

INSURANCE

INSIGHT

Supreme Court upholds repudiation of hospital cash benefit claim due to suppression of chronic alcoholism

Supreme Court absolves scooter driver of contributory negligence as driving with learner's license is not negligence per se



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The Supreme Court of India in *Life Insurance Corporation v. Sunita & Ors.* (SLP (C.) 15354 of 2020) allowed an appeal by LIC against an order of NCDRC which had directed LIC to compensate the Respondents under the "Jeevan Arogya" hospital cash benefit policy. The deceased insured had undisclosed chronic alcoholism, however while obtaining the policy, he answered "No" to alcohol consumption question. After hospitalization and death due to liver disease complications and cardiac arrest, LIC repudiated the claim based on exclusion for alcohol-related conditions.

The Court held that the deceased's chronic alcoholism was a material fact directly related to hospitalization and death. Overruling the NCDRC's reliance on *Sulbha Prakash Moteagaoneker v. LIC*, the Court clarified that non-disclosure of a pre-existing condition justifies repudiation if it is linked to the cause of death. The appeal was allowed, repudiation upheld, and the NCDRC order set aside. Considering hardships and amounts already paid (approximately ₹3,00,000), LIC was directed not to recover these sums but no further payments were ordered.

Supreme Court clarified that mere existence of insurance or death of insured does not entitle claimants to reimbursement if material facts were suppressed or policy exclusion clauses apply. This judgment reinforces the insurer's right to seek repudiation where disclosure has been deliberately withheld on conditions causally connected to the claim.

Supreme Court absolves scooter driver of contributory negligence as driving with learner's license is not negligence per se

In *Srikrishna Kanta Singh v. Oriental Insurance Co. Ltd.* (SLP(C.) No. 12459 of 2019), the Supreme Court dealt with a motor accident claim where the appellant, a Block Development Officer (B.D.O.), lost both legs after being a pillion rider on a scooter involved in a collision with a trailer. The Tribunal awarded compensation of Rs. 7,50,000 but apportioned liability partly on the scooter driver for contributory negligence due to holding only a learner's license and carrying a pillion illegally. The Supreme Court found the contributory negligence finding against the scooter driver unsupported by evidence, emphasizing that merely holding a learner's license does not establish negligence per se. The accident was primarily caused by the rash and negligent driving of the trailer driver, as confirmed by police investigations and the chargesheet. Accordingly, the Court absolved the scooter driver from contributory negligence and held the insurer of the offending vehicle (the trailer) liable to pay the full enhanced compensation. The Court increased compensation to Rs. 16,00,000 considering the appellant's severe injuries, expensive and recurring costs of prosthetics, lifelong pain and suffering, and need for a personal attendant. Interest was also awarded to compensate for the long delay since the accident in 1999.





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