2024 INSC 10

REPORTABLE

IN THE SUPREME COURT OF INDIA

CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO.....OF 2024
Arising out of SLP(Civil) No.10954 of 2019

RELIANCE LIFE INSURANCE COMPANY LTD. & ANR. **...APPELLANT(S)**

VERSUS

JAYA WADHWANI **...RESPONDENT(S)**

WITH

CIVIL APPEAL NO.....OF 2024
Arising out of SLP(Civil) No.15588 of 2021

THE BRANCH MANAGER, RELIANCE LIFE INSURANCE CO. LTD. **...APPELLANT(S)**

VERSUS

USHA SONI **...RESPONDENT(S)**

J U D G M E N T

VIKRAM NATH, J.

Leave granted.

2. These two appeals raise a common question of law. As such they are being analogously dealt

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Reason:

with by this common order. The challenge in both these appeals is to the orders passed by the National Consumer Disputes Redressal Commission[1], New Delhi, whereby the revision filed by the appellant has since been dismissed and the orders passed by the District Forum as also the State Commission have been affirmed holding that the appellant is liable to pay the amount of the sum assured on the death of the assured.

3. The sole question involved in these appeals is as to what would be the date from which the policy becomes effective; whether it would be the date on which the policy is issued or the date of the commencement mentioned in the policy or it would be the date of the issuance of the deposit receipt or cover note. The District Consumer Disputes Redressal Forum[2], the State Consumer Disputes Redressal Commission[3] and the National Commission have proceeded on the basis that the date of issuance of the initial

[1] NCDRC
[2] District Forum
[3] State Commission

deposit receipt of premium is the date of commencement of the Policy and have accordingly allowed the complaint filed by the respondent.

4. The relevant dates in both the cases are summarised hereunder:

4.1. In the appeal of Jaya Wadhwani, the quotation of Policy was issued on 14.07.2012. The proposal form was submitted by the life assured on 14.07.2012. Receipt of the Cheque dated 13.07.2012 was also issued on 14.07.2012. On 16.07.2012, the Policy was issued and at all relevant places, it was mentioned in the policy that the date of commencement of the policy would be 16.07.2012. On 15.07.2013, the life assured committed suicide.

4.2. In the appeal of Usha Soni, the date of submission of proposal form by the life assured is 26.09.2012. The date of issue of policy as also the date of commencement of policy was 28.09.2012. The date of next

premium due was 28.09.2013. As the next premium was not paid, the policy lapsed. The assured paid the next premium on 25.02.2014 and the lapsed policy was reinstated from that date. On 03.06.2014, the life assured committed suicide.

5. The Clause relevant for consideration is clause 9 of the Policy conditions and privileges and the terms and conditions mentioned therein. Clause 9 reads as follows:

> "**9. Suicide:** The Company will not pay any claim on death if the Life Assured, whether sane or insane, commits suicide within 12 months from the date of issue of this Policy or the date of any reinstatement of this Policy."

6. From the documents on record in the case of Usha Soni, we find that the first cheque was issued on 26.09.2012. The policy issuance and commencement date in the Policy is mentioned as 28.09.2012. Further, the next premium due was on 28.09.2013. Grace period is 30 days under Clause 1(iv) of the terms and conditions. Clause 5 mentions that the policy would lapse.

Clause 6 provides for reinstatement. However, since the renewal amount was not paid within the time allowed, the policy stood lapsed and subsequently, upon payment of the premium against the lapsed policy on 25.02.2014, the policy was reinstated from the said date. The life assured committed suicide on 03.06.2014, which was well within the period of 12 months.

7. On a perusal of the orders passed by the District Forum, the State Commission, and the National Commission, we find that although clause 9 of the terms and conditions has been referred to but the aspect of reinstatement of a lapsed Policy has not been considered. They have wrongly taken the date of issue of policy only as the relevant date to count 12 months, i.e., from 28.09.2012.

8. Once it is mentioned in the Policy that the 12 months period is to commence from the date of the issuance of the policy or the date of any reinstatement of the policy, the reinstatement aspect ought to have been considered. The date of reinstatement of the policy is clearly stated to

be 25.02.2014 and that is also the date of commencement of policy, both the dates being the same. Thus, the date of incidence of suicide being 03.06.2014, it was well within 12 months.

9. Now, coming to the case of Jaya Wadhwani, the proposal form, no doubt, was submitted on 14.07.2012 with respect to the cheque dated 13.07.2012 of the premium amount wherein also it was mentioned that the receipt is issued subject to the clearance of the cheque and further that the insurance protection shall only be provided effective from the date of acceptance of the risk, which happened on 16.07.2012, when the policy was issued and the date of commencement was notified to be the same date.

10. 14th July 2012, therefore, cannot be taken to be the date of issuance of policy. It is only the date of issue of receipt of the initial premium. The date of issue of policy being 16.07.2012 is actually the date from which the policy commences and becomes effective.

