**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

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CWP-22463-2024
Date of decision: 06.09.2024

LIFE INSURANCE CORPORATION OF INDIA AND ANOTHER

......Petitioner

VERSUS

CHANDA RANI AND OTHERS

.......Respondents

CORAM : HON'BLE MR. JUSTICE VINOD S. BHARDWAJ

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Present: - Mr. Rajneesh Malhotra, Advocate with
Ms. Vandanaa Malhotra, Advocate
for the petitioners.

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VINOD S. BHARDWAJ, J. (Oral)

Challenge in the present writ petition is to the Award dated 22.04.2024 (Annexure P-1) passed by the Permanent Lok Adalat (Public Utility Services), Sangrur whereby the application filed by the respondents-applicants for grant of insurance benefits on account of death of Madan Gopal has been allowed and an amount of Rs. 20,00,000/- has been ordered to be paid alongwith interest @ 8% alongwith an additional amount of Rs. 5,000/- towards Counsel fee.

2. Briefly summarized the facts of the present case are that Madan Gopal, who was the head of the family of the respondents-applicants, had died on 13.11.2021. He was also an authorized agent of the petitioner Life Insurance Corporation and was a diamond brigade member of the petitioner-Insurance Company and was insured under Group Insurance Master Policy No. 900695225 for a sum of Rs. 20,00,000/-. The petitioner-Insurance Company used to deduct Rs. 7670/- per annum towards the premium of the master policy from the commission/incentive due to an agent. All the requisite premium amounts were duly paid/deducted from the Commission/incentives of Madan Gopal, however, despite the same, the benefits were not released to the petitioner despite acceptance of the claim. It was claimed to have been informed that in the year 2021, premiums for all categories of brigade members were revised and an amount of Rs. 14,396/- including GST became payable as premium for members of the diamond brigade agents. Rs. 7670/- was already deducted by the petitioner-Insurance Company from the incentives of the insured on 28.04.2021, however, since the rate of premium was revised vide letter dated 11.10.2021, hence, all the brigade members, who had availed the facility of group insurance vide the above mentioned policy were intimated to deposit the balance premium as per the revised rates. A cheque for the differential amount of Rs. 6726/-, in favour of LIC of India, was issued by late Madan Gopal, however, the same was returned dishonoured vide memo dated 13.10.2021 due to reasons of "insufficient funds". Intimation of the same was also given to the insured and the original cheque was handed over to him with a request to deposit the

balance premium amount through DD or in cash at the earliest, however, the same was not deposited within the extended period and that in the meanwhile, he died on 13.11.2021. The commission/incentive of the deceased for the month of October, 2021 was nil and as such deductions also could not be made from the commissions/incentive of the agent. Hence, the policy did not survive as on the said date. Thus, the benefits could not be released.

3. As the efforts for amicable settlement failed, an adjudication was undertaken by the Permanent Lok Adalat (Public Utility Services), Sangrur. The parties led their respective evidence and upon consideration of the rival contentions, the Permanent Lok Adalat allowed the application and directed the petitioner-Insurance Company to release the insured amount of Rs, 20,00,000/- to the respondent-applicants within a period of two months from the date of receipt of certified copy of the judgment/Award, failing which the respondent-applicants were held entitled to interest @ 8% per annum on the date till its realization. Hence, the present writ petition.

4. Learned Counsel appearing on behalf of the petitioner has vehemently argued that the Permanent Lok Adalat (Public Utility Services), Sangrur failed to appreciate that the cheque issued by the insured agent for the differential amount of Rs. 6726/- in favour of LIC of India stood dishonoured on account of "Insufficient funds" and as such the contract of Life Insurance ceased to exist as on the date of death of the agent since the deficient amount was not deposited. Hence, the claim was rightly repudiated.

5. I have heard learned Counsel appearing on behalf of the petitioner and have gone through the documents available on record.

6. Before proceeding further into the matter, it is relevant to refer to the operative part of the award passed by the Permanent Lok Adalat which is extracted as under:-

> *"7. The contentions are raised are with out any force and are rejected when the deceased was agent of the respondents and was diamond member of the answering respondent and he was insured for Rs. 20,00,000/- under Group Insuranace Master Policy number 900695225102 being a diamond brigade member/agent and upon the death of insured an amount of Rs. 20,00,000/- is payable to the nominee of the insured. It is also admitted case of respondent he charged an amount of Rs. 7670/- as annual premium and it was to be deducted from the commission and incentive of the insured. Now the perusal of Ex-A2 would show that the yearly renewal premium including 18% GST of diamond brigade for an amount of 20,00,000/- came to Rs. 14,396/- as per letter dated 11.10 2021. As per Ex-A2 for brigade members of Membership year 2021-22 premium under this GIS scheme must be deducted from brigade allowance payment and kept under a/c code 111224 deductions towards group insurance schemes for CLIA's. Following steps are to be followed:*
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> *Branches to recover balance premium as per revised rate (premium not be rounded off) from member CLIA and get it credited to A/C code 111224).*
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> *Ex-A4 shows that on 21.10.2021 there were Rs 47485.45/- in the account, which is extract of agency earning for current financial 2021-22, therefore it cannot be said that*

