

2. Maturity Claim

Bhubaneswar Ombudsman Centre
Case No. I.O.O. / BBSR / 24 - 195
Shri Prahallad Chandra Behera
Vs.
Life Insurance Corporation of India

Award Dated 29.10.2004

Happened : that shri Prahallad Chandra Behera had obtained a life insurance policy bearing No. 582593807 under Table & Term 73-12 for an assured sum of Rs. 15,000/- commencing from 15.12.90 under Salary Savings Scheme mode. Two S.B. claims due on 15.12.94 & 15.12.98 & Maturity Claim due on 15.12.2002 were not settled inspite of supplying deduction particulars for the period from 15.1.92 to 15.1.2002 to OGSSS Deptt. Of Cuttack Division.

Complained : that LIC should settle S.B. claims & Maturity Claim with interest @ 12% p.a. compounding Hly. as he is not at fault & the premium @ Rs. 135/- p.m. has been deducted from salary regularly from the commencement till the date of maturity.

Countered : by LIC that the records pertaining to the Policy were not available in OGSSS Deptt. Hence they requested the Complainant Policy holder to inform them the remittance details. However, on thorough verification of records they found that the premiums were remitted to Bhubaneswar III not OGSSS deptt., as mentioned by the Policy holder.

Observed : that the LIC has decided to settle the S.B. & Maturity Claim with 6% interest p.a. on receipt of original Policy Bond & duly executed Discharge vouchers.

Held : that the Claim should be settled immediately on receipt of Policy Bond & executed Discharge vouchers.

Delhi Ombudsman Centre
Case No. LI / DL - I / 168
Shri Shanti Swaroop Bali
Vs.
Life Insurance Corporation of India

Award Dated 15.12.2004

Shri Shanti Swaroop Bali has filed a complaint to this Forum. The grievance of Shri Bali is that first instalment of survival benefit to him under Policy No. 112417767, has not been paid to him. The first instalment fell on 27.03.2004.

Facts of the Case : The complainant is employee of the Municipal Corporation of Delhi (MCD). The policy has been taken the Salary Savings Scheme (SSS). The complainant submitted proof to me today to show that MCD has regularly deducted the monthly premium from his salary and remitted the same to LIC. Hence, there is no reason why the survival benefit should not be paid. If LIC is unable to trace the remittances from their own records, then the remedy is not to keep the customer waiting in this manner.

Observation & Decision : There are a large number of MCD employees who are facing difficulties in getting the benefits due to them under the policies taken by them. LIC is unable to verify the premium remittances. LIC's own records are in a mess. Some of the records appear to have been destroyed for reasons which are not clear. From the very beginning, the matter seems to have been neglected. Lack of adequate control, failure to follow scrupulously the procedures prescribed for collecting premium in respect of policies taken under SSS, and a general indifference which still appears to be continuing have all

aggravated the difficulties It is not fair to play it safe by throwing the burden of proof on the MCD employees. The fair course in the circumstances will be to take policies out of SSS and ask the MCD employees to pay the premium directly to LIC future. In any case, LIC open a dialogue with MCD at once with a view to clearing up the mess.

In the present case, Honourable Insurance Ombudsman see no reason at all to withhold payment of the first instalment of survival benefit. He is satisfied after hearing the complainant and after seeing the documents shown to him today by him that there are no gaps in the remittances of premium deducted from his salary.

Honourable Insurance Ombudsman, therefore, passed the Award that Life Insurance Corporation of India shall immediately pay to Shri Shanti Swaroop Bali a sum of Rs. 12500 (being the first instalment of survival benefit under Policy No. 1122417767) together with penal interest @ 8 % per annum for the period from 27.03.2004 to the date of actual payment.

Delhi Ombudsman Centre

Case No. LI / DL - II / 200

Shri Yogendra Kumar

Vs.

Life Insurance Corporation of India

Award Dated 13.01.2005

Shri Yogendra Kumar has taken a policy from LIC of India under Salary Savings Scheme in 1977. He applied for payment of maturity claim which was not paid by LIC and then he approached this Forum.