11. In the present case, period of 12 months from 16.07.2012 will complete on 15.07.2013. It would be the last day of 12 months as from the next day, i.e., 16.07.2013 the next month will start. Unfortunately, the incidence of suicide is on 15.07.2013, the last day of 12 months. The date of proposal cannot be treated to be the date of policy until and unless on the date of proposal, initial deposit as also the issuance of policy happens on the same date where, for example, the premium is paid in cash then, immediately, the policy could be issued. Merely, tendering a cheque may not be enough as till such time the cheque is encashed, the contract would not become effective. The drawer of the cheque may, at any time, after issuing, stop its payment or there may not be enough funds in the account of which the cheque is issued and there could be many other reasons for which the cheque could be returned without being encashed.

12. We may also refer to the two judgments relied upon by the counsel for the appellants, in support of his submission that the terms and

conditions of the contract as contained in the policy should be strictly adhered to. Otherwise mentioning of the terms and conditions would be a futile exercise, if any other interpretation is given or terms and conditions are relaxed.

13. In this connection, it would be useful to reproduce the extract which form part of paragraph 6 in the case of ***Life Insurance Corporation of India and Another vs. Dharam Vir Anand***[4]**.** It reads as follows:

> "6. Having examined the rival submissions and having examined the policy of insurance which is nothing but a contract between the parties and having considered the expressions used in Clause 4-B of the terms of the policy, we are persuaded to accept the submissions made by Mr. Salve, the learned Senior Counsel appearing for the appellant. In construing a particular Clause of the Contract, it is only reasonable to construe that the words and the terms used therein must be given effect to. In other words, one part of the Contract cannot be made otiose by giving a meaning to the policy of the contract. Then again, when the same Clause of a contract

[4] (1998) 7 SCC 348

uses two different expressions, ordinarily those different expressions convey different meanings and both the expressions cannot be held to be conveying one and the same meaning. Bearing in mind the aforesaid principle of construction, if Clause 4-B of the terms of policy is scrutinized, it become crystal clear that the date on which the risk under the policy has commenced is different from the date of the policy. In the case in hand, undoubtedly the date on which the risk under the policy has commenced is 10.5.89 but the date of the policy is 31.03.1990 on which date the policy had been issued. Even though the Insurer had given the option to the Insured to indicate as to whether the policy is to be dated back and the insured indicated that the policy should be dated back to 10.05.1989 and did pay the premium for that period, thereby the risk under the policy can be said to have commenced with effect from 10.5.1989 but the date of the policy still remains the date on which the policy was issued i.e. 31.03.1990. The death of the life assured having occurred as a result of suicide committed by the assured before the expiry of three years from the date of the policy, the terms contained in Clause 4-B of the policy would be attracted and, therefore, the liability of the Corporation would be limited to the sum equal to the total amount of premium paid under the

policy without interest and not the entire sum for which the life had been insured. The Forums under the Consumer Protection Act committed gross error in construing Clause 4-B of the policy and giving the same meaning to the two expressions in the aforesaid Clause 4-B namely "the date on which the risk under the policy has commenced" and “the date of the policy". The construction given by us to the provisions contained in Clause 4-B get support, if the proviso to Clause 4-B is looked into. Under the proviso, if the life assured commits suicide before expiry of one year reckoned from the date of the policy, then the provisions of the Clause under the heading "suicide" printed on the back of the policy would apply. In a case therefore where a policy is dated back for one year prior to the date of the issue of the policy, the proviso contained in Clause 4-B cannot be operated at all. When parties had agreed to the terms of the contract, it is impermissible to hold that a particular term was never intended to be acted upon. The proviso to Clause 4-B will have its full play if the expression "the date of the policy" is interpreted to mean the date on which the policy was issued and not the date on which the risk under the policy has commenced. In the aforesaid premises, we are of the considered opinion that under Clause

> 4-B of the policy the date of the policy is the date on which the policy had been issued and not the date on which the risk under the policy had commenced by way of allowing it to be dated back. In view of our aforesaid construction to Clause 4-B, in the case in hand, the respondent in law would be entitled to only the sum equal to the total amount of premium paid under the policy without any interest inasmuch as the death of the life assured has occurred before the expiry of three years from the date of the policy, i.e., 31.3.1990…
> ……."

14. Relying upon the above judgment in the case of **Dharam Vir Anand (supra),** this Court again in the case of ***Life Insurance Corpn. of India vs. Mani Ram*[5]*,*** reiterated the same view and held that the date of issue of policy would be the relevant date even if there was backdating as has been done in the case of **Dharam Vir Anand (supra).**

15. In the present appeals, we do not find any such issue of back dating but the date of issuance of the policy would be the relevant date for all the

[5] (2005) 6 SCC 274

purposes and not the date of proposal or the date of issuance of the receipt. In view of the above, the stand taken by the appellant is approved. The impugned orders are thus liable to be set aside.

16. Accordingly, the orders passed by the District Forum, the State Commission, and the National Commission are set aside and the claims of the respondent are rejected. The appeals are accordingly, allowed as above.

17. There shall be no order as to costs.

.....J

(VIKRAM NATH)

.....J

(RAJESH BINDAL)

NEW DELHI

JANUARY 03, 2024