the incentive or commission of deceased was nil as contended by the respondents. There was sufficient amount as commission incentive with the deceased and it could be deducted from this amount therefore, the respondents are at fault in withholding the cheque to the nominee of the deceased. It is not a case of over reach by the applicants when the head of the family of the applicants was agent of the respondents prior to his death and was member of Group insurance scheme and when the amount denied to them then it was natural that the family members of the deceased would run from pillar to post for the amount for which they were entitled therefore it cannot be case of over reach. Therefore, the applicants cannot be fastened with the liability or with the fault on parts of the respondents Therefore the respondents are directed to release Rs. 20,00,000/- to the applicants within two months from the date of receipt of copy of judgement/award, failing which applicant would be entitled to interest @ 8% per annum on the date of application till realization. An additional amount of Rs. 5,000/- is also allowed as counsel's fee. File be consigned to record."

7. It is evident that the Permanent Lok Adalat (Public Utility Services), Sangrur specifically noticed that the revision of the premium was carried out by the petitioner-Insurance Company in October, 2021 and a letter dated 11.10.2021 was sent for communicating the premium amount as Rs. 14,396/-. As per the letter Ex. A2, the renewal premium for brigade members was to be deducted from the brigade allowance/payment kept under the account Code 111224. The Branches were to recover the balance premium as per revised rate (premium not be rounded off) from member of CLIA and to get it credited to the said account. The cheque claimed to have

been issued with respect to the differential amount was allegedly returned by the Bank for insufficiency of funds. The respondents/applicants had placed on record the accounts statement Ex. A4 showing that as on 21.10.2021, there was a balance of Rs. 47,485/- in the account of deceased Madan Gopal which remained towards incentive from the agent's earning for the said financial year. Therefore it could not be said that the incentive or commission of deceased was nil for the said month, as had been claimed by the petitioner-Insurance Company. Since there was sufficient amount or commission/incentive accrued in favour of the deceased and in terms of the communication Ex. A2, the same was to be deducted from the commission amount, hence, the petitioner-Insurance Company was at fault in withholding the cheque of to be nominee-the respondents-applicants. It is also noticeable that revision of premium is stated to have taken place on 11.10.2021 while the cheque is stated to have been returned on 13.10.2021. Even though it is alleged that deceased Madan Gopal was informed of the dishonor, but no such evidence has been brought on record. He died on 13.11.2021. The timelines do not suggest that the grace period had actually come to an end. More so, the case set up by the petitioner-Life Insurance Corporation is itself contradicted by the record produced including the amount available in his account as on 21.10.2021 pertaining to agency earning which was much more than the differential premium.

8. It is further the settled position in law that the Permanent Lok Adalat (Public Utility Services) is to be guided by the principles of natural justice, equity, fairness, objectivity and other principles of justice. Once the

mandate of the instructions issued by the petitioner-Insurance Company was for deduction of the amount from the commissions/incentives due to an agent and it has been well established from evidence that there was sufficient commission/incentive due in the account of deceased agent as on the date when the premium was to be paid, hence, the petitioner-Insurance company could have very well transferred the amount in the account No. 111224 as per the communication sent by them. The lapse thus, was on the part of the insurer.

9. Besides, it was a benevolent scheme meant for the diamond brigade agents, without requiring an insured to issue a separate cheque. The presence of a clear credit in the account of Madan Gopal, even after increase in premium amount, shows that the insurance company was in possession of the requisite amount the entire time but failed to carry out a transfer entry/adjustment despite a specific office order issued in this regard. The consequence whereof cannot be fastened upon the respondent-applicant. The Permanent Lok Adalat is guided by the principles enshrined under Section 22-D of the Legal Services Authorities Act, 1987 which are principle of natural justice, equity, objectivity, fairness and other principles of justice. If the exercise of jurisdiction is passing of the award is well guided by the above principles, such an award would not be ordinarily interfered with.

10. I find that the discretion exercised by the Permanent Lok Adalat (Public Utility Services), Sangrur cannot be said to be misplaced or misconceived. The award can also not be said to be illegal, perverse or suffering from gross misappreciation of law or facts.

11. Finding no merit in the present writ petition, the same is accordingly dismissed in *limine* and the award dated 22.04.2024 passed in Application No. 76 dated 01.07.2022 titled as "Chanda Rani and others versus Life Insurance Corporation of India and another' by the Permanent Lok Adalat (Public Utility Services), Sangrur is upheld.

(VINOD S. BHARDWAJ)
JUDGE

SEPTEMBER 06, 2024
Vishal Sharma

Whether speaking/reasoned : Yes/No
Whether Reportable : Yes/No