Facts of the Case : The facts of the case are as under :-

The complainant is an employee of the Central Warehousing Corporation. In November, 1977, he a policy for sum assured of Rs. 10,000/- under the Salary Savings Scheme. The policy commenced on 23rd November, 1977. The rate of monthly premium is Rs. 34.10. Premium at this rate was deducted from his salary every month and remitted to LIC by his employer. In his service in the Central Warehousing Corporation, the complainant is liable to transfer from place to place. In the year 1999, while the complainant was posted at Saharanpur, he made request to LIC to take the policy out of the Salary Savings Scheme and to permit his to pay premium directly to LIC in annual instalments. **He received no response from LIC.** In the expectation that his policy would be taken out of the Salary Savings Scheme, his employer (presumably at the request of the complainant) stopped monthly deduction of premium. The last instalment of premium deducted from his salary was for the month of August, 1999. Thereafter, no premium has been paid to LIC. On 18th January, 2001, he wrote a letter to the Cantonment Branch of LIC at Lucknow stating that he wanted to revive the policy and pay premium directly to LIC in annual instalments. He also sent a blank cheque dated 18.01.2001 towards payment of premium. He also made a request for transfer of the policy records to Saharanpur. To the best of his knowledge and belief, the policy records were in the office of LIC at Lucknow. He got no response from LIC. He continued to wait. He tried to find out where his policy records were. He was unsuccessful. On 15.06.2004, LIC wrote to him as follows : "Your policy status depicts that your policy has got transferred out of our DO. Please contact your employer where the last premium has been paid and therefore, we are returning back your policy bond".

This non - committal reply was of absolutely no use to him. At the time of getting this reply the complainant was already in Delhi. On 07.07.2004, he wrote to the Regional Manager at Delhi about his problem. **He got no response.** He sent a reminder on 26.07.2004. Again, **he got no response.** He then approached this Forum for relief.

The complaint was referred to LIC for comments / observations. The replay received by my office from LIC is reproduced below in full.

“With reference to the above complaint we wish to inform you that his policy was transferred to Lucknow in 1995. The Life Assured also confirmed in his letter that the policy is in Lucknow branch. Our Friends colony branch (312) was servicing this policy till 1995 and the premium were received under this policy from employer (Central Warehousing Corporation) of the policyholder upto 05/1990. The Life Assured had also requested LIC branch at station road Lucknow to change the mode of his policy from Salary saving to yearly and this indicates that this policy was being serviced by Lucknow branch after policy was transferred to that branch. Since the policy is being serviced by LIC Lucknow branch the maturity payment is to be made by that branch.

You are therefore requested to please close the complaint.”

Observations of Insurance Ombudsman :

I regret to say that the reply of LIC is a thoroughly irresponsible reply. It is assailable on the following grounds :-

- (1) It shows lack of commitment to the customer;
- (2) It shows serious deficiency in service in this case;
- (3) It dishonours the insurance contract;
- (4) It shows anxiety to get rid of the case;
- (5) It is an irresponsible reply because it suggests that the case may be closed; and
- (6) It is gross violation of the principle of utmost good faith in insurance on the part of LIC.

Why should the case be closed ? Here is a person who has premium continuously for 22 years. Is he to be robbed of his money ? I think someone in LIC should ask the concerned Manager why he has sent a reply like this. His explanation should be called for.

It is for LIC to tell complainant where the policy records are. The complainant is not the custodian of LIC's policy records. If LIC has no clue as to where the policy records are then LIC should pay whatever is due to the complainant without asking any unnecessary questions. LIC is trying to get rid of the complainant and to send him on a wild goose chase instead of trying to help him.

I accept without any reservation the statement of the complainant that the premium in respect of his policy has been paid in full from 23.11.1977 to 31.08.1999. The complainant has made no secret of the fact that no premium has been paid after August, 1999. The complainant has maintained some records of his own regarding deduction of premium from his salary. These records have been submitted to my office. I have very carefully gone through them and I am fully satisfied that premium had been paid in this case right from 23.11.1977 to 31.08.1999. Where this premium has been adjusted in the records of LIC is a different matter. It is for LIC to find out where the policy records are and in which officer of LIC the adjustments have been made. This is not the concern of the Complainant.

The date of maturity is already over. The policy matured on 23.11.2002.

In the result, therefore, I pass the Award that Life Insurance Corporation of India shall pay to Shri Yogendra Kumar, the paid - up value of his policy No. S - 45689593 together with all accrued bonuses. The paid - up value shall be calculated on the assumption that premium had been paid for period 23.11.1977 to 31.08.1999. It is for LIC to decide which branch shall make the payment.

The complaint is allowed.

Hyderabad Ombudsman Centre
Case No. L / 21.001.0197 / 2004 - 05
Shri P. V. Ramana Rao
Vs.
Life Insurance Corporation of India

Award Dated 25.10.2004

Facts of The Case : One Shri P. V. Ramana Rao, a resident of Hyderabad took a Whole Life Limited Payment Insurance Policy in 1968 for a Sum Assured of Rs. 5000 from City Branch V of LIC under Hyderabad Division. The premiums under the policy were payable for a term of 15 years. According to the insurer, the premiums were received upto including 06/1977 and thereafter the policy lapsed. The Policy matured on 21.06.1983. The insurer offered paid up value along with accrued bonus of Rs. 4534/- The life assured informed the insurer that he had paid all the premiums upto the maturity date and requested insurer to consider settlement of full sum assured along with accrued bonus. This was rejected by the LIC.

