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# **DEFICIENCY IN SERVICE UNDER THE CONSUMER PROTECTION ACT, 2019 WITH SPECIAL REFERENCE TO INSURANCE**

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## **ABSTRACT**

*The term “consumer” refers to an individual who purchases or rents goods or services for personal use rather than for resale or production. The Consumer Protection Act of 2019 was enacted to safeguard the interests of consumers rather than sellers.<sup>1</sup> The 2019 legislation represents the most recent revision to the Consumer Protection Act first enacted in 1986.<sup>2</sup> There have been four amendments to this legislation that the first in 1991<sup>3</sup>, the second in 1993<sup>4</sup>, the third in 2002<sup>5</sup> and the fourth in 2019. This paper examines the concept of “deficiency in service” under India’s Consumer Protection Act, 2019 (CPA 2019) in the context of insurance services. The insurance sector plays an important role in providing financial security to millions of Indians. The Consumer Protection Act, 2019 provides a strong legal framework to address deficiency in service, including insurance-related grievances. It outlines relevant statutory definitions and IRDAI regulations, surveys the grievance redressal framework, and analyzes recent legislative and regulatory developments up to 2025. Key important judicial*

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<sup>1</sup> AYUSH & Dr Ramakant Tripathi, *Critical Analysis of Consumer Protection Act, 2019*, International Journal of Law Management & Humanities, Vol. 7, Iss. 3 (2024) 4021-4035, <https://doi.org/10.10000/IJLMH.117893> (last visited on 24 October 2025).

<sup>2</sup> The Consumer Protection Act, 1986, No. 68 of 1986 (India), enacted on 24th December 1986.

<sup>3</sup> The Consumer Protection (Amendment) Act, 1991, No. 34 of 1991.

<sup>4</sup> The Consumer Protection (Amendment) Act, 1993, No. 50 of 1993.

<sup>5</sup> The Consumer Protection (Amendment) Act, 2002, No. 62 of 2002; See also M. Maheswari, “A Study on Evolution of Consumer Protection Act in India” (2017) International Journal of Application or Innovation in Engineering & Management.

*decisions that have shaped consumer rights in the insurance sector. highlighting how courts interpret insurer obligations and consumer rights. This paper also briefly compares international practices through examination of case laws, statutory provisions, and regulatory framework, this paper aims to provide a complete understanding of consumer protection in insurance services. Recommendations for strengthening the legal and regulatory regime are provided at the end.*

**Keywords:** Consumer Protection Act 2019, Deficiency in Service, Insurance, IRDAI, Claim Repudiation, Claim Rejection, NCDRC.

## 1. INTRODUCTION

Consumer protection means safeguarding buyers from unfair or wrong practices. It includes steps taken to ensure that sellers, manufacturers, and service providers do not cheat or mislead customers, and it also provides ways for consumers to get help when their rights are harmed.<sup>6</sup> The concept of consumer protection gained international recognition when the United Nations General Assembly adopted Guidelines for Consumer Protection through Resolution 39/248 on 16th April 1985.<sup>7</sup> The evolution of consumer law in India reflects a conscious effort to safeguard individuals against exploitation in essential services, including insurance. Insurance is a contract between the insurer and the insured, where the insurer promises to provide financial protection against specific risks in exchange for premium payments. The relationship between insurance companies and policyholders is based on trust and good faith. However, this trust is often broken when insurance companies engage in unfair practices such as delayed claim settlements, wrongful claim rejections, or poor customer service.

The Consumer Protection Act, 2019 is came into force on 20<sup>th</sup> of July 2020, replacing the Consumer Protection Act, 1986. This new legislation was introduced to address the changing needs of consumers in modern India, especially in the digital economy.<sup>8</sup> The Act provides a complete framework for protecting consumer rights and establishing effective machinery for quick settlement of consumer disputes. Insurance services fall squarely within

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<sup>6</sup> *Consumer Protection Act, 1986*, Preamble and Statement of Objects and Reasons.

<sup>7</sup> Resolutions adopted on the reports of the second committee, 39/248, Consume Protection, United Nations Available at <https://docs.un.org/en/A/RES/39/248> (last visited on 04 Nov 2025)

<sup>8</sup> *Consumer Protection Act, 2019*, Statement of Objects and Reasons

the scope of this Act, making it an important tool for policyholders seeking justice against deficient services.

