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Court : Andhra Pradesh State Consumer Disputes Redressal Commission
SCDRC Hyderabad

Decided On : Sep-21-2011

Judge : Honourable Mr. Justice D. Appa Rao, President, Mr. R.L. Narsimha Rao, Member & Mr. T. Ashok Kumar, Member

Appeal No. : FA 1295 of 2009 against C.C. 72/2009, Dist. Forum, Vizianagaram

Appellant : D. Satya Murthy

Respondent : The Branch Manager L.i.C. of India Lower Tank Bund Road and Another

Judgement :

ORAL ORDER: (Per Honble Sri Justice D. Appa Rao, President)

1) This is an appeal preferred by the complainant against the order of the Dist. Forum in denying bonus and interest under the policy.

2) The case of the complainant in brief is that he had taken LIC policy on his life for a sum of Rs. 10,000/- on 18.1.1960 for a period of 15 years the maturity date being 28.1.1975. On the advise of insurance company he had availed the option of conversion of above policy into increased paid-up whole life policy on 11.12.1971 and the same was accepted and endorsed on the policy. Since he had faced some

health and financial problems he had decided to surrender the policy and intimated the same on 10.2.2001. Despite several letters and reminders over telephone he did not receive surrender value. However, on 19.4.2008 it had paid Rs. 10,000/- by way of demand draft. It did not pay either interest or bonus for all these years. Since non-payment of interest and bonus amounts to deficiency in service filed the complaint claiming Rs. 86,400/- with interest @ 18% p.a., besides compensation of Rs. 2 lakhs and costs.

3) The insurance company resisted the case. While admitting issuance of policy it denied that it was liable to pay bonus or interest. The complainant had taken the policy under Guaranteed Triple Benefit Without Profit for the assured sum of Rs. 10,000/-. Clause No. 46 stipulates that no bonus payment is envisaged under the said plan, and only payment of sum assured payable is Rs. 10,000/- on the date of maturity or on survival of policyholder to date of maturity, and a free insurance of an amount equal to the sum assured payable on the death of the policyholder to his heir or in the alternative option can be exercised by the policyholder three years prior to the date of maturity, provided the policy is in force, either to receive an increased cash payment in lieu of free insurance cover or the policyholder can opt for an increased paid up assurance in lieu of maturity payment, and as per the policy conditions, the policy holder may opt for any of the three benefits. As desired by him an amount of Rs. 10,000/- was paid on 14.4.2008 towards full and final settlement. Having received the said amount he was not entitled for any other amount under the said policy. The complaint was barred by limitation, and therefore it prayed for dismissal of the complaint with costs.

4) The complainant in proof of his case filed his affidavit evidence while the insurance company filed the affidavit evidence of its Manager. Though the documents were filed by both the parties the Dist. Forum did not mark the documents.

5) The Dist. Forum after considering the evidence placed on record opined that the complainant having accepted the amount even before the maturity period, and that complaint was filed beyond the period of two years limitation it was dismissed.

6) Aggrieved by the said decision, the complainant preferred the appeal contending that the Dist. Forum did not appreciate either facts or law in correct perspective. It ought to have seen that only policy amount was paid on 19.4.2008, and that though the policy was surrendered on 10.2.2001, and in view of terms of the policy he was entitled to bonus and interest. This amounts to deficiency in service, and prayed that the complaint be allowed.7) The point that arises for consideration is whether the order of the Dist. Forum is vitiated by mis-appreciation of fact or law?

8) It is an undisputed fact that on 18.1.1960 the complainant had taken an insurance policy under the scheme Guaranteed Triple Benefit Without Profit for a sum of Rs. 1 lakh. The maturity period was for 15 years. The maturity date being 28.1.1975. Later he got the policy converted for increased paid-up whole life policy vide his letter 11.12.1971. Evidently, whatever be the reason he surrendered the above policy on 10.2.2001. The insurance company had paid Rs. 10,000/- by way of demand draft on 19.4.2008. Alleging delay and non-payment of bonus and interest amounts to deficiency in service the complainant is claiming the amounts.

