



CIVIL

Supreme Court Clarifies: How Undisclosed Alcoholism Can Void Your Insurance Coverage

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PUBLISHED 26 March 2025

The Supreme Court of India recently delivered a significant judgment in the case of Life Insurance Corporation (LIC) versus Sunita & Ors., Civil Appeal No(s). of 2025 (Arising from SLP(C.) No(s). 15354/2020). The bench comprising Justices Vikram Nath and Sandeep Mehta delivered the judgment on March 3, 2025, overturning previous decisions from lower consumer forums.

The litigation stemmed from a life insurance policy under LIC's "Jeevan Arogya" scheme taken by Sh. Mahipal, who passed away in 2014. His wife, Sunita, filed a claim for reimbursement of medical expenses following his death. LIC repudiated the claim, alleging that Mahipal had concealed his chronic alcoholism, which was excluded under the policy's terms.

At the district level, the District Consumer Disputes Redressal Forum in Jhajjar, Haryana, ruled in favour of the claimants in 2014. The forum directed LIC to pay ₹5,21,650 for medical expenses, ₹20,000 as compensation, and ₹5,500 for litigation costs. The District Forum noted that medical records did not mention alcoholism as a factor in Mahipal's treatment or death.

LIC challenged this decision before the State Consumer Disputes Redressal Commission (SCDRC) in Haryana, Panchkula. The SCDRC dismissed LIC's appeal in 2017, upholding the District Forum's order. LIC then approached the National Consumer Disputes Redressal Commission (NCDRC), which also rejected LIC's revision petition in 2020. The NCDRC concluded that Mahipal's death from cardiac arrest was not directly linked to his pre-existing conditions of diabetes mellitus and chronic liver disease. The commission relied on the Supreme Court's earlier decision in *Sulbha Prakash Motegaoneker & Ors. v. Life Insurance Corporation* [(2021) 13 SCC 561].

The parties presented contrasting arguments before the Supreme Court. LIC contended that Mahipal's chronic alcoholism was evident from a prescription slip from Siwach Hospital dated May 2, 2014, which mentioned his history of alcohol consumption. LIC argued this condition fell under the policy's exclusion clause for self-afflicted conditions due to alcohol misuse. The claimants, however, asserted there was insufficient evidence to support the repudiation and emphasized their entitlement to reimbursement under the insurance policy following Mahipal's death.

In its analysis, the Supreme Court found that lower forums had misinterpreted the Jeevan Arogya Plan's terms. The court clarified this was a hospital cash benefit policy, not a medical reimbursement policy, meaning full hospitalization cost reimbursement wasn't warranted. Significantly, the court determined Mahipal had provided false information about his alcohol consumption in his policy application. The evidence, including the Siwach Hospital prescription, established his chronic alcoholism, which he failed to disclose when obtaining the policy.

The Supreme Court further analysed the medical history, noting Mahipal's hospitalization for severe abdominal pain and vomiting, complications associated with chronic liver disease, before his cardiac arrest. The court concluded his death couldn't be considered unrelated to his pre-existing conditions. The court also found the NCDRC's reliance on *Sulbha Prakash Motegaoneker* was misplaced, distinguishing that case's facts from the present matter.

The Supreme Court ultimately allowed LIC's appeal, setting aside the NCDRC's order. While upholding the repudiation of the claim, the court considered it inappropriate to order recovery of the approximately ₹3,00,000 LIC had already paid to the claimants, acknowledging the time passed and the financial and emotional hardships endured by Sunita following her husband's death. The court directed that no future payments would be made by LIC regarding this claim.

The Supreme Court's decision in *Life Insurance Corporation vs. Sunita & Ors.* is a critical reminder of the delicate balance between policyholder obligations and insurer responsibilities in the insurance ecosystem. For policyholders, this judgment underscores the critical importance of complete transparency when completing insurance applications. The court's ruling makes it clear that material facts, particularly those related to chronic conditions like alcoholism that can significantly impact risk assessment, must be disclosed regardless of whether they seem relevant at the time of application.

This case highlights the potential consequences of nondisclosure, even when the connection between the undisclosed condition and the claim might seem tenuous. The court's analysis of causation and materiality provides valuable guidance for both insurers and policyholders on how courts will evaluate such disputes. For insurers, the decision reinforces the need for clear policy language and thorough investigation procedures when claims arise that might be connected to pre-existing conditions.

The broader implications of this judgment extend beyond the specific facts of the case. It signals to the insurance industry the importance of educating consumers about their disclosure obligations and the potential repercussions of withholding information. For consumers, it is a wake-up call to carefully review policy documents, understand exclusion clauses, and seek clarification on what constitutes material information.