According to the Economic Survey 2021, insurance penetration in India stands at only 4.2%, which shows low coverage among the population.<sup>9</sup> Despite this low penetration, the number of disputes between policyholders and insurance companies has been steadily increasing. The Insurance Regulatory and Development Authority of India (IRDAI) has been working towards achieving “Insurance for All by 2047,” which makes it even more necessary to ensure that consumers are adequately protected against service deficiencies.<sup>10</sup>

## **2. MEANING AND NATURE OF INSURANCE AND CONSUMER PROTECTION ACT, 2019.**

The Consumer Protection Act, 2019 is a law made to protect the financial and legal rights of consumers.<sup>11</sup> It helps people from buying unsafe goods, getting poor-quality services, and being cheated by unfair business practices. The main purpose of this Act is to safeguard consumer rights by creating bodies that can quickly and properly solve consumer problems and complaints. It is a law meant to protect the interests of consumers and to set up authorities for timely and effective handling and settlement of consumer disputes and all related matters.

### **2.1 Legal Definition of Deficiency under Consumer Protection Act, 2019**

Section 2(11) of the Consumer Protection Act, 2019 says that “deficiency” means any fault or lack in the quality or way a service is performed, where the service was required by law or promised under a contract. It also includes that

- (i) any careless act, or any act done or not done, by the service provider that causes loss or harm to the consumer; and
- (ii) knowingly hiding important information from the consumer.

This definition is wide and covers several situations where a service provider fails to meet expected standards. The key elements of deficiency includes that

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<sup>9</sup> Economic Survey 2021, Government of India, Available at <https://www.indiabudget.gov.in/budget2022-23/economicsurvey/doc/echapter.pdf> (last visited on 07 Nov, 2025)

<sup>10</sup> IRDAI Annual Report 2023-24.

<sup>11</sup> V. D. Mahajan, *Jurisprudence and Legal Theory*, Fifth Edn, 2013, Eastern Book Company

1. **Fault or Imperfection:** Any shortcoming in the quality or nature of service,
2. **Inadequacy in Performance:** Failure to meet statutory or contractual standards,
3. **Negligence or Omission:** Acts or failures that cause loss or injury,
4. **Deliberate Concealment:** Withholding important information from consumers.

## 2.2 Definition of “Service” Under the Act

Section 2(42) of the Consumer Protection Act, 2019 defines “service” broadly to include various types of services made available to consumers, including but not limited to banking, financing, insurance, transport, housing construction, entertainment, and other facilities.<sup>12</sup> The Act clearly states that it does not cover services that are given free of cost or services done under a personal employment contract.

The inclusion of insurance within the definition of service is important because it brings the entire insurance sector such as life insurance, health insurance, general insurance, and motor insurance within the scope of consumer protection laws.

## 2.3 KEY LEGAL PROVISIONS

The CPA 2019 contains several provisions central to insurance-related deficiency claims that

### (a) Section 2(10) - “Defect”.

Although primarily referring to goods, it can be analogously noted that a deficiency in service may be paired with a defect in related goods.<sup>13</sup>

### (b) Section 2(34) - “Product Liability”.

This defines “product” including services and establishes that a service provider is strictly liable for harm caused by a deficiency in service. It allows policyholders to claim compensation for harm including injury or death caused by negligent insurance services, even beyond contractual remedies.<sup>14</sup>

### (c) Section 2(35) - “Product Liability Action”.

This permits a consumer to file a complaint for compensation when harmed by a deficient service. In practice, a policyholder injured by an insurer’s negligence could use this section to seek damages.<sup>15</sup>

<sup>12</sup> The Consumer Protection Act, 2019, Sec2(42).

<sup>13</sup> The Consumer Protection Act, 2019, Sec.2(10).

<sup>14</sup> The Consumer Protection Act, 2019, Sec.2(34).

<sup>15</sup> The Consumer Protection Act, 2019, Sec.2(35).

Together, these definitions mean that if an insurer commits a shortcoming (e.g. wrongful claim denial, undue delay, refusal to furnish documents, or misrepresentation at sale), the act considers it a deficiency in service. The CPA 2019 like the 1986 Act proscribes both *unfair trade practices* (UTPs) and *restrictive trade practices* that many insurer acts that are non-disclosure, differential treatment can also be framed as UTPs. However, even without UTP elements, the existence of a deficiency suffices for a complaint.<sup>16</sup>

### 3. INSURANCE AS A SERVICE UNDER CONSUMER PROTECTION ACT

#### 3.1 Types of Insurance

Insurance in India can be broadly divided into the following four categories:

1. **Life Insurance:** Provides financial protection to the family of the insured in case of death.
2. **Health Insurance:** Covers medical expenses incurred due to illness or accident.
3. **Motor Insurance:** Covers damages to vehicles and third-party liabilities.
4. **General Insurance:** Includes fire insurance, marine insurance, property insurance, and other non-life insurance products.

