

**PROCEEDINGS BEFORE
THE INSURANCE OMBUDSMAN, STATE OF TAMILNADU & PUDUCHERRY
(UNDER RULE NO: 17 (1) OF THE INSURANCE OMBUDSMAN RULES, 2017)**

OMBUDSMAN – SHRI M.VASANTHA KRISHNA

**CASE OF: J.SUBHASREE Vs LIFE INSURANCE CORPORATION OF INDIA
REF: NO: CHN-L-029-1819-0225**

AWARD NO: IO/CHN/A/LI/0111/2018-19

1.	Name & Address of the Complainant	Ms J.Subhasree No. 7-B, PM Salai, Baby Nagar I Main Road, Velachery, Chennai-600 042
2.	Policy No Sum Assured DOC Mode of payment of premium Instalment Premium Type of Policy Policy Term/Premium Paying term First Unpaid Premium (FUP) Status of the Policy Date of Maturity	641550753 Rs. 50,000 28/08/1991 Monthly (SSS) Rs. 165.00 Endowment Assurance 25 years/25 years Fully paid Matured 28/08/2016
3.	Name of the Life Assured	SUBHASREE JAYARAMAN
4.	Name of the insurer	Life Insurance Corporation of India, DO-II, Chennai
5.	Date of Repudiation	Not a case of repudiation; Short-settlement of maturity claim
6.	Reason for repudiation	Not applicable
7.	Date of registration of the complaint	10/07/18
8.	Date of receipt of Annexure VI-A	23/07/18
9.	Nature of complaint	Full maturity benefit not settled.
10.	Amount of Claim	Rs. 69,390 (Total maturity benefit: Rs. 1,37,400 less Maturity claim already settled: Rs. 55,800 & Premiums refunded: Rs. 12,210)
11.	Date of Partial Settlement	18/11/16
12.	Amount of relief sought	Balance claim amount of Rs. 1,00,000 with interest @ 12%
13.	Complaint registered under	Rule No. 13 (1) (a) of the Insurance Ombudsman Rules, 2017
14.	Date of hearing & Place of hearing	15/10/18 & Chennai
15.	Representation at the hearing	
	a) For the complainant	Shri B.Srikanth (Complainant's husband)
	b) For the insurer	Shri V.K.Raman, Admn. Officer (Claims), LIC of India, DO-II, Chennai
16.	Complaint how disposed	By Award
17.	Date of Award	19/12/2018

18) Brief Facts of the Case:

During the year 1991, the complainant took a policy on her own life from Life Insurance Corporation of India, herein the insurer. The Sum assured was Rs. 50,000 and term of the policy was 25 years. The instalment premium of Rs. 165/- was payable at monthly rests under Salary Savings Scheme (SSS). The policy matured for payment on 28/08/2016 but the insurer settled only partial claim, amounting to Rs. 55,800/- on 18/11/16. The insurer's stand is that premiums were paid only up to August 11 whereas the complainant contends that all premiums due under the policy were recovered from her salary. Aggrieved, the complainant has filed this complaint.

19) Cause of Complaint:

a) Complainant's argument:

The complainant's stand is that she continuously paid the premiums from her salary through her employer, viz. The New India Assurance Company Limited, till the last instalment (July 16). She further states that during August 2016, she presented the original policy bond and discharge voucher to the Anna Nagar Branch of the insurer and after repeated follow up, the insurer settled Rs. 55,800/- on 18/11/16. The complainant's contention is that the maturity claim proceeds should be around Rs. 1,50,000/- including accrued bonuses and hence, she took up the matter with the insurer, IRDAI, etc. The complainant further states that the insurer, vide its mail dated 20/03/18, informed her that when the policy was transferred from Bangalore to Chennai, there was gap in premium and hence, further premiums received could not be adjusted, thus resulting into refund of Rs. 6,930/-, towards 42 instalments of premiums, to the complainant on 30/03/07. The complainant's contention is that she has not received the refund, alleged to have been made by the insurer. As there was no response to her mails sent to the insurer during the period from 27/04/18 to 01/06/18 for settling the balance maturity claim, she has filed this complaint.

