

Caveat emptor: Ulips are subject to market risks

Consumers, out of ignorance, often have high and unrealistic expectations. When these are not fulfilled, it is sometimes erroneously attributed to deficiency in service, which is legally not tenable. Here is the case of P P Sudhi, who filed a complaint against Life Insurance Corporation ([LIC](#)) in respect of a deposit of Rs 50,000 in the 'Growth Fund Market Plus Policy'.

Sudhi had taken this policy on December 11, 2007, through her agent. At the time of buying the policy, the agent had told her the amount could be withdrawn after three years.

After this period expired, on November 29, 2011, she approached LIC for withdrawing her money. Sudhi was shocked to learn she would get only Rs 49,799, despite the amount remaining in deposit for four years. Alleging deficiency in service, Sudhi filed a complaint before the Palakkad District Forum.

LIC argued that being a [market-plus policy](#), it was subject to market risks, and the governing terms and conditions were stated in the policy document. These made it clear units would be allocated to the policyholder's account and the value of the policy on a particular date would be computed by multiplying the number of units with the NAV (net asset value) applicable on that date. The NAV could increase or decrease, depending upon the investment performance of the fund. The policyholder would have to bear the risk of market fluctuations.

LIC claimed it had advised Sudhi not to surrender the policy when the market was low. No assurance had been given about appreciation in the value.

Since the stock market was low at the time of surrender of the policy, the NAV was low, which could not be termed a deficiency in service. Upholding this argument, the Forum dismissed the complaint.

Sudhi appealed to the Kerala State Commission, which observed LIC ought to have convinced Sudhi that her money had been properly invested and prudently managed. Since this had not been done, the State Commission asked LIC to pay Rs 50,000, with an interest of nine per cent from the date of investment till date of refund.

LIC challenged this before the National Commission, which noted the State Commission observations were totally unjustified, as even Sudhi had not complained in this regard. It castigated that State Commission for giving a perverse finding without information on the subject.

The National Commission held the District Forum's order was strictly in line with the policy terms and conditions. A market-plus policy is a [unit linked insurance policy](#) which is liable to the vagaries of the share market and subject to risks of fluctuation and variation. There had been no misrepresentation about the terms and conditions. The value had been properly computed. A loss due to the return of Rs 49,799 being less than the amount of Rs 50,000 invested four years ago would not constitute a deficiency in service.

The Commission observed the policyholder had high expectations, and the complaint was made out of frustration at a loss. But consumer fora are bound by the terms of the contract of insurance stipulated in the policy.

Accordingly, the National Commission set aside the order of the State Commission and held the dismissal by the District Forum was justified.

(Business standard)