Each category of insurance involves a contract where the insurer promises to provide specific benefits in exchange for premium payments. When insurers fail to honour these commitments, it amounts to deficiency in service.

#### 3.2 Consumer Status of Policyholders

Under Section 2(7) of the Consumer Protection Act, 2019, a “consumer” includes any person who avails services for a consideration paid or promised.<sup>17</sup> Insurance policyholders who pay premiums clearly fall within this definition. The Act specifically includes electronic transactions, which means even online insurance purchases are covered.

All natural persons who purchase insurance policies for personal use qualify as consumers under the Act. However, insurance purchased for purely commercial purposes may not qualify for consumer protection.<sup>7</sup>

<sup>16</sup> Policy for Protection of Policyholders, 2017, <https://www.scribd.com/document/484818686/Policy-for-protection-of-interests-of-policyholders#:~:text=Section%203A%20Definitions>. (last visited on 11 Nov 2025)

<sup>17</sup> Consumer Protection Act, 2019, Section 2(7)

## 4. FORMS OF DEFICIENCY IN INSURANCE SERVICES

Deficiency in insurance services can take many forms. Based on judicial decisions and practical experience, the following are the main types of deficiencies commonly encountered that

### 4.1 Claim Rejection vs. Claim Repudiation

It is important to understand the difference between claim rejection and claim repudiation, as these terms are often confused.

**Claim Rejection** occurs when an insurance company refuses to process a claim due to specific issues with its validity before the claim is assessed for coverage. Common reasons includes that Incomplete documentation or missing documents, Errors in claim forms like wrong policy number, incorrect details, Policy lapse due to non-payment of premiums, Delay in filing the claim beyond the specified timeframe and Non-disclosure of pre-existing conditions at the time of policy purchase.<sup>18</sup>

**Claim Repudiation** happens after the insurer has thoroughly reviewed the claim and determines that it does not meet the policy's terms and conditions. Common reasons includes that Claim falling under policy exclusions like cosmetic surgery, self-inflicted injuries, Non-disclosure of material facts affecting the risk assessment, Fraudulent claims with forged documents, Violation of policy terms and conditions, and Claims filed during the waiting period.<sup>19</sup>The important difference is that rejection happens before processing, while repudiation occurs after full assessment of the claim.

### 4.2 Delay in Claim Settlement

One of the most common complaints against insurance companies is the delay in settling genuine claims. IRDAI regulations mandate specific timelines for claim settlement, but many insurers fail to comply with these timelines.<sup>20</sup> Unreasonable delays cause financial hardship and mental distress to policyholders, especially in health insurance cases where timely treatment is important.

### 4.3 Partial Claim Settlement

Many insurance companies engage in the practice of settling only a portion of the

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<sup>18</sup> Claim Rejection and Claim Repudiation in Health Insurance, TATA AIG (2025)

<sup>19</sup> Understanding Rejection and Repudiation, Bajaj Allianz General Insurance (2025)

<sup>20</sup> IRDAI (Protection of Policyholder's Interests) Regulations, 2024, Rule 22.

genuine claim amount, forcing policyholders to bear the remaining expenses. This practice is particularly common in health insurance, where insurers cite sub-limits, co-payment clauses, or room rent restrictions to reduce their liability.<sup>21</sup>

#### **4.4 Denial of Claims on Technical Grounds**

Insurance companies often deny claims citing technical violations such as delayed intimation of loss or accident, Non-compliance with minor procedural requirements and absence of certain documents despite the claim being genuine. Courts have repeatedly held that genuine claims should not be denied merely on technical grounds if the claim itself is valid.<sup>22</sup>

#### **4.5 Non-Disclosure of Policy Terms**

Insurance companies sometimes fail to clearly explain policy terms, exclusions, and limitations at the time of sale. This non-disclosure or inadequate disclosure amounts to deficiency in service, especially when consumers suffer losses due to lack of proper information.<sup>23</sup>

#### **4.6 Failure to Provide Cashless Treatment**

In health insurance, many policyholders face difficulties when network hospitals refuse to provide cashless treatment despite having valid policies. This failure on the part of insurers to ensure smooth cashless services amounts to deficiency.<sup>24</sup>

