

**RSA-2326-1994 (O&M)****-1-****IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH****RSA-2326-1994 (O&M)
Reserved on: 20.08.2025
Pronounced on: 25.08.2025**

Life Insurance Corporation of India

.....Appellant

VERSUS

Smt. Vijay Sharma & Others

.....Respondents

CORAM: HON'BLE MS. JUSTICE MANDEEP PANNUPresent: Mr. Prateek Mahajan, Advocate and
Mr. Kunal Soni, Advocate for the appellant.Mr. Akshit Pathania, Amicus Curiae,
for the respondent.**MANDEEP PANNU, J**

1. The present Regular Second Appeal has been filed by the Life Insurance Corporation of India (appellant/defendant) against Smt. Vijay Sharma and others (respondents/plaintiffs), challenging the concurrent findings of the Courts below recorded in judgments and decrees dated 25.11.1992 and 19.04.1994.

Brief Facts

2 Dr. Abnash Chand Sharma, PCMS, was insured by the defendant under two life insurance policies. Policy No. 22755994 for ₹10,000 was taken on 05.10.1982, and Policy No. 229390414 for ₹50,000 was taken on 26.04.1980. Both the policies lapsed for sometime on account of non-payment of premiums. Policy for ₹10,000 was revived by him on 03.05.1985 and the policy for ₹50,000 was revived on 22.05.1985, after payment of arrears of dues to the defendant corporation.

**RSA-2326-1994 (O&M)****-2-**

3. Dr. Abnash Chand Sharma died on 13.06.1985, leaving behind the plaintiffs as his legal heirs. Plaintiff No.1 Vijay Sharma is his widow, and plaintiffs Nos. 2 and 3, Abishek and Ankush, are his sons. The plaintiffs applied for payment of the amounts under the two policies, but the defendant-Corporation refused. Feeling aggrieved, they filed a suit for recovery of ₹75,000.

4. The defendant-Corporation, upon notice, appeared and contested the suit. It was pleaded that the contract between Dr. Abnash Chand Sharma and the defendant-Corporation was void on account of incorrect statements made by him regarding his health on 03.05.1985 and 22.05.1985. Consequently, the revival of the policies was *void ab initio*. It was further contended that the right to claim interest on the amount due was not admitted. It was specifically alleged that the plaintiffs were not entitled to any amount because of a condition in the policy that if any wrong statement or incorrect information on any material point was made by the insured, the defendant-Corporation would not be liable to pay any amount under the policy.

5. It was further pleaded that the plaintiffs had wrongly claimed ₹75,000, whereas the actual contractual liability, if any, could only be for ₹60,000, being the sum assured under the two policies of ₹10,000 and ₹50,000 respectively. It was also alleged that the defendant-Corporation did not admit that the plaintiffs had rightly sued the corporation and that the suit was liable to dismissal.

6. From the pleadings of the parties, the following issues were framed:

1. Whether the plaintiffs are minors and the suit has been rightly filed by the next friend? OPP.
2. Whether the plaintiff is entitled to recovery of ₹75,000 from the defendant? OPP.

**RSA-2326-1994 (O&M)****-3-**

3. Whether the plaint does not disclose any cause of action? OPD.
4. Whether the defendant has not been properly sued? OPD.
5. Whether the Civil Courts at Gurdaspur has no jurisdiction to try this suit? OPD.
6. Whether the plaintiff is entitled to any interest on the suit amount from the defendant? OPP.
7. Whether the contract is rendered void ab initio because the insurer, Dr. Abnash Chand Sharma, had made incorrect statement regarding his health on 03.05.1985 and 22 May 1985? OPD.
8. Whether the revival of the policy was declared null and void? If so, what is its effect? OPD.
9. Whether there is no contractual liability on the part of the defendant regarding the suit amount? OPD.
10. Whether there is a condition in the policy that in case any misstatement of fact or material information is made that event there is no liability of the defendant? OPD.
11. Relief.

Findings of the Trial Court

7. The learned trial Court, after hearing the parties and considering the evidence, held that misstatement of facts, incorrect statements, and the ailments from which Dr. Abnash Chand Sharma was suffering were not sufficient to discard the claim of the plaintiffs. This finding was based particularly on the admission of DW10, Sh. D.K. Sharma, Divisional Manager of LIC of India, who had himself investigated the case. He admitted that the insured was medically examined at the

**RSA-2326-1994 (O&M)****-4-**

time when his life was insured, and the medical officer who examined him before insurance declared him fit and approved the case.

8. The Court observed that if Dr. Abnash Chand Sharma was declared fit for insurance by the medical officer at the time of insurance of the policies for ₹10,000 and ₹50,000 (Exhibits D1 and D3), it was not understandable how the claim of the plaintiffs could later be repudiated in view of the admission of DW10.

