

D. Srinivas V/S SBI Life Insurance Co. Ltd. & Ors

Civil Appeal No. 2216 of 2018(SC)

Decided on 16.2.2018

Law Point

Whether medical examination was compulsory for issuance of Policy to take place prior to accepting premium.

Facts of the case

Consumer, his wife and son Mr. D. Venugopal had obtained a housing loan of Rs.30, 00,000/- from Life Insurance Company for construction of a house in Hyderabad. The proposal was accompanied by good health declaration by the insured in 2008. D. Venugopal expired in 2009... The consumer approached the insurer and the bank informing them about the demise of D. Venugopal and requested them to settle the insurance claim and to discharge the outstanding loan amount in their house loan account.

Insurance company rejected the claim, consumer approaches State Commission. The insurer contested on the ground that the proposal for the policy was not accepted as the insured did not present him for medical examination in spite of repeated requests made by the insurer. Thus denied its liability of the claim filed by insured. The State Commission allowed the complaint. The National Commission, by majority, allowed the appeal. Aggrieved by the National Commission's order, matter came to the Supreme Court

Argument by the insurance company before the Supreme Court;

- The deceased did not appear for medical examination. Therefore, the policy could not be completed, hence there is no concluded contract between the parties
- The insurer was not bound to discharge loan merely on the ground of receipt of premium for issuing policy.

Observations by the Supreme Court

- The Policy was accepted by the Insurer. There was a complete contract when company accepted the proposal with a self-declaration of good health.
- The specific condition in the policy was that in case the loan amount exceeds Rs.7.5 lacs the medical examination was compulsory. If the medical examination was compulsory for such cases it should have been done along with filing of the proposal form before the payment of the premium, company did not object to it and accepted payment
- If the proposal was not accepted for any reason the premium would have been credited to the account of the proposer. The premium has not been refunded. From this, it is clear that the insurance company had not rejected the proposal.
- It would be logical for the insurance company to accept the premium based on the medical examination and not otherwise. Therefore, by the very fact that they accepted the premium waived the condition precedent of medical examination.
- That the rejection of the policy must be made in a reasonable time so as to be fair and in consonance with the good faith standards. In the case, the Court remarked that the premium was paid in 2008. It was only in 2011 that the insurance company informed the appellant that the policy was not accepted by them.

With the above views, Supreme Court held if company accepts the proposal and premium without medical report which was mandatory in their rules; it is presumed that they have waived the condition. They did not object to it even later for more than three years. Objection was raised only when claim is filed. Theory of good faith must work for both ends and not only for consumers. SC directed the insurance to honour the claim of the insured in the present case .Accepting the premium without following their own rule amounts to default on the part of insurance also

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