## **5. REGULATORY FRAMEWORK: ROLE OF IRDAI**

### **5.1 IRDAI Protection of Policyholders' Interests Regulations, 2024**

The Insurance Regulatory and Development Authority of India (IRDAI) issued the Protection of Policyholders' Interests, Operations and Allied Matters of Insurers Regulations, 2024, which came into force on April 1, 2024.<sup>25</sup> These regulations aim to ensure fair treatment of consumers at the stage of solicitation and sale, protect policyholder interests against unfair conduct by insurers, establish standard procedures for sale and service, ensure policyholder-centric governance with emphasis on

<sup>21</sup> Claim Repudiated vs Claim Rejected, Policy Bazaar (2025).

<sup>22</sup> Gurshinder Singh v. Shriram General Insurance Co. Ltd., (2020) Civil Appeal No. 653 of 2020

<sup>23</sup> IRDAI Regulations, 2024, Rule 9 (Insurance Products Prospectus)

<sup>24</sup> Key Highlights in Master Circular on IRDAI Health Insurance, LexComply (2024)

<sup>25</sup> IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024

grievance redressal.

## 5.2 Grievance Redressal Mechanism

Rule 25 of the IRDAI Regulations, 2024 mandates that every insurer shall establish a complete system and procedure for receiving, registering, and disposing of grievances.<sup>26</sup> The regulations requires that publication of grievance redressal procedure on the company website, IT systems for efficient handling of complaints, timely resolution of grievances and information about Insurance Ombudsman option

The IRDAI has set up a Grievance Redressal Cell in the Policyholder's Protection and Grievance Redressal Department.<sup>27</sup> Policyholders must first approach the insurer's internal grievance mechanism. If unsatisfied, they can escalate to IRDAI and subsequently to the Insurance Ombudsman or Consumer Forums.

## 5.3 Claim Settlement Requirements

Rule 22 of the IRDAI Regulations requires every insurer to ensures that necessary support and guidance for registering claims, clear information about specific documents required, transparent procedure for settlement of claims<sup>28</sup>These requirements aim to make the claim process consumer-friendly and reduce disputes.

# 6. JURISDICTION UNDER CONSUMER PROTECTION ACT, 2019

## 6.1 Three-Tier Structure

The Consumer Protection Act, 2019 establishes a three-tier system of consumer forums:

- 1. District Consumer Disputes Redressal Commission (District Forum)**

Jurisdiction: Claims up to Rs. 1 crore

- 2. State Consumer Disputes Redressal Commission (State Commission)**

Original jurisdiction: Claims exceeding Rs. 1 crore but not exceeding Rs. 10 crores.

Appellate jurisdiction: Appeals from District Forums

- 3. National Consumer Disputes Redressal Commission (NCDRC)**

Original jurisdiction: Claims exceeding Rs. 10 crores.

<sup>26</sup> IRDAI Regulations, 2024, Rule 25

<sup>27</sup> IRDAI Official Website - Grievance Redressal Mechanism

<sup>28</sup> IRDAI Regulations, 2024, Rule 22.

Appellate jurisdiction: Appeals from State Commissions  
Revisonal jurisdiction: Revision petitions<sup>29</sup>

## 6.2 Pecuniary Jurisdiction Based on Consideration

An important change in the 2019 Act is that pecuniary jurisdiction is now determined based on the “value of goods or services and compensation, if any, claimed” rather than compensation alone.<sup>30</sup> However, in insurance cases, this has led to some confusion.

The Supreme Court has clarified that in insurance cases, jurisdiction should be determined based on the nature of the claim and the premium paid, not merely the sum assured. This ensures that most insurance disputes can be heard at the District Forum level, making justice more accessible.<sup>31</sup>

## 6.3 Territorial Jurisdiction

Section 34 of the Act provides that a complaint can be filed where the opposite party (insurance company) resides or has a branch office, the cause of action has arisen and the complainant resides or works for gain.<sup>32</sup> In the landmark case of *Spicejet Limited vs. Ranju Arey*, the NCDRC held that consumers who make online purchases can file consumer complaints before any consumer court where service deficiency occurred. This ruling is equally applicable to online insurance purchases.<sup>33</sup>

# 7. CONSUMER PROTECTION - CONSTITUTIONAL PERSPECTIVE

In India, the constitution is the supreme law from which all other laws derive their authority. This dynamic and comprehensive document provides the judiciary with ample opportunities to interpret its provisions in innovative ways. The Indian constitution is not a static artifact but a living, evolving framework.<sup>34</sup>

## 7.1 Article 21 and Consumer Rights

The Article 21 of the Indian Constitution states that “no person shall be deprived of his life or personal liberty except according to the procedure established by law.”<sup>35</sup> The

<sup>29</sup> Consumer Protection Act, 2019, Sections 34, 47, and 58.

