2025 INSC 268

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. OF 2025
[Arising out of SLP (Civil) No. 2136 OF 2021]

MAHAVEER SHARMA …APPELLANT(S)

VERSUS

EXIDE LIFE INSURANCE COMPANY LIMITED & ANR. …RESPONDENT(S)

J U D G M E N T

SATISH CHANDRA SHARMA, J.

1. Leave Granted.

2. The present appeal is arising out of order dated 28.05.2019 passed by the National Consumer Disputes Redressal Commission, New Delhi, (for short, "the National Commission") in First Appeal No. 1963 of 2018 dismissing the appeal preferred by the present appellant against the order dated 27.09.2018 passed by the Consumer Disputes Redressal Commission, Rajasthan, Jaipur (for short, the "State Commission") by which

the claim of the present appellant was rejected on account of suppression of material facts.

3. The facts of the case reveal that the father of the appellant – Ramkaran Sharma had obtained an insurance policy from the respondent – Exide Life Insurance Co. Ltd. on 09.06.2014 and unfortunately, died in an accident on 19.08.2015. The present appellant being the son of late Ramkaran Sharma submitted a claim for payment of benefits under the policy; however, the said claim was repudiated vide letter dated 03.03.2016. The claim was repudiated on the ground that there was material suppression by the father of the appellant while applying for insurance policy and respondents have relied upon the terms and conditions of Exide Life My Term Insurance Plan (UIN-114N063V01) in rejecting the claim. The appellant being aggrieved by repudiation of the claim submitted a complaint before the State Commission and the claim was dismissed vide order dated 27.09.2018 on the grounds that while submitting the proposal, the deceased insurer had disclosed only one policy taken by him from Aviva Life Insurance whereas he had concealed other insurance policies which he had taken from the Life Insurance Corporation of India and were in force at the time the insurance cover was sought.

4. The appellant being aggrieved by the order of the State Commission preferred an appeal before the National

Commission, but the National Commission dismissed the appeal placing reliance on the judgment delivered by this Court in the case of ***Reliance Life Insurance Co. Ltd. & Anr. v. Rekhaben Nareshbhai Rathod,*** (2019) 6 Supreme Court Cases 175 and ***Satwant Kaur Sandhu v. New India Assurance Co. Ltd.*****,** (2009) 8 SCC 316.

5. Learned counsel for the appellant has vehemently argued before this Court that the orders passed by the State Commission as well as the National Commission deserve to be set aside as there was no material suppression on the part of his father while obtaining a life insurance policy from the respondent company. It is further argued that it was not a policy relating to any Mediclaim nor any material fact regarding health was suppressed, however, inadvertently, the policies issued by Life Insurance Corporation of India were not mentioned under clause 54 which is a mere omission as his father has mentioned about another policy issued by Aviva in clause 54. It has also been argued that the format of the application form was filled up by the agent and all necessary information was provided to the agent of the company and, therefore, if there is some omission, it should not amount to suppression of material fact, as in the present case the death has occurred on account of accident and not on account of any illness. Learned counsel for the appellant has also placed reliance upon the judgment delivered in the case of ***Mahakali***

Sujatha v. Branch Manager, Future Generali India Life Insurance Company Limited & Another, (2024) 8 SCC 712 and has prayed for setting aside the order dated 27.09.2018 passed by the State Commission and order dated 28.05.2019 passed by the National Commission.

6. On the other hand, learned counsel for the respondent insurance company while opposing the contentions of the appellant has vehemently argued before this Court that the insurance company was justified in repudiating the claim on account of material suppression on the part of the father of the appellant as at the relevant point of time, he was holding four policies; i.e. one issued by the Aviva and three issued by the Life Insurance Corporation of India. He has placed reliance on the judgment delivered by this Court in ***Manmohan Nanda v. United India Assurance Company Limited & Another,*** (2022) 4 SCC 582.