b) Insurers' argument:

The policy was issued under Salary Savings Scheme (SSS) by CBO-10, Hyderabad in the year 1991 and subsequently transferred to Chennai in August 1992. Due to transfer of the complainant to Bengaluru, the policy was serviced by NR Square branch, Bengaluru during the period from 1998 to 2003. In September 2003, the policy was again transferred to Chennai-II Division and was serviced by CBO-17 branch office till its maturity. When the policy was transferred to CBO-17 branch, the FUP (First Unpaid Premium) was August 2001 with more than 11 gaps and hence, the premiums received from her employer during the period from September 03 to September 09 could not be adjusted and hence, refunded to

the complainant in March 07, March 08 and July 11. The total amount refunded was Rs. 12,210/- and the cheques issued were also, encashed. However, premium received from October 09 to June 16, amounting to Rs. 13,365/-, was neither adjusted nor refunded to the complainant and instead, kept in unclaimed SSS deposit account along with Rs. 1,167/- being the unclaimed interest. When the policy matured for payment, the same was in reduced paid-up state with FUP as August 2001 and hence, sum of Rs. 55,800/- being the Paid-up maturity value was settled to the complainant on 18/11/16 through NEFT.

Pursuant to filing of this complaint, steps were taken to redress the complainant's grievance. Since she worked in Bengaluru prior to her transfer to Chennai, the NR Square branch, Bengaluru confirmed that premiums were adjusted up to August 2003. As further premiums (from September 03 to June 16) were received at CBO-17 branch office, Chennai, it has been decided to settle full maturity claim (Sum assured plus vested bonus plus final additional bonus) of Rs. 1,37,400/- after deducting Rs. 12,210/- being the premiums refunded to the complainant and encashed by her. It has also been decided to pay penal interest at 8.25% for the balance maturity proceeds from the date of maturity to the date of payment. Whiles, the insurer has requested for dismissal of the complaint.

20) Reason for Registration of Complaint: This is a case of partial settlement of maturity claim and hence, comes within the scope of Rule 13 (1) (b) of the Insurance Ombudsman Rules, 2017.

21) The following documents were submitted to the Forum for perusal.

- a) Policy document dated 13/09/91
- b) Status Report of the policy
- c) Letter dated 27/11/01 of the insurer's N.R.Square Branch to the Employer of the complainant
- d) E mails dated 18/11/16, 18/07/17, 27/09/17, 25/01/18, 21/03/18 & 27/04/18 of the complainant
- e) Letters dated 02/03/10, 18/04/11, 27/02/12, 11/04/18 & 21/06/18 of the complainant
- f) E-mails dated 09/11/16 & 20/03/18 of the insurer
- g) Letter dated 15/03/18 of the insurer
- h) Complaint to the Forum dated 21/06/18
- i) Annexure VI-A dated Nil submitted by the complainant
- j) Self Contained Note (SCN) dated 31/08/18 of the insurer

22) Result of hearing with both parties (Observations & Conclusion): Based on the submissions of both the parties made during the hearing and the documents submitted, it is observed as under:

- a) Admittedly, the policy matured for payment on 28/08/16. As per the Schedule of the policy, the premiums were payable for 25 years at monthly rests under SSS, the last instalment being July 2016.

b) The complainant when she was working at Hyderabad took the policy in August 1991 and afterwards, moved to various offices of her employer during the period from August 1992 to July 16. According to her, she worked in Bengaluru during the period from 1998 to 2003 before her transfer to Chennai in September 2003. As per SCN, the premiums deducted up to July 2001 were regularly adjusted by the various offices of the insurer.

c) The complainant submitted a letter dated 27/11/2001 received from NR Square branch, Bengaluru of the insurer, addressed to the Regional Manager, New India Assurance Company Limited, Bengaluru. In the said letter, it is stated that a sum of Rs. 165/- was received (by it) without name of the policyholder and hence, requested her employer to furnish details thereof. It is not known whether her employer responded to that communication and if so, on which date. But, as per copy of the unsigned letter dated 3/12/2001 of the complainant, it is observed that she informed the insurer that policy no. (641550739) mentioned in its letter dated 27/11/01 does not pertain to her.

