(1996) 04 NCDRC CK 0028

In the National Consumer Disputes Redressal Commission

BRANCH MANAGER, L.I.C.OF INDIA — APPELLANT

Vs

A.PAULRAJ — RESPONDENT

Date of Decision : 26-04-1996

Acts Referred:

Citation : 1996 0 NCDRC 100 : 1996 2 CLT 661 : 1996 2 CPC 334 : 1996 2 CPJ 69 : 1996 2 CPR 85

Hon'ble Judges : V.BALAKRISHNA ERADI , B.S.YADAV , S.S.CHADHA , R.THAMARAJAKSHI , S.P.BAGLA J.

Advocate : RAJIV NAYAR

Judgement

1. THE main point in this revision petition is in regard to the amount to be paid at the time of the surrender of a policy before its maturity period is over. Briefly stated the facts are that Shri A. Paulraj had taken a life insurance policy from the Life Insurance Corporation of India for a sum of Rs. 25,000/-effective for a period of 20 years from July, 1985. Later, on February 18, 1991, a little less than 6 years from the date of operation of the policy, he applied to the L.I.C. surrendering the said policy stating that he was unable to continue the policy in question. The LIC in turn calculated the surrender value of the said policy including the bonus and it was found that a sum of Rs. 4,743/- was payable to the respondent on this policy on surrender at that point of time. As a sum of Rs. 1,816/-was outstanding against the insured on account of a loan advanced to him under the said policy, this sum was deducted and for the balance of Rs. 2,927.40, the LIC posted a cheque dated March, 20,1991 in favour of the insured. The method of calculating the surrender value of the policy was enclosed alongwith the cheque. In that sheet of calculation it has been indicated that the policy remained in force for a period of 5 Â¼ years and its paid up value on that date was Rs. 6,563/-. To this amount was added another sum of Rs. 7,550/- on account of bonus, thus making a total of Rs. 14,113/-. Taking the surrender value factor as 33.61, the cash value of the policy on the date of surrender came to Rs. 4,743.40 from which, as already mentioned, a sum of Rs. 1,816/- was deducted and the balance of Rs. 2,927.40 became payable and was

paid through the cheque dated March 20, 1991. This calculation as regards bonus was challenged by the insured Mr. A. Paulraj on the ground that he should be paid bonus at Rs. 7,550/- as calculated rather than its surrender value. The District Forum accepted the plea of the complainant and directed the LIC to pay the bonus amount of Rs. 7,550/- with interest at 12% p.a. from, 20.3.91. On appeal by the LIC against this order of the District Forum, the State Commission dismissed the appeal and upheld the order of the District Forum.

2. WE have heard the Counsel for the LIC at length. Neither the respondent nor his Counsel/ authorised representative was present when the case was taken up for hearing. We have carefully perused Condition No. 7 which defines the guaranteed surrender value. This condition is as follows: Guaranteed Surrender Value: This policy can be surrendered for cash after the premiums have been paid for at least three years. The minimum surrender value allowable under this policy is equal to 30% of the total amount of the mentioned premiums paid excluding premiums for the first year and all extra premiums and/or additional premiums for accident benefit that may have been paid. The cash value of any existing vested bonus additions will also be allowed. (Emphasis supplied) The question for decision, therefore, is as regards the cash value of any existing bonus additions. The contention of the insured is that the cash value of the bonus should be the same as the accrued bonus thereon even before the maturity of the policy. That obviously is not the correct in terms of Condition No. 7. If the intention was to pay the entire bonus accrued on the policy at any given point of time before maturity, then the concept of cash value would not have been incorporated in this condition for calculating the guaranteed surrender value. The total amount of bonus is paid on the maturity of the policy alongwith the final payment and till then it remains with the LIC which can utilise it for investment purposes. If it has to pay the accrued bonus earlier than the final payment, the Condition No. 7 introduces the concept of cash value of the total accrued bonus up to that point to time, and the cash value has been calculated according to the surrender value factor which has been clearly indicated in the sheet showing calculation of the surrender value of the policy. We, therefore, find that the State Commission has erred in construing the cash value to be the same as the accrued bonus even, when paid before the maturity. We, therefore, accept this appeal and set aside the order of the State Commission and District Forum and dismiss the complaint. We hold that the surrender value as shown in the calculation sheet and for which the cheque of Rs. 2,927.40 was sent to the insured is correct. There is no order as regards costs.