7. Heard learned counsel for the parties at length and perused the record. The undisputed facts of the case reveal that on 09.06.2014, the father of the appellant had obtained a life insurance policy from the respondent and the father of the appellant expired on account of accident and not on account of any illness on 19.08.2015. The claim of the appellant was repudiated on 03.03.2016, thereafter, the complaint preferred

before State Commission was dismissed on 27.09.2018, and the appeal preferred in the matter was also dismissed on 28.03.2019. The question raised before this Court is whether there was any material suppression of fact on the part of the appellant's father while obtaining an insurance policy or not? The terms and conditions as contained under clauses 51, 52, 53, 54 and 55 reads as under:

> "51. Are you an existing customer of Exide Life Insurance Company Limited?
>
> 52. Have you concurrently/simultaneously applied for any life, health insurance cover with us or any other life, health insurance company which is still under consideration?
>
> 53. Have you concurrently/simultaneously applied for any life, health insurance cover with us or any other life, health insurance company which is still under consideration?
>
> 54. Please provide details of existing insurance cover on your life in the below table. If you do not have any existing insurance on your life, please mention 'NIL' in Sum Assured column below. Please include any Keyman Insurance, Partnership

Insurance & Employer Employee Insurance cover as well. If answer to question 52 to 55 is YES, then please provide the complete details in the below mentioned table:

Policy/Proposal/ Application No.	Year of Issue/ Submission	Company Name	Sum Assured
No. 89478	02/01/2014	AVIVA	400000

Decision (Standard, other than standard terms	Status (In Force, Lapsed, Surrendered, Paid up, Applied for	Type of Policy (Life, Health, Accident)
Standard	Force	Life

8. Clause 54 provides for details of the existing policies and the father of the appellant has certainly mentioned one policy issued by Aviva which is again a life insurance policy. It is also true that the father of appellant at the relevant point of time was also insured by Life Insurance Corporation of India and there were other insurance policies in existence at the time the insurance cover was issued by the respondent company.

9. It also merits consideration that that disclosed policy – issued by Aviva – was erroneously mentioned in the proposal form as assuring a sum of Rs.4 Lakhs. In fact, the disclosed

policy was for Rs. 40 Lakhs, an amount significantly more than the policies not disclosed and the sum assured by the subject policy herein. A perusal of material on record reflects that the insured had supplied a copy of the extant policy issued by Aviva assuring a sum of Rs. 40 Lakhs to the Respondent-Insurer at the time of filing the Proposal Form.

10. At this juncture, it will be relevant to delineate what falls from the phrase "material facts" and consequently what may be considered a 'material suppression' for the purpose of insurance contracts. This Court has carefully gone through the judgment delivered in the case of ***Manmohan Nanda (supra)*** which has dealt with this issue in paras 34, 35, 36, 37, 38, 39 and 43, which reads as under:

> **"*34.*** *Under the provisions of the Insurance Regulatory and Development Authority (Protection of Policyholders' Interests) Regulations, 2002 the Explanation to Section 2(d) defining "proposal form" throws light on what is the meaning and content of "material". For an easy reference the definition of "proposal form" along with the Explanation under the aforesaid Regulations has been extracted as under:*
>
> > *"**2. Definitions**.—In these Regulations, unless the context otherwise requires—*
> >
> > ***
>
>

*(d) "**Proposal form**" means a form to be filled in by the proposer for insurance, for furnishing all material information required by the insurer in respect of a risk, in order to enable the insurer to decide whether to accept or decline, to undertake the risk, and in the event of acceptance of the risk, to determine the rates, terms and conditions of a cover to be granted.*

Explanation—"Material" for the purpose of these Regulations shall mean and include all important, essential and relevant information in the context of underwriting the risk to be covered by the insurer."

Thus, the Regulation also defines the word "material" to mean and include all "important", "essential" and "relevant" information in the context of guiding the insurer in deciding whether to undertake the risk or not.