d) It is likely that from that point of time itself, premiums received from the employer of the complainant remained unadjusted and parked in deposit account for want of correct details of the policy thus leading to non-updation of the policy master. Whiles, when the complainant was transferred to her Chennai office in the year 2003, the policy master with First Unpaid Premium (FUP) as August 2001 was also transferred to CBO-17, Chennai of the insurer.

e) i) Pursuant to registration of the complaint, the insurer has agreed to settle the full maturity claim along with interest @ 8.25% per annum for delayed payment, following receipt of confirmation from its N R Square Branch, Bengaluru that premiums till August 2003 might have been received and adjusted at its end. The insurer, however, stated that from out of the full maturity claim of Rs. 1,37,400/-, Rs. 55,800/- towards Paid-up maturity sum assured settled already on 18/11/16 will be deducted and also, another sum of Rs. 12,210/-, being the premiums refunded to the complainant (on 3 occasions through 4 cheques) in the years 2007, 2008 & 2009.

ii) During hearing, when this decision was conveyed to the complainant's husband, he reported that his wife never received any sum from the insurer towards refund of premiums. In the SCN, the insurer stated that when the complainant was transferred to Chennai, premiums received from September 2003 to September 2009 dues (total of 73 dues plus one gap premium) were refunded to the complainant on 3 occasions through 4 cheques following non-updation of the policy master beyond July 01. The details of refund are as under:

iii) The first occasion was on 30/03/07 (dues from September 03 to February 07 amounting to Rs. 6,930), the second refund on 28/03/08 (dues from March 07 to January 08 amounting to Rs. 1,815) whereas the last refund was made on 28/07/11 (dues from February 08 to September 09 amounting to Rs. 3,465) through two cheques.

iv) The insurer, in its SCN, stated that premiums received for the dues from October 2009 to June 2016, amounting to Rs. 13,365/- along with unclaimed interest of Rs. 1,167/-, were kept under "unclaimed SSS Deposit & Unclaimed Cheque Cancelled Schedule" Account. After having refunded the premiums due from September 03 to September 09 to the complainant on various occasions for the reason "FUP shown as 8/2001 with more than 11 gaps", it is not known what prompted the insurer to keep the subsequent premiums received from her employer from October 09 to June 16 in its unclaimed account, even after the expiry of around 2 years from the date of maturity. In all fairness, the same ought to have been refunded while settling the Paid-up sum assured on 18/11/16 itself. The SCN is silent regarding these aspects and nevertheless, it is a clear lapse on the part of the insurer.

iv) In the SCN, the insurer furnished cheque number/date, date of encashment in respect of 4 cheques, amounting to Rs. 12,210/-, said to have been refunded to the complainant towards refund of premiums due from September 2003 to September 2009. Since the complainant's husband denied receipt of the above refunds, this Forum, during hearing, advised the Complainant's husband to verify the Bank statement of the complainant and inform the position. The insurer was also advised to get the details from the Bank concerned regarding the person who encashed the four cheques in question.

v) Post hearing, the complainant produced copies of Bank statements of State Bank of Mysore, Velacherry for the period from 07/08/2006 to 07/05/08 & from 07/05/11 to 09/08/11 and also, that of Kotak Bank, Adyar for the period from 01/07/11 to 30/09/11. The complainant states that he opened account with Kotak Bank only on 29/06/08. The bank statements were perused and it is found that neither of the bank accounts of the complainant maintained with State Bank of Mysore nor Kotak bank were credited with sums of Rs. 6930/- , Rs. 1815/-, Rs. 1980/- and Rs. 1485/-.

vi) In his mail dated 23/10/18, the complainant has stated that she does not have any bank account other than State Bank of Mysore & Kotak Bank and again reiterated that she has not received any payment as premium refund from the insurer, said to have been made through three cheques dated 30/03/07, 28/03/08 & 28/07/11, totaling Rs. 12,210/-. Post hearing, the insurer informed this Forum that due to elapse of time, the Bank could not provide the details of the person who encashed the four cheques.