9. It was further held that the insured was declared fit for insurance in spite of the fact that he was suffering from jaundice and pneumothorax. His case was approved medically because jaundice is only a symptom and not a disease, as admitted by DW9 Dr. S. Verma. After discussing the evidence of all witnesses in detail, the trial Court decreed the suit of the plaintiffs. The judgment and decree were passed on 25.11.1992 by the learned Sub Judge First Class, Gurdaspur.

Findings of the First Appellate Court

10. The defendant-Corporation filed an appeal, which was dismissed. The learned first appellate Court held that under Section 45 of the Insurance Act, 1938, once the revival takes place, the original policy comes into operation and the bar of Section 45 of the Act, is clearly attracted. Reliance was placed on the judgment of the Hon'ble Supreme Court in *L.I.C of India, Bombay v. Vesai Bharathi*, AIR 1979 Andhra Pradesh 39, where it was held that once the revival takes place, the original policy comes into operation and Section 45 of the Act is clearly attracted in which event the burden is on the Corporation to show that the requirement of Section are satisfied before successfully repudiating the contract. Hence the finding on point No.1 is that the two years' period must be computed from the date of the original policy and not from the date of the revival of the policy."

**RSA-2326-1994 (O&M)****-5-**

11. The appellate Court held that the two years' period contemplated under Section 45 of the Act, must be computed from the date of the original policy and not from the date of revival. Consequently, the Court concluded that the policies remained in force and on account of the death of Dr. Abnash Chand Sharma, the LIC was bound to pay the sum assured under the policies. Accordingly, the appeal was dismissed vide judgment and decree dated 19.04.1994.

12. Feeling aggrieved by the concurrent judgments and decrees of the Courts below, the present Regular Second Appeal has been filed by the defendant—Life Insurance Corporation of India.

13. Notice of the appeal was issued to the respondents. No one had been appearing on behalf of the respondents. Vide order dated 15.07.2025, an Amicus Curiae was appointed to address arguments on behalf of the respondents.

Submissions of Counsel for the Parties

14. It is argued by learned counsel for the appellant that both the Courts below erred in decreeing the suit of the plaintiffs. Learned counsel for the appellant further submitted that the initial life insurance policies for ₹10,000 and ₹50,000 were obtained on the basis of proposal forms Ex. D1 and Ex. D6, which contained a clear declaration of the life assured that the statements and answers given by him were true to the best of his knowledge and belief. It was specifically declared that in case the said declaration was found to contain any untrue statement, the contract of insurance would be null and void. On the basis of the said assurance, he declared that his usual state of health was good, that he had not suffered from any disease, and that he had not consulted any medical practitioner within the preceding five years for any ailment. On that basis, the policies were issued.

**RSA-2326-1994 (O&M)****-6-**

15. It was further argued that there is no dispute regarding the correctness of the original policies issued in 1980, but the dispute arises only with respect to the revival of those policies. Since the policies lapsed on account of non-payment of the half-yearly premium due in October 1984, the assured applied for revival of the lapsed policies on the basis of personal statements of health, Ex. D2 and Ex. D7, dated 03.05.1985 and 22.05.1985. In those statements, the insured again made a declaration of good health. It was specifically provided in the revival forms that if the declaration was untrue, the contract would be void.

16. Learned counsel drew the attention of the Court to the questions asked in the personal statements. One question was whether the assured had suffered from any illness requiring treatment for more than a week, to which he replied “No.” Another question was whether he was suffering from any disease of the lungs, to which he again answered “No.” According to learned counsel, these statements were false, and the assured had deliberately suppressed material facts. Within one month of revival of the policies, he died on 13.06.1985.

17. Learned counsel pointed out that Dr. Abnash Chand Sharma was admitted to Ram Saran Dass Kishori Lal Charitable Hospital, Amritsar on 01.06.1985 and referred to PGI Chandigarh, where he was admitted on 13.06.1985. The case history at PGI revealed that the assured was suffering from chronic active hepatitis and pneumothorax, that he had been taking injections for 10 years, and had been suffering from jaundice with low-grade fever since 14 months. Being a doctor himself, the assured was well aware of his medical condition, and yet he made false declarations while seeking revival of the policies.

18. It was argued that the findings of the Courts below are contrary to evidence. DW9 Dr. S. Verma, PGI, proved the case history which clearly

**RSA-2326-1994 (O&M)****-7-**

mentioned that the patient was suffering from chronic active hepatitis and pneumothorax and had a history of jaundice and low-grade fever for 14 months prior to his death. He was also addicted to injections. His evidence, however, was ignored by the Courts below merely on the ground that the insured was examined by the doctors of Life Insurance Corporation before issuance of the original policies. Learned counsel submitted that the medical examination by Life Insurance Corporation doctors at the time of insurance was based on the answers given by the life assured in the proposal form. Had he disclosed the true facts, the corporation would have examined him more thoroughly and referred him to specialists. By concealing these ailments, the assured deprived the corporation of that opportunity.