<sup>30</sup> Supreme Court judgment on pecuniary jurisdiction (2025).

<sup>31</sup> *Pyaridevi Chabiraj Steel Pvt. Ltd. v. National Insurance Company Ltd.*

<sup>32</sup> Consumer Protection Act, 2019, Section 34.

<sup>33</sup> *Spicejet Limited vs. Ranju Aery*, 2017 SCC Online NCDRC.

<sup>34</sup> Constitution of India, Preamble and basic structure jurisprudence.

<sup>35</sup> Constitution of India, Art. 21.

judiciary has expansively interpreted this clause in various rulings addressing a wide range of legal issues beginning with *Maneka Gandhi v. Union of India*, where the Supreme Court held that the procedure must be “fair, just and reasonable.”<sup>36</sup> Under Article 21, consumers have the right to choose among essential services.<sup>37</sup> The state is obligated to ensure that its citizens live in a safe and healthy environment, making any product that endangers life and property a direct violation of Article 21.<sup>38</sup> The state must enact legislation to protect consumers from frauds such as malpractice, adulteration, and the manufacture of substandard goods, and it must punish offenders accordingly.<sup>39</sup> This Article has given rise to numerous consumer rights, including the right to safety and the right to education.<sup>40</sup>

## 7.2 Article 14 and Equality

The right to equality is a fundamental right granted to all Indian citizens, irrespective of caste, class, gender, place of birth, or language.<sup>41</sup> Article 14 of the Constitution ensures a free and impartial environment for all citizens. The state is prohibited from engaging in monopolistic consumer practices, and all consumers, regardless of purchasing power, should be treated equally.<sup>42</sup> India’s consumer protection laws safeguard both the wealthy and the poor, ensuring that basic life essentials are available to all at affordable prices<sup>43</sup>.

# 8. LANDMARK JUDICIAL PRECEDENTS

## 8.1 Gurshinder Singh vs. Shriram General Insurance Co. Ltd. (2020)

**Facts of the case:** The appellant insured his tractor with Shriram General Insurance. The tractor was stolen and an FIR was immediately lodged. However, the insurance company rejected the claim on the ground that the appellant delayed informing the company by 52 days.

**Issue:** Whether delay in intimation alone can be a ground for claim repudiation when the claim is otherwise genuine?

<sup>36</sup> *Maneka Gandhi v. Union of India*, (1978) 1 SCC 248.

<sup>37</sup> *Francis Coralie Mullin v. Administrator, Union Territory of Delhi*, (1981) 1 SCC 608.

<sup>38</sup> *Subhash Kumar v. State of Bihar*, (1991) 1 SCC 598.

<sup>39</sup> *M.C. Mehta v. Kamal Nath*, (1997) 1 SCC 388; *Vellore Citizens Welfare Forum v. Union of India*, (1996) 5 SCC 647.

<sup>40</sup> Consumer Protection Act, 2019, s. 2(9); recognition of rights to safety, information, choice, and education.

<sup>41</sup> Constitution of India, Art. 14.

<sup>42</sup> *E.P. Royappa v. State of Tamil Nadu*, (1974) 4 SCC 3.

<sup>43</sup> Editor prof Ashok Patil, “25 Years of Consumer Protection Act: Challenges and the Way Forward” (2014)

**Judgment:** The Supreme Court held that insurance claims should not be declined on technical grounds if the reason is satisfactorily explained and the claim is proved to be genuine. The Court stated that mere delay in intimating the insurance company about theft should not be a valid ground to repudiate an insurance claim which has already been proved to be genuine.<sup>44</sup> This judgment is extremely important for insurance consumers. It establishes that technical violations should not be used to deny genuine claims. Insurance companies must act fairly and cannot hide behind procedural lapses when the substantive claim is valid.

