

**NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION
NEW DELHI**

FIRST APPEAL NO. 99 OF 2021

(Against the Order dated 01/01/2021 in Complaint No. 23/2017 of the State Commission
Andhra Pradesh)

1. SBI LIFE INSURNACE CO. LTD.

F WING, 8TH FLOOR, SEAWOOD GRAND
CENTRAL, PLOT NO. R-1, SECTOR-40, SEAWOODS,
NERUL, NAVI MUMBAI-400706

.....Appellant(s)

Versus

1. SMT. SOMA KANCHANA GOWRI & 3 ORS.

W/O LATE SOMA NAGARAJU, E-87, RTPP, V.V.REDDY
NAGAR, KALAMALLA VILLAGE, YERRAGUNTLA
MANDAL, Y.S.R., KADAPA DISTRICT, -516312

2. S.PREM SAI

W/O LATE SOMA NAGARAJA, E-87, RTPP, V.V.REDDY
NAGAR, KALAMALLA VILLAGE, YERRAGUNTLA
MANDAL, Y.S.R., KADAPA DISTRICT, -516312

3. S.SWAROOP RAJ

S/O LATE S. SUBBA RAYADU, E-87, RTPP, V.V.REDDY
NAGAR, KALAMALLA VILLAGE, YERRAGUNTLA
MANDAL, Y.S.R., KADAPA DISTRICT, -516312

4. SMT. S. LAKSHMI DEVI

W/O LATE S. SUBBA RAYUDU, E-87, RTPP, V.V.REDDY
NAGAR, KALAMALLA VILLAGE, YERRAGUNTLA
MANDAL, Y.S.R., KADAPA DISTRICT, -516312

.....Respondent(s)

BEFORE:

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

FOR THE APPELLANT :

Dated : 29 August 2024

ORDER

For the Appellant (s) : Mr. Kapil Chawla, Advocate

For the Respondent(s) : Mr. K. Maruthi Rao, Advocate

ORDER

PER SUBHASH CHANDRA

1. This Appeal under Section 51 of the Consumer Protection Act, 2019 (in short the "Act") assails the order dated 01.01.2021 in Complaint No.23 of 2017 of the Andhra Pradesh State Consumer Disputes Redressal Commission, Vijayawada (for short "the State

Commission") allowing the Complaint and directing the Opposite Party/Appellant to pay the balance outstanding housing loan amount along with refund of installment received by the Opposite Party No.3, State Bank of India, from 01.06.2016 with interest @ 9% p.a. from the date of payment of each installment till realization and Opposite Parties No.1 to 3 to pay ₹1 Lakh each towards compensation and ₹5,000/- as costs to the Complainants within four weeks of date of receipt of the order.

2. We have heard the learned Counsel for the parties and perused the records.

3. The relevant facts of the case, in brief, are that the late husband of the Respondent No.1 had obtained a housing loan from the Appellant and in order to cover the said loan had taken a life insurance policy, namely, SBI RiNn Raksha Policy Scheme, under a Group Master Policy. The late husband of the Respondent No.1 submitted a membership form on 08.03.2016 with a sum of ₹85,360/- on 14.03.2016 for a policy under which the sum assured was ₹50 Lakhs. The proposed life assured was required to undertake a medical examination on 28.03.2016 and in view of the high blood sugar detected, considering the additional risk involved, the Appellant offered life cover with an extra premium which was revised to ₹1,39,137/-. The sum of ₹53,777/- over and above ₹85,360/- paid earlier was not consented to or paid by the Respondent's husband and hence, the proposal of life insurance was not accepted. The initial premium deposit of ₹85,360/- was refunded to the loan account of the Respondent's husband on 24.05.2016. The proposed life assured expired on 21.05.2016. Respondent No.1 approached the Appellant and submitted necessary claim forms. On 08.07.2016, a legal notice was issued by the Respondent No.1 to the Appellant regarding payment of the insurance claim followed by another notice on 01.09.2016. Alleging deficiency in service, Respondent No.1 then approached the State Commission with the prayer to direct the Opposite Party (Appellant herein) to pay ₹50 Lakhs with interest @ 15% p.a. from 21.05.2016 till realization, compensation of ₹5 Lakhs for hardship and mental agony and costs of ₹1 Lakh with such other order(s) deemed fit. On contest, the Complaint came to be allowed on 01.01.2021 by the State Commission, directing the Opposite Parties/Appellant to pay the outstanding loan amount with interest etc. This order is impugned before us with the prayer to set aside the same.