Decision : I heard the contention of both sides and also perused all the documents placed before me. I have gone into the policy conditions applicable under a Whole Life Limited Insurance Policy.

- i) The life assured Sri P.V. Ramana Rao took a Whole Life Limited Payment Insurance Policy in 06/1968 for a Sum Assured of Rs. 5000. As per the terms and conditions of the policy, premiums are payable upto 06/1982. Originally, the policy was taken by the insured under Salary Savings Scheme and later, he converted the mode of payment of premium to yearly;
- ii) According to the insurer, the life assured paid premiums upto 06/1977 only. Thereafter, the life assured did not pay subsequent premiums. As such, the policy remained a reduced paid up case;
- iii) According to the terms and condition of the policy, the policy can be settled as a maturity claim on the life assured attaining 80 years of age or after a lapse of 35 years from the commencement of the policy, whichever was later subject to the condition that all the premiums due under the policy were received by the LIC. In response, to the request of the life assured, the insurer sent a discharge form requesting him to return the same duly executed along with the policy bond for settlement of paid up value along with accrued benefits amounting to Rs. 4354/-. The insurer also requested the life assured to submit any proof / evidence of his having paid all the premiums upto 06/1982 to reconsider the matter for full amount. But the life assured expressed his inability to submit any evidence / proof although he was claiming that he paid all the premiums;
- iv) In the absence of any proof like cheque number/DD No. or a certificate / letter from the bank confirming that his account was debited for the premium amount, it would be difficult to give benefit of doubt to the life assured. Accordingly, the action of the insurer in offering the paid up value together with accrued benefits was proper and justified;
- v) In view of the clear instructions of Corporate Office, it is not known as to how the authorities at Hyderabad issued discharge form to the policyholder and went on reminding to return the same for settlement of paid up value. This naturally invites unwanted and unwarranted criticism from the policyholders. The insurer may take note of this aspect while dealing such cases in future;
- vi) Further, in the instant case, the life assured took an insurance policy for a meagre amount of Rs. 5000 and paid premiums for about 10 years. He also attained age 86 years. Already the insurer offered a sum of Rs. 4354/- towards paid up value with accrued benefits. In view of the protracted correspondence between the two sides; in view of the fact that the life assured had already attained 86 years; and in view of the fact that the policy was taken only for a meagre sum of RS. 5000 and the insured paid premiums for ten years, as confirmed by the insurer, it would be in fitness of things and ends of justice would also be met if the insurer settles the claim for a sum of Rs. 5000 under ex-gratia **Immediately**, as a special case, which would incidentally enhance the objectives of the Corporation "Maximise mobilisation of people's savings and act as trustees of the insured public".

In the result, the complaint is allowed for Rs. 5000/- (Rupees five thousand only) as ex-gratia.

Mumbai Ombudsman Centre
Case No. LI - 085 of 2004 - 05
Shri Dindayal Gupta
Vs.

Life Insurance Corporation of India

Award Dated 29.10.2004

Shri Dindayal Gupta had taken a Policy No. 19001470 under Endowment Plan for 25 years from Branch No. 912 of MDO - IV of LIC of India. Commencement date - 28.10.71. The policy matured on 28.10.1996 and the maturity proceeds remained unpaid. Subsequently, Shri Gupta approached the Office of the Insurance Ombudsman requesting his intervention in the matter and granting Penal interest @18% per annum for delayed payment. Notices were issued on 15.7.2004 to both the parties.

In the meanwhile, LIC paid an amount of Rs. 8,794/- towards the sum assured and bonus under the policy and also sent a form of advance receipt for penal interest @8% per annum from 11.7.03 to 3.9.03. The complainant again wrote to on 24.09.04 expressing his dissatisfaction with the offer of penal interest and insisted that he should get interest @18% p.a. from the actual date of maturity of the policy.

Analysis of the records would reveal that the policy matured on 28.10.96, but the liability was written back in March 97 for want of certain requirements. Shri Gupta was out of India and he has not informed the same to LIC. The discharge form and indemnity letter duly executed were received by Branch Office 912 of LIC on 11.7.03, and the claim was processed by them but still there was a delay and the maturity payment was made on 3.9.04. LIC offered penal interest @8% from the date of receipt of the discharge form and indemnity letter upto to actual payment i.e. 11.7.03 to 3.9.04. The dispute now is only regarding rate of interest and duration for which the interest is to be paid. In the facts and circumstances, the decision of LIC for payment of penal interest @ 8% for the period from 11.7.03 to 3.9.04 is considered appropriate and tenable.