9) The Dist. Forum while observing that the complainant was entitled to bonus and interest however on the ground of limitation the claim was dismissed. Opining that the date of encashment was in the year 2001 and the complaint being filed on 17.7.2009 it was barred by limitation. It is not in dispute that right from 18.1.1960 the date of taking of the policy, he paid premium. When he claimed the amount only the sum assured was paid on 19.4.2008. According to him for a period of 48 years the insurance company did not pay on the ground that clauses 46 does not provide for such payment. While the policy was surrendered on 11.12.1971 the insurance company informed him on 10.7.1971 that the option of increased paid-up assurance can be exercised not less than three years before the date of maturity i.e., not later than 28.1.1972 without the necessity of medical examination. The complainant has opted even before the stipulated date i.e., on 11.12.1971. The policy bond was enclosed as evident from contents of the letter. This fact was not denied. On 10.2.2001 he intended to surrender the policy and requested the insurance company to send discharge forms and other documents. No amount was paid nor gave a reply despite letters from the complainant on

8.11.2005. Despite receiving the same evident from acknowledgement dt. 9.11.2005 belatedly it had sent the amount on 19.4.2008.

10) The respondent insurance company issued policy under the scheme Guaranteed Triple Benefit Without Profit for the assured sum of Rs. 10,000/-. Clause No. 46 stipulates :

(i) no bonus payment is envisaged under the said plan, (ii) only payment of sum assured payable is Rs. 10,000/- on the date of maturity or on survival of policyholder to date of maturity, (iii) a free insurance of an amount equal to the sum assured payable on the death of the policyholder to his heir or (iv) in the alternative option can be exercised by the policyholder three years prior to the date of maturity, provided the policy is in force, either to receive an increased cash payment in lieu of free insurance cover or the policyholder can opt for an increased paid up assurance in lieu of maturity payment.

11) When the complainant sought for surrender of the policy and when he addressed a letter on 10.2.2001 an amount of Rs. 10,000/- was paid on 19.4.2008 which according to the insurance company it was towards full and final settlement. The question of amount being accepted towards full and final settlement without any protest has no meaning, when there was an abnormal delay in settling the claim. No reason whatsoever was explained as to why it could not determine within a reasonable period from the date of letter dt. 10.2.2001 wherein he agreed to receive surrender value. This undoubtedly amounts to deficiency in service. By no stretch of imagination the complaint could be dismissed on the ground of limitation when it was filed on 17.6.2009 for the settlement of amount on 19.4.2008. The complainant had waited all through. It is not as though his claim was denied.

12) The question is whether he is entitled to the bonus amount from the year 1960. Since no bonus was envisaged by virtue of Clause-46 undoubtedly he was not entitled to it. However, he was entitled to interest. The insurance company had the advantage of amount all through, and utilizing for its business whatever be the nature of such business. The amount was liable to be paid from 10.2.2001, the date of surrender of policy. Considering the nature of the claim and that there was

deficiency in service on the part of insurance company in not settling the claim from the date of surrender till the date of filing of the complaint, and that only such settlement was made on 19.4.2008 after seven years, we are of the opinion that the complainant is entitled to interest @ 9% p.a., the bank rate of interest together with compensation of Rs. 10,000/- and costs of Rs. 5,000/-. The complainant having surrendered the policy he could not have claimed the amount from 1960 as the amount did not fall due or he did lay claim till 10.2.2001.

13) In the result the appeal is allowed in part, and the order of the Dist. Forum is set-aside. Consequently the complaint is allowed in part directing the insurance company to pay interest @ 9% p.a., on assured amount from 10.2.2001 till the date of payment together with compensation of Rs. 10,000/- and costs of Rs. 5,000/-. Time for compliance four weeks.

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