### 8.2 Om Prakash vs. Reliance General Insurance (2017)

**Facts of the Case:** The insurance company declined the insurance claim citing delayed intimation by the complainant.

**Issue:** Whether delay in intimation justifies claim rejection?

**Judgment:** The Court held that with reasonable and satisfactory explanation, insurance claims should not be declined due to technical grounds. The Court emphasized that if the insurance claim is declined because of untimely intimation of theft/robbery, it would be unjust if the claim has already been verified as genuine.<sup>45</sup> This case reinforces the principle that insurance companies cannot use technical excuses to avoid paying genuine claims. Consumer protection requires a substantive approach, not a formalistic one.

### 8.3 SBI Life Insurance vs. Madireddy Nagamani (2025)

**Facts of the Case:** SBI Life Insurance refused to pay Rs. 5 lakh death benefit to the widow of a policyholder who died due to accidental head injury. The company repudiated the claim alleging non-disclosure of prior lung cancer diagnosis.

**Issue:** Whether non-disclosure of pre-existing condition unrelated to cause of death justifies claim repudiation.

**Judgment:** The NCDRC dismissed SBI Life's revision petition and upheld payment to the widow. The Commission held that there was no causal link between the alleged lung cancer and the accidental death. The Court stated, "It is an undisputed fact that the death occurred due to accidental head injury sustained while coming down from the

<sup>44</sup> *Gurshinder Singh v. Shriram General Insurance Co. Ltd.*, (2020) 11 SCC 612 (SC).

<sup>45</sup> *Om Prakash v. Reliance General Insurance Co. Ltd.*, (2017) 9 SCC 724 (SC).

stairs.”<sup>46</sup>This recent judgment (June 2025) sends a strong message to insurance companies that they cannot deny claims arbitrarily when the cause of death is independent of any alleged pre-existing conditions. The decision protects bereaved families from unfair denial of benefits.

#### **8.4 National Insurance Co. Ltd. vs. Reena Sharda (2018)**

**Facts:** The complainant filed medical insurance claims totaling Rs. 3,26,014, but the insurer approved only Rs. 45,508, denying the rest based on policy terms without clearly specifying reasons.

**Issue:** Whether insurer can rely on exclusion clauses without specifying reasons for claim rejection?

**Judgment:** The NCDRC held that the insurer cannot rely on exclusion clauses as defence if they did not specify the reason for rejecting the claim. The Court stated that terms and conditions must be clearly communicated and applied fairly.<sup>47</sup>This judgment requires insurance companies to be transparent about claim rejections. They cannot hide behind vague policy exclusions but must provide clear, specific reasons for denial.

#### **8.5 West Bengal State Electricity Distribution vs. National Insurance (2024)**

**Facts:** A government company had machinery insurance. After intimation of damage, the insurer conducted meetings but later repudiated the claim without prior notice or sharing the survey report.

**Issue:** Whether repudiation without notice and survey report sharing constitutes deficiency?

**Judgment:** The NCDRC held that denying the claim without prior notice or sharing the survey report is deceptive in nature. The insurer was directed to conduct a final survey and decide the claim on merits within 90 days.<sup>48</sup> This case establishes that insurance companies must follow fair procedures and cannot suddenly repudiate claims without giving policyholders an opportunity to respond. Natural justice requires notice and hearing.

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<sup>46</sup> *SBI Life Insurance Co. Ltd. v. Madireddy Nagamani*, Revision Petition No. 1590 of 2019 (National Consumer Disputes Redressal Commission, 19 June 2025).

<sup>47</sup> *National Insurance Co. Ltd. v. Reena Sharda*, Revision Petition No. 1197 of 2018 (National Consumer Disputes Redressal Commission, 2 July 2024).

<sup>48</sup> *West Bengal State Electricity Distribution Co. Ltd. v. National Insurance Co. Ltd.*, Consumer Complaint No. 409 of 2020 (National Consumer Disputes Redressal Commission, 2024).

### 8.6 Indian Medical Association vs. V.P. Shantha (1995)

**Facts:** This landmark case concerned medical negligence and whether medical profession falls under Consumer Protection Act.

**Issue:** Whether services rendered by medical practitioners/hospitals fall within the definition of “services” under the Consumer Protection Act and, consequently, whether patients can seek redress for medical negligence as deficiency in service.

**Judgment:** The Supreme Court included medical profession and medical negligence within the scope of the Consumer Protection Act. This empowered patients suffering from medical negligence to sue for damages for deficiency in services.<sup>49</sup> While this case concerns medical services, its principle applies equally to insurance. Just as doctors owe a duty of care to patients, insurance companies owe a duty of fair dealing to policyholders. Both can be held liable for deficiency in service.