vii) The insurer's stand, as per SCN, is that Rs. 12,210/- was refunded to the complainant through cheques in the years 2007, 2008 & 2011. Nevertheless, City Branch Office-17, Chennai of the insurer, in its letter dated 15/03/18 (addressed to the complainant), referred to refund made through cheque no. 595086 dated 30/03/07 for Rs. 6,930/- only. The said letter further states as follows: "All other premiums received after that was with us as the premiums would not be adjusted due to gaps in between. On receipt of your consent the amount of Rs. 20,790/- will be refunded to you with interest. On your confirmation the remaining amount of Rs. 20790/- will be refunded to you vide NEFT".

viii) In view of the different stands taken by the insurer and also, on account of the failure on the part of the insurer to produce confirmation letter from the Bank concerned that the four instruments were indeed encashed only by the complainant, it is not proper for this Forum to conclude that the complainant received the said sum of Rs. 12,210/- towards refund of premiums collected from September 2003 to September 2009. While so, it is not correct on the part of the insurer to deduct Rs. 12,210/- from out of the maturity proceeds of Rs. 1,37,400/-. ***In case, the insurer is able to prove encashment of four cheques by the complainant at a later stage with the banker's confirmation, then the insurer is at liberty to realize the said amount from the complainant.***

f) As per Rule 17 (7) of Insurance Ombudsman Rules, 2017, the complainant shall be entitled to such interest at a rate per annum as specified in the Regulations framed under the IRDAI Act, 1999 from the date the claim ought to have been settled till the date of payment of the amount awarded by the Ombudsman.

Regulation 14 (iv) of IRDAI (Protection of Policyholders' Interests) Regulations, 2017 envisage that in case of any delay on the part of the insurer in settling the maturity claim on the due date, the life insurer shall pay interest at a rate which is 2% above Bank rate from the date of payment or date of receipt of last necessary document from the insured/claimant whichever is later.

The policy matured for payment on 28/08/16 and the insurer, vide its "acknowledgement" dated 25/07/16, acknowledged receipt of original policy document and also discharge form for maturity claim. Hence, the insurer is bound to pay penal interest from 28/08/16 to the date of settlement, to which the insurer has also agreed. The bank rate as on 01/04/16 was 7.75%, vide RBI Notification (ref: RBI/2015-16/358/DBR.No.Ret.BC.90/12.01.001/2015-16) dated 05/04/16. Hence, the complainant is entitled to penal interest at 9.75% on the balance maturity proceeds.

23)

AWARD

Taking into account the facts and circumstances of the case & the submissions made by both the parties during the course of hearing, the insurer is, directed to pay the balance maturity claim of Rs. 81,600/- under policy no. 641550753 along with "Interest", as envisaged in the Rule No. 17(7) of the Insurance Ombudsman Rules, 2017.

The complaint is, therefore, allowed.

24) The attention of the complainant and the Insurer is hereby invited to the following provisions of the Insurance Ombudsman Rules, 2017.

- a) According to Rule 17 (6) of the Insurance Ombudsman Rules, 2017, the Insurer shall comply with the Award within 30 days of the receipt of the Award and shall intimate the compliance to the Ombudsman.
- b) According to Rule 17 (7) of the Insurance Ombudsman Rules, 2017, the complainant shall be entitled to such interest at a rate per annum as specified in the Regulations, framed under the IRDAI Act, 1999, from the date the claim ought to have been settled under the Regulations till the date of payment of the amount awarded by the Ombudsman.
- c) According to Rule 17 (8) of the Insurance Ombudsman Rules, 2017, the Award of the Insurance Ombudsman shall be binding on the Insurer.

Dated at Chennai on this 19th day of December 2018.

**(M.VASANTHA KRISHNA)
INSURANCE OMBUDSMAN
STATE OF TAMIL NADU & PUDUCHERY**