19. In support of his contentions, learned counsel for the appellant relied upon a judgment of this Court passed in the case of *Harpreet Kaur and Others v. LIC of India and Others, 2019 (3) RCR (Civil) 801*, wherein it was held that concealment of material facts relating to serious ailments such as valve replacement surgery and bypass surgery justified repudiation of the insurance claim. According to learned counsel, this judgment fully applies to the present case.

20. It was also argued that the Courts below erred in holding that Life Insurance Corporation could only repudiate the policy within two years under Section 45 of the Insurance Act, 1938. Learned counsel submitted that Section 45 permits repudiation even after two years if material misstatement is proved. Since revival of the policy was based on personal statements of health in May 1985, suppression of material facts therein entitled LIC to repudiate the contract, irrespective of the time elapsed from the date of original policies.

**RSA-2326-1994 (O&M)****-8-**

21. On the other hand, learned amicus curiae for the respondents supported the judgments of the Courts below. He argued that there is no illegality in the concurrent findings. He submitted that the revival of the policies was merely a continuation of the original policies issued in 1980. Hence, Section 45 of the Act squarely applies, and the burden was upon the corporation to establish that the suppression of facts was fraudulent and material. Learned counsel submitted that no such proof has been furnished by the corporation. He further argued that the insured was examined by LIC doctors, declared medically fit, and that mere mention of jaundice or low-grade fever in the case history could not amount to concealment of a material disease. He therefore contended that the judgments of the Courts below do not call for interference.

Findings of this Court

22. This Court has carefully considered the rival submissions and examined the record. It is not in dispute that the initial policies Ex. D1 and Ex. D3 were issued in 1980, that they lapsed on account of non-payment of dues, and that they were revived by documents Ex. D2 and Ex. D7 on 03.05.1985 and 22.05.1985 respectively. It is also admitted that the insured died on 13.06.1985, within one month of revival.

23. The appellant has placed reliance on the case history proved by DW9 Dr. S. Verma, which records chronic active hepatitis, pneumothorax, jaundice, and fever for 14 months prior to death. However, merely because these ailments were not mentioned by the insured, the claim of the plaintiffs cannot be straightaway rejected. Reliance in this regard has rightly been placed by the Courts below on the testimony of DW10, Shri D.K. Sharma, Divisional Manager of LIC, who admitted



RSA-2326-1994 (O&M)

-9-

that the insured was examined by the medical officer at the time of issuance of the policies and was declared medically fit.

24. It is also relevant that DW9 Dr. S.Verma, PGI himself admitted in cross-examination that jaundice is only a symptom and not a disease in itself. Thus, the so-called concealment cannot be treated as fraudulent or material for the purposes of avoiding the policy.

25. Section 45 of the Insurance Act, 1938, as applicable, clearly provides that no policy of life insurance shall be called in question after two years from the date on which it was effected, on the ground of misstatement, unless the insurer shows that the misstatement was material and made fraudulently. In the present case, the policies were effected in 1980 and revived in 1985. The lower appellate Court has rightly applied the judgment of the Hon'ble Supreme Court in the case of *LIC of India, Bombay (supra)*, holding that revival relates back to the original policy, and once revival takes place, the original policy comes into force. Consequently, the two years' period must be computed from the date of the original policies, and the burden was on the corporation to establish material suppression.

26. The reliance placed by learned counsel for the appellant on *Harpreet Kaur v. Life Insurance Corporation of India (supra)* is misplaced. In that case, there was concealment of serious surgeries such as valve replacement and bypass, which were clearly material facts. In the present case, however, there is no such concealment of a grave or life-threatening disease. At best, the insured was suffering from jaundice or low-grade fever, which by themselves are not sufficient to disentitle the claim, particularly when the medical officer of LIC had declared him fit and the policies were approved.

**RSA-2326-1994 (O&M)****-10-**

27. This Court, therefore, finds no illegality in the concurrent findings of the Courts below. The findings are based on proper appreciation of evidence and correct application of Section 45 of the Insurance Act.

Conclusion

28. In view of the above discussion, this Court holds that the plaintiffs were rightly held entitled to the sum assured under the policies. The appeal filed by the Life Insurance Corporation of India has no merit and is accordingly dismissed. There is no illegality in the concurrent findings of the Courts below warranting interference in second appeal.

29. Pending application(s), if any, also stand disposed off.

August 25, 2025
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(MANDEEP PANNU)
JUDGE

Whether speaking/non-speaking : Speaking
Whether reportable : Yes/No