### 8.7 Amitabh Dasgupta vs. United Bank of India (2021)

**Facts:** The appellant’s mother rented a bank locker. The bank broke open the locker for alleged non-payment of dues and reallocated it to another customer. When the appellant tried to collect the contents, only 2 out of 7 ornaments deposited were found.

**Issue:** Whether a bank is liable for deficiency in service under the Consumer Protection Act when it (i) breaks open a locker without due procedure, (ii) fails to maintain proper records, and (iii) cannot account for the contents entrusted by the customer.

**Judgment:** The Supreme Court held that the bank was liable for deficiencies in its locker services under the Consumer Protection Act. The Court issued guidelines on allotting and operating lockers.<sup>50</sup> Though this case involves banking, not insurance, it demonstrates that service providers who fail to safeguard customer property can be held liable for deficiency in service. The principle applies to insurance companies that fail to protect policyholder interests.

### 8.8 Indumati vs. Life Insurance Corporation (2024)

**Facts:** LIC rejected a death claim of Rs. 30 lakh citing non-disclosure of material health information by the deceased.

**Issue:** Whether non-disclosure of material facts justifies policy repudiation.

**Judgment:** The NCDRC upheld LIC’s decision, holding that any fact affecting a

<sup>49</sup> *Indian Medical Association v. V. P. Shantha*, (1995) 6 SCC 651 (SC).

<sup>50</sup> *Amitabh Dasgupta v. United Bank of India*, (2021) 3 SCC 33.

prudent insurer's decision is material, and failure to disclose it allows the insurer to reject the policy. The Court emphasized that suppressing material health information invalidates the insurance contract.<sup>51</sup> This judgment balances consumer protection with insurer's right to accurate information. Consumers must be honest in their disclosures, but insurers must also prove materiality and causal connection to the claim.

## 9. COMMON DEFENCES RAISED BY INSURANCE COMPANIES

Insurance companies typically raise the following defences when facing consumer complaints that

### 9.1 Policy Exclusions

Insurers often cite exclusion clauses in the policy document. However, courts have held that exclusions must be clearly communicated and cannot be used to defeat genuine claims on technical grounds.<sup>52</sup>

### 9.2 Non-Disclosure and Misrepresentation

Insurers claim that policyholders suppressed material facts at the time of policy purchase. However, under Section 45 of the Insurance Act, 1938, after two years from the date of policy issuance, the insurer cannot repudiate the policy on grounds of non-disclosure unless fraud is proven.<sup>53</sup>

### 9.3 Breach of Policy Conditions

Insurers argue that policyholders violated policy terms. Courts examine whether the breach was material and whether it actually caused the loss. Minor technical violations are not sufficient to deny claims.<sup>54</sup>

### 9.4 Delayed Intimation

As discussed in *Gurshinder Singh* and *Om Prakash* cases, mere delay in intimation is not sufficient to repudiate a genuine claim if the delay is satisfactorily explained.<sup>55</sup>

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<sup>51</sup> Indumati v. Life Insurance Corporation of India, Revision Petition (NCDRC, August 2024).

<sup>52</sup> M/s Galada Power and Telecommunications Ltd. v. United India Insurance Co. Ltd.

<sup>53</sup> Insurance Act, 1938, Section 45

<sup>54</sup> Ashok Kumar vs New India Assurance Company Limited, (2024) 1 SCC 357

<sup>55</sup> Gurshinder Singh and Om Prakash cases

## 10. REMEDIES AVAILABLE TO CONSUMERS

### 10.1 Remedies Under Consumer Protection Act, 2019

Section 2(35) of the Act defines “relief” to include several remedies. When a consumer forum finds deficiency in insurance service, it can order that

1. **Removal of Defect:** Directing the insurer to process the claim properly
2. **Replacement of Service:** Providing alternative insurance coverage
3. **Refund of Premium:** Returning premiums paid if policy is cancelled
4. **Compensation:** Monetary compensation for loss suffered
5. **Punitive Damages:** Additional compensation to punish unfair practices
6. **Interest:** Interest on delayed payments from the date due
7. **Removal of Deficiency:** Specific performance of insurance contract
8. **Discontinuation of Unfair Practices:** Restraining unfair business practices
9. **Adequate Costs:** Litigation costs to be borne by the insurer.<sup>56</sup>

### 10.2 Complaint Filing Procedure

Section 35 of the Act provides that complaints must be filed within two years from the date of cause of action. However, the forum can condone delay if sufficient cause is shown.<sup>57</sup> The Act now permits electronic filing of complaints, making it easier for consumers to approach forums.<sup>58</sup> Complaints can be filed in simple format without requiring complex legal drafting.