***35.** Just as the insured has a duty to disclose all material facts, the insurer must also inform the insured about the terms and conditions of the policy that is going to be issued to him and must strictly conform to the statements in the proposal form or prospectus, or those made through his agents. Thus, the principle of utmost good faith imposes meaningful reciprocal duties owed by the insured to the insurer and vice versa. This inherent duty of disclosure was a common law duty of good faith originally founded in equity but has later been statutorily recognised as noted above. It is also*

open to the parties entering into a contract to extend the duty or restrict it by the terms of the contract.

36. *The duty of the insured to observe utmost good faith is enforced by requiring him to respond to a proposal form which is so framed to seek all relevant information to be incorporated in the policy and to make it the basis of a contract. The contractual duty so imposed is that any suppression or falsity in the statements in the proposal form would result in a breach of duty of good faith and would render the policy voidable and consequently repudiate it at the instance of the insurer.*

37. *In relation to the duty of disclosure on the insured, any fact which would influence the judgment of a prudent insurer and not a particular insurer is a material fact. The test is, whether, the circumstances in question would influence the prudent insurer and not whether it might influence him vide Reynolds v. Phoenix Assurance Co. Ltd. [Reynolds v. Phoenix Assurance Co. Ltd., (1978) 2 Lloyd's Rep 440] Hence the test is to be of a prudent insurer while issuing a policy of insurance.*

38. *The basic test hinges on whether the mind of a prudent insurer would be affected, either in deciding whether to take the risk at all or in fixing the premium, by knowledge of a particular fact if it had been disclosed. Therefore, the fact must be one affecting the risk. If it has no bearing on the risk it need not be disclosed and if it would do no more than cause insurers to make inquiries delaying issue of the insurance, it is not material if the result of the inquiries would have no effect on a prudent insurer.*

39. *Whether a fact is material will depend on the circumstances, as proved by evidence, of the particular case. It is for the court to rule as a matter of law, whether, a particular fact is capable of being material and to give directions as to the test to be applied. Rules of universal application are not therefore to be expected, but the propositions set out in the following paragraphs are well established:*

> ***39.1.*** *Any fact is material which leads to the inference, in the circumstances of the particular case, that the subject-matter of insurance is not an ordinary risk, but is exceptionally liable to be affected by the peril insured against. This is referred to as the "physical hazard".*
>
> ***39.2.*** *Any fact is material which leads to the inference that the particular proposer is a person, or one of a class of persons, whose proposal for insurance ought to be subjected at all or accepted at a normal rate. This is usually referred to as the "moral hazard".*
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> ***39.3.*** *The materiality of a particular fact is determined by the circumstances of each case and is a question of fact.*

43. *The basic rules to be observed in making a proposal for insurance may be summarised as follows:*

43.1. *A fair and reasonable construction must be put upon the language of the question which is asked, and the answer given will be similarly construed. This involves close attention to the language used in either case, as the question may be so framed that an unqualified answer amounts to an assertion by the proposer that he has knowledge of the facts and that the knowledge is being imparted. However, provided these canons are observed, accuracy in all matters of substance will suffice and misstatements or omissions in trifling and insubstantial respects will be ignored.*

43.2. *Carelessness is no excuse, unless the error is so obvious that no one could be regarded as misled. If the proposer puts "no" when he means "yes" it will not avail him to say it was a slip of the pen; the answer is plainly the reverse of the truth.*

43.3. *An answer which is literally accurate, so far as it extends, will not suffice if it is misleading by reason of what is not stated. It may be quite accurate for the proposer to state that he has made a claim previously on an insurance company, but the answer is untrue if in fact he has made more than one.*

43.4. *Where the space for an answer is left blank, leaving the question unanswered, the reasonable inference may be that there is nothing to enter as an answer. If in fact there is something to enter as an answer, the insurers are misled in that their reasonable inference is belied. It will then be a matter of construction whether this is a mere non-disclosure, the proposer having made no positive statement at all, or whether in substance he is to be regarded as having asserted that there is in fact nothing to state.*

43.5. *Where an answer is unsatisfactory, as being on the face of it incomplete or inconsistent the insurers may, as reasonable men, be regarded as put on inquiry, so that if they issue a policy without any further enquiry they are assumed to have waived any further information. However, having regard to the inference mentioned in Head 43.4 above, the mere leaving of a blank space will not normally be regarded as sufficient to put the insurers on inquiry.*

