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Allahabad High Court Quashes LIC's Rejection of Life Insurance Claim: A Victory for Policyholders

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Introduction

The Allahabad High Court recently delivered a significant judgment in the case of Santosh Kumar v. Assistant Secretary/Deputy Secretary/Secretary, Insurance Ombudsman, Lucknow and Others, (Neutral Citation No. 2025:AHC:66456-DB). The case involves a writ petition under Article 226 of the Indian Constitution, challenging the rejection of a life insurance claim by the Life Insurance Corporation (LIC) and the subsequent decision by the Insurance Ombudsman.

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Background of the Case

The case revolves around the life insurance policy issued by LIC to Meera Devi on August 16, 2018. The petitioner, Santosh Kumar, was nominated as the beneficiary of the policy. Meera Devi passed away on July 8, 2019, due to a heart attack. Subsequently, the petitioner submitted a claim for the insurance amount. However, the claim was rejected by the Senior Divisional Manager, LIC Division Office, Prayagraj, on March 23, 2021, on the grounds that the insured had withheld information about a previous policy. The petitioner then approached the Regional Manager, LIC Kanpur, and later the Insurance Ombudsman, Lucknow. The Insurance Ombudsman rejected the claim on May 19, 2023, citing various procedural grounds. Dissatisfied with these decisions, the petitioner filed a writ petition under Article 226 of the Constitution before the Allahabad High Court.

Rival Contentions

The petitioner contended that the insured had disclosed all necessary details, including previous policies, to the LIC agent. The agent had assured that such details were already recorded in LIC’s database. The petitioner further argued that the LIC failed to provide any documentary proof of non-disclosure or misrepresentation. He emphasized that the issuance of the policy bond implied verification and acceptance of the proposal form. The petitioner also highlighted that the claim cannot be barred under Section 45 of the Insurance Act, 1938, and that the rejection orders were arbitrary and against statutory provisions.

On the other hand, the respondents argued that the insured deliberately provided incorrect information in the proposal form, particularly in columns 7a and 9. They contended that the claim was rejected within three years of the policy’s commencement, in accordance with Section 45 of the Insurance Act, 1938. The respondents also claimed that the Insurance Ombudsman lacked jurisdiction as the claim exceeded Rs. 30 lakhs. They emphasized the insured’s duty to disclose all information and argued that the non-disclosure was a breach of the declaration in the proposal form.

Legal Provisions and Judgments Relied Upon

The court considered several legal provisions, including Section 45 of the Insurance Act, 1938, which stipulates that a life insurance policy cannot be questioned after three years from the date of issuance, except on grounds of fraud. The court also referred to the Insurance Ombudsman Rules, 2017, governing the procedure for filing complaints and the jurisdiction of the Insurance Ombudsman.

Several judgments were relied upon by both parties. The petitioner cited Mahaveer Sharma v. Exide Life Insurance Co. Ltd. (2025 SCC OnLine SC 435) to emphasize the burden of proof on the insurer to show fraud or material misrepresentation. The respondents relied on Reliance Life Insurance Co. Ltd. v. Rekhaben Nareshbhai Rathod (2019) 6 SCC 175, which highlights the importance of full disclosure by the insured and the insurer’s right to repudiate claims based on non-disclosure. Other significant judgments included Smt. Parul Agrawal v. Life Insurance Corporation of India and others (2024:AHC:36063-DB), Manmohan

Nanda v. United India Assurance Co. Ltd. (2022) 4 SCC 582, and Mahakali Sujatha v. Future Generali India Life Insurance Co. Ltd. (2024) 8 SCC 712.

Analysis and Decision of the Allahabad High Court

The Allahabad High Court analysed the nature of the disclosure made by the insured and the grounds for repudiation. The court noted that the insured had disclosed other policies to the LIC agent, who had assured that the details were already recorded in LIC's database. The court emphasized that LIC had a duty to verify the details provided by the insured and that the issuance of the policy bond implied acceptance of the proposal form. The court found that the Insurance Ombudsman's rejection order was arbitrary and lacked consideration of the merits. The court held that LIC could not repudiate the claim based on non-disclosure of a previous policy, especially when the policy was issued by the same insurer and the details were available in their records.

Conclusion

The Allahabad High Court's judgment brings back in focus the principles of good faith and due diligence in insurance contracts. The court quashed the impugned orders and directed LIC to make the payment of the insured sum to the petitioner within six weeks. This decision reinforces the importance of insurers verifying the details provided by policyholders and not arbitrarily repudiating claims based on non-disclosure of information already available in their records. The case is a reminder of the reciprocal duties of disclosure and the need for insurers to exercise due diligence in assessing and issuing policies.

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