### 10.3 Mediation

Section 37 of the Act encourages mediation as an alternative dispute resolution mechanism. Both parties can give written consent within five days to resolve disputes through mediation.<sup>59</sup>

## 11. RECOMMENDATIONS FOR BETTER CONSUMER PROTECTION

Based on the analysis of legal framework, case laws, and practical challenges, the following recommendations are made that

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<sup>56</sup> Consumer Protection Act, 2019, Section 2(35)

<sup>57</sup> Consumer Protection Act, 2019, Section 35

<sup>58</sup> Consumer Protection Act, 2019 - E-filing provisions

<sup>59</sup> Consumer Protection Act, 2019, Section 37

### **11.1 For IRDAI**

1. Mandate simple, clear policy documents in plain language.
2. Establish strict timelines for claim settlement with heavy penalties for delays.
3. Create a public database of claim rejection/repudiation rates for each insurer.
4. Conduct surprise audits of insurer grievance redressal mechanisms.
5. Make pre-policy medical examinations mandatory to avoid non-disclosure disputes.

### **11.2 For Insurance Companies**

1. Improve transparency in policy terms and conditions.
2. Invest in customer service and grievance redressal infrastructure.
3. Avoid technical grounds for denying genuine claims.
4. Provide clear reasons in writing for all claim rejections.
5. Establish online tracking systems for claim status.

### **11.3 For Consumer Forums**

1. Develop specialized benches for insurance disputes
2. Adopt standardized compensation formulas for different types of deficiencies
3. Impose heavy costs on insurers who engage in unfair practices
4. Fast-track health insurance cases involving medical emergencies
5. Publish all orders online for easy access

### **11.4 For Consumers**

1. Read policy documents carefully before purchase
2. Make full and honest disclosures in proposal forms
3. Keep all documents and correspondence safely
4. File claims promptly with complete documentation
5. Seek professional advice when facing claim rejection

## **12. COMPARATIVE ANALYSIS: INDIA VS. OTHER JURISDICTIONS**

### **12.1 United Kingdom**

The UK has the Financial Ombudsman Service which handles insurance disputes. The service is free for consumers and has binding powers on insurers. India's Insurance Ombudsman scheme is similar but less powerful.

## 12.2 United States

In the US, insurance is primarily regulated at the state level. Consumer protection varies by state. Class action lawsuits are common for widespread insurance misconduct. India could consider adopting class action mechanisms for insurance disputes.

## 12.3 Australia

Australia's Australian Financial Complaints Authority (AFCA) provides free, independent dispute resolution. It has broader powers than India's mechanisms and handles disputes more quickly.

## 13. CONCLUSION

The Consumer Protection Act, 2019 provides a robust framework for addressing deficiency in service in the insurance sector. The Act's wide definition of deficiency, combined with the three-tier consumer forum structure and progressive judicial interpretations, offers meaningful protection to insurance consumers. However, several challenges remain that are Implementation Gap like Despite good laws, many consumers remain unaware of their rights, Power Imbalance that Insurance companies have more resources and legal expertise, Systemic Delays that Justice delayed is justice denied, especially in health insurance and Technical Complexity that Insurance disputes require specialized knowledge.

The landmark judgments discussed in this paper demonstrate that courts are willing to protect consumers against unfair insurance practices. These decisions establish important principles that are "Genuine claims should not be denied on technical grounds, Insurance companies must act in good faith, Procedural lapses should not defeat substantive rights, Transparency and fair dealing are mandatory.

The IRDAI's 2024 Regulations represent a positive step towards better consumer protection. The focus on grievance redressal, clear policy terms, and timely claim settlement addresses many long-standing concerns.

The ultimate goal of consumer protection law is not just to punish unfair practices but to prevent them from occurring. Insurance companies must realize that consumer trust is their most valuable asset. Denying genuine claims might save money in the short term, but it destroys reputation and trust in the long term.

As India works towards “Insurance for All by 2047,” consumer protection must be at the heart of the insurance sector. Every policyholder should feel confident that when they need help, their insurance company will stand by them not look for excuses to deny claims.

The law is clear, the regulations are in place, and the courts are vigilant. Now it is time for insurance companies to honor their commitments and for consumers to assert their rights. Only then can India build an insurance sector that truly serves its people.

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