

# INSURANCE

## INSIGHT

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contract

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In the case of *M/s Jindal & Co. v. Universal Sompo General Insurance Co. Ltd. & Ors.* (2024), FA/176/2015, *M/s Jindal & Co.*, had insured its stock against risks of fire, flood, etc., and natural calamities through Universal Sompo General Insurance Co. Ltd. The stock was kept in a basement, which the company had disclosed at the time of the policy proposal, insurance company was fully aware about the basement and even inspected the factory premises before issuance of the policy. At the time of signatures, After the onset of a flood that damaged much of the cargo, the plaintiff firm, *Jindal & Co.*, submitted an insurance claim. But the insurer repudiated the claim because the policy excluded coverage for basement-stored items.

The complainant argued that this exclusion violated the basic intent of the contract, as the location of the storage site was known in advance. *Jindal & Co.* contended that the insurer had failed to carry out the obligation of ensuring the policy met the business requirements and also breached the principles of good faith and fair dealing. The insurer, on the other hand, stated that the exclusion clause is valid and binding, and denial of the claim was just and proper.

The National Consumer Disputes Redressal Commission (NCDRC) held in favor of *Jindal & Co.* The exclusion clause made the policy ineffective and ran contrary to the very purpose of the insurance cover for the disclosed storage conditions. The commission held that insurers cannot rely upon exclusions that fundamentally negate the purpose of the contract. Accordingly,

the NCDRC ordered the insurance company to pay Rs. 16,03,520 as claim, with interest at 9%, along with Rs. 50,000 as litigation costs and compensation for harassment.

**Minor mismatches in identity documents such as Aadhaar and birth certificates, especially when they do not affect the insurable interest**

In the case of *Saroj v. Iffco-Tokio General Insurance Co.*, *Saroj*, SLP<sup>©</sup> 23939 of 2023, Claimant had filed a claim under a motor insurance policy with insurer after vehicle met with an accident. The insurer rejected the claim, stating that there were discrepancies in the documents submitted for the claims process, which were specifically pointed out as the difference in the date of birth mentioned on claimant's Aadhaar card and the one mentioned on her birth certificate. The insurer argued that this inconsistency generated uncertainties regarding her identity and her qualifications to submit the claim, consequently violating policy stipulations.

The claimant raised the contention that the error in her date of birth was a clerical one and did not affect her contractual relationship with the insurance company. She also presented supporting documents to establish her identity and entitlement. Moreover, she argued that the insurance company was unjustified in dismissing the claim based solely on a technicality that was unrelated to either the accident or the insured vehicle.

The Supreme Court held that minor mismatches in identity documents such as Aadhaar and birth certificates, especially when they do not affect the insurable interest or the event insured,

cannot be a basis for denying a valid insurance claim. The Court held that insurers are obligated to act in a reasonable manner and in good faith, especially where the insured party has put forward sufficient evidence to address the discrepancy. Consequently, the Court ruled in Saroj's favor and ordered the insurer to settle the claim, ruling that procedural complexities should not deprive policyholders of their rightful entitlement. The amount of Rs. 14,41,500 in the interest of just compensation was rounded off to 15,00,000/- with 8% interest from the date of filing of the claim petition.



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