43.6. *A proposer may find it convenient to bracket together two or more questions and give a composite answer. There is no objection to his doing so, provided the insurers are given adequate and accurate information on all points covered by the questions.*

> ***43.7.*** *Any answer given, however accurate and honest at the time it was written down, must be corrected if, up to the time of acceptance of the proposal, any event or circumstance supervenes to make it inaccurate or misleading.*"

11. In the case of ***Satwant Kaur Sandhu (supra),*** there was suppression of material fact relating to health of the insured and in those circumstances, the respondent insurance company was held to be justified in repudiating the insurance contract. This Court in the case of ***Mahakali Sujatha (supra)*** was again dealing with the repudiation of claim on account of non-disclosure of diabetes and chronic renal failure in relation to a Mediclaim policy, wherein this Court in paragraph 27 held as under:

> ***"27.*** *It would be beyond anybody's comprehension that the insured was not aware of the state of his health and the fact that he was suffering from diabetes as also chronic renal failure, more so when he was stated to be on regular haemodialysis. There can hardly be any scope for doubt that the information required in the afore-extracted questions was on material facts and answers given to those questions were definitely factors which would have influenced and guided the respondent Insurance Company to enter into the contract of mediclaim insurance with the insured."*

12. An insurance is a contract *uberrima fides*. It is the duty of the applicant to disclose all facts which may weigh with a prudent insurer in assuming the risk proposed. These facts are considered

material to the contract of insurance, and its non-disclosure may result in the repudiation of the claim. The materiality of a certain fact is to be determined on a case-to-case basis. The aforementioned judgements illustrate instances of material facts, wherein the non-disclosure of certain medical conditions was held to be material in the context of a Mediclaim policy.

13. We are cognisant and conscious of this Court's judgement in ***Rekhaben Nareshbhai Rathod (supra),*** whereby the insurer was held to be entitled to repudiate the insurance claim on account of a complete failure to disclose previous insurance policies availed by the applicant. The primary consideration that weighed with this Court was that this information could potentially allow the insurer to question as to why the insured had in such a short span of time obtained two different life insurance policies.

14. In ***Rekhaben Nareshbhai Rathod (supra),*** the repudiation of the policy by the insurer was within a period of two years from the commencement of the insurance cover on the ground of non-disclosure of a material fact and suppressing/non-disclosing a pre-existing life insurance. In the said case, the expression "material", in the context of insurance policy, was defined as any contingency or event that may have an impact upon the risk appetite or willingness of the insurer to provide insurance cover.

In the said case, Item 17 of the proposal form required a detailed disclosure of other insurance policies held by the proposer including sum assured. A disclosure was also required of the status of pending proposals. These were answered with a "not-applicable" response, following the statement that the proposer therein did not hold any other insurance cover. The fact that insured therein had obtained a policy from the other insurer was not disclosed. This was non-disclosure of the earlier cover for life insurance held by the insured. The repudiation in the said case was within a period of two years from the commencement of the insurance cover. This Court held that there was non-disclosure by the insured in the proposal form that barely two months prior to the contract of insurance was entered into with the appellant therein the insured had obtained another insurance cover for his life entitled the insurer to repudiate the claim under the policy.

15. In ***Mahmohan Nanda (supra),*** on a consideration of several judgments, this Court deduced, inter alia, the following principles:

> "xxx
>
> ***55.1*** *There is a duty or obligation of disclosure by the insured regarding any material fact at the time of making the proposal. What constitutes a material fact would depend upon the nature of the insurance policy to be taken, the risk to be covered, as well as the queries that are raised in the proposal form.*