4. The case of the Appellant is that the insurance cover under SBI RiNn Raksha Policy Scheme which was a Master Policy was a voluntary option under the housing loan and was required to be preceded by medical examination. In view of the medical examination of the proposed life assured indicating high blood sugar levels, it is contended that the proposal was not accepted by the Appellant and therefore, there was no insurance cover on the deceased. It is argued that mere deposit of the amount towards premium along with proposal does not automatically result into policy. In the instant case, the balance premium, which was the consideration of contract, had not been paid in full. It is contended that the contract of insurance had not been concluded. It is submitted that the provision of Section 64 VB of the Insurance Act 1938 requires that no insurer shall assume any risk in India in respect of any insurance business unless and until the premium payable is received by him in advance. As per the Master Policy also, the start of the insurance cover was defined from the date on which the underwriting acceptance of proposal and date of receipt of premium was done. It is argued that the contract of insurance without consideration under Section 25 of the Indian Contract Act was void. After paying the initial deposit, the deceased had not paid the balance premium to cover the high risk entailing a higher premium that was acceptable to the

Appellant. It was, therefore, contended that the State Commission had erred in allowing the Complaint of the Respondent and directing the Appellant to pay the outstanding loan amount as on 21.05.2016 with compensation and litigation costs.

5. Reliance was placed on the judgment of the Hon'ble Supreme Court in **LIC of India vs. Rajavasi Reddy**, Appeal No.2197 of 1970 which had been followed by this Commission in **LIC vs. Gurnam Singh IV (2007)** CPJ 63 (NC). Appellant has further relied on (i) **Life Insurance Corporation of India vs. Mala Goyal**, Revision Petition No.941 of 2008, (ii) **LIC of India vs. Bimala Routray**, 1993 CPJ 146 (NC), (iii) **LIC of India & Anr. Vs. Smt. K. Aruna Kumari**, Revision Petition No.533 of 1994 and (iv) **Avtar Singh & Ors. Vs. SBI Life Insurance Co. Ltd.** Revision Petition No.2680 of 2012.

6. *Per Contra*, the contention of the Respondent is that the order of the State Commission was considered and reasoned and required to be upheld since the insurance premium of ₹85,360/- had been accepted by the Appellant.

7. From the facts of this case, it is manifest that although the late husband of the Respondent No.1 had applied for insurance cover under the SBI RiNn Raksha Policy Scheme for which purpose a sum of ₹85,360/- had also been deducted by the Bank and paid to the Appellant as the premium, the policy could not be approved since a higher premium was required to cover the additional risk on account of the proposed life assured's medical status which, as per medical test conducted, indicated high sugar levels. As this additional premium was not admittedly paid to the Appellant, the policy did not fructify. The Appellant has repudiated the claim on the ground that

there was no policy in place and has placed reliance on Section 64 VB of the Insurance Act 1938 and the settled law in view of the Hon'ble Supreme Court's judgment in **Rajavasi Reddy** (supra) and of this Commission in **Maya Goyal** (supra), **Bimala Routray** (supra), **Aruna Kumari** (supra) and **Avtar Singh** (supra).

8. From the facts of this case and the material on record, it is evident that the finding of the State Commission in the impugned order has not considered the above facts and proceeded to arrive at a finding that the late husband of the Respondent No.1 was covered under the insurance policy and was, therefore, entitled to relief which has been proceeded to be awarded along with various compensations and costs.

9. The Hon'ble Supreme Court in **Rajavasi Reddy** (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. From the facts of the case on hand, it is manifest that the premium for life cover under the policy had not been paid. The contract of insurance was, therefore, not concluded as per Section 64 VB of the Insurance Act, 1938.

10. In view of the foregoing, the conclusions of the State Commission cannot be sustained and must necessarily be set aside. Accordingly, the Appeal is allowed and the impugned order is set aside.
11. Parties shall bear their own costs.
12. All pending IAs, if any, also stand disposed of with this order.

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SUBHASH CHANDRA
PRESIDING MEMBER

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DR. SADHNA SHANKER
MEMBER