Appellant in respect of the PLA, late husband of Respondent No. 1. The contention of the Respondent No. 1 that as the policies were assured by the Respondent No. 2 as part of the home loans and premium had been deducted, the policies should be considered as sanctioned, and the claim accordingly disbursed needs consideration in light of the settled law in the matter. The Hon’ble Supreme Court in *Rajavasireddy* (supra) has held that in case of insurance proposals, silence does not denote consent and

no binding contract arises until the person to whom an offer is made explicitly says or does something to signify his acceptance. The insurance proposal has to be accepted by the Competent Authority as per the Standing Order of the Insurer in order to constitute a binding contract. While the Respondent No. 1 has argued that the requirements of the questionnaire stated by the Appellant were not a condition precedent for the approval of the policies, especially when the premium had been received, it is contended by the Appellant that an insurance policy is a contract like any other contract which is concluded only when assent is conveyed and the proposal is accepted only then. This is also the position under Section 2(b) of the Contract Act, 1872. Only when a proposal is accepted does it become a promise. Communication of acceptance to the proposer is therefore an essential ingredient of the conclusion of a contract of insurance. No presumption of acceptance can be made only on the ground that the premium had been accepted or retained for some time. It is only the acceptance of the proposal and its communication to the proposer that makes the contract binding. In the instant case, the proposal had been formally returned and the premium refunded prior to the PLA’s death. It cannot, therefore, be concluded that the contract had been concluded and that Appellant was liable to settle a claim preferred under it. In view of the above and the settled law as per the judgment of the Hon’ble Supreme Court in *Rajavasireddy* (supra), the finding of the State Commission in the impugned order therefore cannot be sustained and warrants interference.

10. For the aforesaid reasons and in the facts and circumstances of this case, the First Appeal No.593 of 2022 is allowed. Order of the State Commission in Complaint No.74 of 2014 is set aside. There shall be no order as to costs.

11. FA No. 62 of 2023 is dismissed in view of the order passed in First Appeal No.593 of 2022.

12. Pending IAs in both First Appeals are also disposed of with this order.

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SUBHASH CHANDRA
PRESIDING MEMBER

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DR. SADHNA SHANKER
MEMBER