



CONSUMER

INSURANCE

Applying Sub-Limit to Wrong Procedure Amounts to Deficiency in Service, Rules Ernakulam Consumer Commission

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Introduction

In a significant ruling reinforcing the rights of insured consumers, the District Consumer Disputes Redressal Commission, Ernakulam, has held Future Generali India Insurance Company Ltd. and its affiliate Future Generali Health^[1] guilty of deficiency in service and unfair trade practice for wrongfully curtailing a legitimate medical insurance claim. The Commission found that the insurer had misapplied a policy sub-limit intended for urinary stone removal to a completely different surgical procedure, thereby causing undue financial and emotional distress to the complainant.

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Background of the Case

Complainant Lype P. Joseph, insured under a group health policy of Future Generali India Insurance Company Ltd. (Policy No. FGS-39-24-7006584-00-000), had coverage of ₹5,00,000 for the policy period 05.04.2024 – 04.04.2025. Upon hospitalization for bulbar urethral stricture, he underwent Visual Internal Urethrotomy (VIU) at Apollo Adlux Hospital, Ernakulam, incurring medical expenses of ₹71,553/-.

The insurer, however, approved only ₹35,000, invoking Special Condition (h) of the policy pertaining to “Urinary Stone (including DJ stent removal for the same stone).” The complainant disputed this decision, contending that the insurer had wrongly categorized his treatment under a sub-limit that was medically and contractually inapplicable. He produced his discharge summary and a doctor’s certificate to substantiate that VIU was a stricture-relieving procedure, not a stone-removal surgery.

After multiple unsuccessful attempts to seek redress directly from the insurer, Joseph filed a complaint before the District Consumer Commission, Ernakulam, seeking the disallowed claim amount along with interest, compensation, and litigation costs for the insurer’s deficiency in service.

Key Issue

Whether the complaint was maintainable, and if the insurer’s wrongful application of a urinary-stone sub-limit to a urethral stricture surgery amounted to deficiency in service and unfair trade practice, entitling the complainant to refund, compensation, and costs.

Insurer’s Defence

Future Generali India Insurance Company Ltd. and Future Generali Health (FGH) defended their position by asserting that the complainant’s treatment fell within the scope of the **₹35,000 sub-limit** prescribed under Special Condition (h) of the policy for “Urinary Stone (including DJ stent removal for the same stone).”

They contended that the complainant’s hospitalization was for posterior urethral calculus with coexisting bulbar urethral stricture, and the Visual Internal Urethrotomy (VIU) performed was directly related to urinary stone disease. Referring to the complainant’s email dated January 9, 2025, where he described the procedure as “VIU under GA for posterior urethral calculus,” the insurer maintained that its assessment was medically justified and contractually sound.

The insurer also highlighted the complainant’s past history of urinary stone surgery in 2023, arguing that the urethral stricture was a sequela of the same chronic condition. Accordingly, the application of the sub-limit, they claimed, was both fair and policy-compliant.

“There is no deficiency in service under Section 2(11) of the Consumer Protection Act, 2019; the insurer acted fairly and strictly per the contract. Consumer fora cannot rewrite policy terms; insurance contracts must be construed strictly, as held in *Suraj Mal Ram Niwas Oil Mills v. United India Insurance Co. Ltd.* and *Ravneet Singh Bagga v. KLM Royal Dutch Airlines.*”

On this basis, the insurer denied any wrongdoing, asserting that it had acted in good faith and within the bounds of the insurance contract, and therefore sought dismissal of the complaint for lack of cause of action.

Commission’s Findings

The Commission found that the insurer had wrongly invoked the urinary-stone sub-limit for a surgery meant to treat urethral stricture, not stone removal. The discharge summary and the doctor’s certificate from Apollo Adlux Hospital confirmed that Visual Internal Urethrotomy (VIU) is a stricture-relieving procedure, making the insurer’s justification medically and contractually untenable.

Applying the principle of *contra proferentem*, the Commission held that ambiguities in policy clauses must favour the insured, citing *United India Insurance Co. Ltd. v. Pushpalaya Printers*^[2] and *Benz Automobiles Ltd. v. P.D. Thomas*^[3]. The Commission also referred to the Kerala High Court’s 2025 decision in WP(C) Nos. 13244 & 40088 of 2017, which held that unjustified denial of medical claims amounts to a violation of the right to life under Article 21 of the Constitution.

The bench observed that the insurer’s inconsistent claim records and arbitrary deductions amounted to deficiency in service and unfair trade practice under the Consumer Protection Act, 2019.

The Verdict

The three-member held the insurer liable for deficiency in service and unfair trade practice. It directed the company to:

1. Pay the **balance amount of ₹36,553** with **9% interest** from December 18, 2024, until realization.
2. Pay **₹25,000 as compensation** for mental agony and inconvenience.
3. Pay **₹5,000 as litigation costs**, all within **45 days** of receiving the order.

In a strongly worded observation, the Commission noted:

“An insurance policy is meant to be a safety net in anxious hours not another hurdle. Despite clear medical records, the claim was reduced on a narrow and mechanical interpretation, causing undue hardship.”

The Commission concluded that the insurer’s approach was “arbitrary, medically unfounded, and contrary to the principles of good faith,” emphasizing that insurance mechanisms should operate as a support system in times of need, not as a barrier to relief.

Key Takeaways

- **Sub-limits must reflect the actual treatment:** Insurers cannot arbitrarily apply policy caps meant for unrelated medical procedures.
- **Medical evidence prevails over technical interpretation:** The diagnosis and treating doctor’s certification determine the true nature of a claim.
- **Fairness in insurance contracts:** Ambiguous terms must be interpreted *in favor of the insured* under the *contra proferentem* principle.
- **Consumer protection and constitutional rights intersect:** Wrongful claim denials in health insurance may violate the *right to life under Article 21*.
- **Accountability of insurers:** Inconsistent records or misrepresentations before consumer fora can amount to *unfair trade practice*.
- **Human-centered approach reaffirmed:** Insurance policies are intended as safeguards during medical emergencies, not as instruments of delay or denial.

Conclusion

The Ernakulam Consumer Commission’s ruling serves as a strong reminder that insurance contracts must be implemented with fairness, accuracy, and empathy. By holding Future Generali India Insurance Company Ltd. accountable for misapplying a policy sub-limit, the Commission reaffirmed that consumer protection extends beyond technical compliance it embodies the duty of

good faith and fair dealing.

The judgment not only restores justice for the individual policyholder but also highlights a broader message to the insurance industry: transparent and medically sound claim assessment is not optional it is an ethical and legal obligation.

For more details, write to us at: contact@indialaw.in

[1] C.C No. 341 of 2025

[2] 2004 KHC 795

[3] 2008 (3) KHC 846

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