> ***55.2*** *What may be a material fact in a case would also depend upon the health and medical condition of the proposer.*
>
> ***55.3*** *If specific queries are made in a proposal form then it is expected that specific answers are given by the insured who is bound by the duty to disclose all material facts.*
>
> ***55.4*** *If any query or column in a proposal form is left blank then the insurance company must ask the insured to fill it up. If in spite of any column being left blank, the insurance company accepts the premium and issues a policy, it cannot at a later stage, when a claim is made under the policy, say that there was a suppression or non-disclosure of a material fact, and seek to repudiate the claim."*

16. In ***Mahakali Sujatha (supra)***, this Court observed that if a claim was repudiated on the ground that the policy holder has suppressed material facts in his application form with respect to existing life insurance policies from other insurers, the burden is on the insurer to prove the allegation of non-disclosure of the material fact and that the non-disclosure was fraudulent. Further, the burden of proving the fact, which excludes the liability of the insured to pay compensation lies on the insured alone and no one else.

17. Applying the aforesaid judgments to the facts of the case, it is noted that the insured had made a substantial disclosure inasmuch as he had disclosed that he had obtained another policy

from a private insurer-Aviva for an assured sum of Rs. 4 lakhs (which is actually Rs.40 lakh) which was in force. Further the queries under Clauses 52 and 53 were with regard to the policies from other insurers "under consideration" and under clause 54 details of "existing insurance cover" had to be mentioned. Evidently, the details of only one insurance cover was mentioned and not about others which were produced by the insurer before the State Commission as Exhibit A-4 to A-6 therein. Thus, there was only a partial disclosure. It is noted that the other policies Exhibit A-4 to A-6 were of inconsequential sum assured amounting to Rs.2,30,000/- in aggregate whereas the policy disclosed was issued by Aviva was for Rs. 40 lakhs. It is averred in the complaint that the sum assured by Aviva was erroneously mentioned as Rs. 4 Lakhs when it actually was Rs. 40 lakhs whereas in the instant case the sum assured is Rs. 25 lakhs. A copy of the said policy was also submitted to the insurer along with the proposal form.

18. The case at hand involves a slightly different consideration. The father of the appellant had disclosed one other life insurance policy availed by him at the time of filing the proposal form, but failed to disclose other *similar* policies. While the aforementioned judgement relates to a complete failure to disclose in the peculiar circumstances of two policies being availed of in a short span of time, the present case stands on a

different footing of a substantial disclosure which would be sufficient for a prudent insurer to determine the risk assumed. We are of the considered view that such a failure would not influence the decision of a prudent insurer to issue the policy proposed. The policy in question is not a Mediclaim policy; it is a life insurance cover and the death of the deceased has taken place on account of an accident. Accordingly, failure to mention about other policies does not amount to a material fact in relation to the policy availed and consequently, the claim could not have been repudiated by the respondent company.

19. Therefore, we find that in the facts of this case the respondent-insurer decided to issue a policy to the father of the appellant herein even though it was aware that there was another policy for a higher sum assured which was taken by the insured from Aviva. Thus, the insurer was also aware of the fact that the insured had capability and capacity to pay the premium for the policy obtained from Aviva and was confident that the insured had the capacity to pay the premium in respect of the policy which was issued to the insured by the respondent-insurer for a sum lesser assured being Rs.25 lakh only. Consequently, we find that the repudiation of the policy, in the facts and circumstances of the present case, was improper. Therefore, the appellant herein is entitled to the benefit of the policy which was issued by the respondent herein.

20. In the peculiar facts and circumstances of the present case, the appeal filed by the appellant stands allowed. The order dated 03.03.2016 repudiating the claim of the appellant, the order dated 28.05.2019 passed by the National Commission in First Appeal No. 1963 of 2018 and the order dated 27.09.2018 passed by the State Commission in Complaint Case No. 56 of 2017 are set aside. The respondent insurance company is directed to release all benefits under the policy in question along with an interest of 9% per annum from the date the amount became due till the date of its realization to the appellant.

21. No orders as to costs. Pending applications, if any, shall stand disposed of.

……J.
[B.V. NAGARATHNA]

……J.
[SATISH CHANDRA SHARMA]

NEW DELHI
February 25, 2025