(1993) 07 NCDRC CK 0043

In the National Consumer Disputes Redressal Commission

MAU AIMA SAHKARI KATAI MILLS LTD. APPELLANT

Vs

United India Insurance Co. Ltd RESPONDENT

Date of Decision : 27-07-1993

Acts Referred:

Citation : 1993 3 CPJ 375 : 1994 1 CPC 133

Hon'ble Judges : V.Balakrishna Eradi , Y.Krishan , B.S.Yadav J.

Final Decision : Appeal allowed

Judgement

1. -THE Complainant had insured his stocks of cotton, inter alia against fire for a sum of Rs.1.25 crore under two insurance policies, one for Rs.1.00 crore operative from 1.1.1987 to 1.1.1988 and the second policy for Rs. 25.00 lakhs operative from 10.2.1987 to 10.2.1988.

2. A fire occurred in the cotton mills on the 17th April, 1987, during the currency of the insurance policies, and caused huge loss and damage to the stocks of cotton. The respondent-Insurance Company, on a claim of Rs. 2.25 crores lodged by the Insured, appointed two Surveyors to survey and assess the loss and damage caused by fire to the stocks of cotton. The surveyors submitted a joint report on the 22nd May, 1987 assessing the loss at Rs.1.02 crores (figure in the round). The Complainant accepted this assessment of the quantum of loss.

The Respondent-Insurance Company released a sum of Rs. 50.00 lakhs as ''on account'' at the end Maich, 1988.

3. THE balance amount of Rs. 52 lakhs (figures in round) was released on 10th September, 1991. The Complainant has alleged that the Respondent-Insurer neglected to settle the claim of the Complainant-Mill for more than 4 years and 3 months. This inordinate delay was a deficientcy in service resulting from the negligence of the Respondent-Insurer. It has, therefore, claimed a sum of Rs.71.20 lakhs by way of interest on the delayed payment.

4. IN its written statement on behalf of the Respondent-Opposite Party, it has been explained that the surveyors'' report did not give the cause of fire and that

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an investigator had to be appointed to go into the cause of fire separately. The investigator eventually opined that the cause of fire was ''arranged''. It has been explained that the balance amount of Rs.52 lakhs was not paid immediately due to the time taken by CB/CID to complete their report into the accident of fire. The investigator submitted his report on the 21st September, 1987 and again on 15th March, 1991 on the cause of fire. At the hearing the Counsel for the Complainant explained that a report from the investigator was obtained a second time after 3- years in March, 1991 only to cover up the inordinate delay on the part of the Respondent in taking decision to pay the balance of the claim. After going through the record and after hearing the Counsel for the parties we come to the following conclusions: (i) The ''on account'' payment of Rs. 50.00 lakhs was made on 2nd of March, 1988 nearly 11 months after the fire took place in April, 1987 and nearly 10 months after the joint report of the two Surveyors of May 1987. It should have been possible for the Respondent-Insurance Company to have taken a decision on the report of the Surveyors for making on account payment within a period of 3 to 4 months. As such interest should be allowed on the delayed release of payment of ''on account'' amount of Rs. 50.00 lakhs from the 1st October, 1987 to the end of February 1988.

(ii) There has also been inordinate delay in making payment of the balance of the amount of Rs.52.00 lakhs which has actually been paid on the 10th of September, 1991. There is no doubt that this delay must have caused serious financial embarrassment to the Complainant.

There is no merit in the contention of the Respondent-Insurance Company that under the contract of insurance there is no provision for payment of interest on the claim of the insured. The liability of the Respondent-Insurance Company to pay interest on the delayed payment under the Insurance Policy arises because of deficiency in service due to its negligence as per our findings above. May be that the Respondent-Insurance Company wanted to await the findings of the CB/CID investigation into the cause of fire etc. ordered by Government. But in that case the Complainant was starved of funds and the Respondent-Insurance Company continued to have the funds in its hands for the period of the delay. The Respondent-Insurance Company is, therefore, liable to pay interest on the balance amount of Rs. 52 lakhs also from 1st of October, 1987 till the 10th of September, 1991 when the amount was actually paid. The rate of interest would be 15%. The amount as above should be paid within a period of six weeks from the date of the order failing which interest at the rate of 18% will be payable from the end of the period. Appeal allowed.

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