



PAYMENT OF MATURITY OR DEATH PROCEEDS TO THE COURT BY INSURERS.

Dear Friends,

As you are aware that ,we take insurance to protect us from financial distress at the time of happening of insured events. In case of life insurance policies the insurance companies pay claim at time of death or survival of the insured.

A claim under a life insurance contract is triggered by the happening of one or more of the events covered under the insurance contract. Claims can be survival claims and death claim. While a death claim arises only upon the death of the life assured, survival claims can be caused by one or more events.

For payment of a survival claim, the insurer has to ascertain that the event has occurred as per the conditions stipulated in the policy. Maturity claims, money-back instalment claims and surrender claims are easier to be established as they are based on dates and positive action by the policyholder. Critical illness claims are ascertained based on the medical and other records provided by the policyholder in support of his claim.

The complexity arises in case of a policy that has a critical illness claim rider and such policy is assigned. It is intended that a critical illness benefit should be paid to the policyholder so as to enable him defray his expenses. However, where the policy is assigned, all benefits are payable to the assignee which, although legally correct, may not meet the intended purpose.

The triggering of a maturity or death claim leads to termination of the insurance cover under the contract and no further insurance cover is available. While in most cases, a claim is disputed by the Insurer on the basis of such claim not meeting the policy conditions, there are times where the insurer has ascertained that the death claim is payable but is unable to settle the same due to conflicting claims or insufficiency of proof of title of the rightful claimant.

This happens under the following circumstances;

- Absence of nomination by the policyholder,*
- Registration of an assignment,*
- multiple claimants with conflicting claims with insufficient proof of title.*

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Where the claimant has approached the Court for settlement of property disputes including insurance claims, Circumstances where for the Insurer to obtain a satisfactory discharge from the claimant.

Under these circumstances, Section 47 of the Insurance Act, 1938 provides the provision as follows:

- Where in respect of any policy of life insurance maturing for payment an insurer is of opinion that by reason of conflicting claims to or insufficiency of proof of title to the amount secured thereby or for any other adequate reason it is impossible otherwise for the insurer to obtain a satisfactory discharge for the payment of such amount, the insurer may, apply to pay the amount into the Court within the jurisdiction of which is situated the place at which such amount is payable under the terms of the policy or otherwise.
- A receipt granted by the Court for any such payment shall be a satisfactory discharge to the insurer for the payment of such amount.
- An application for permission to make a payment into Court under this section, shall be made by a petition verified by an affidavit signed by a principal officer of the insurer setting forth the following particulars, namely:
 - a) the name of the insured person and his address,
 - b) if the insured person is deceased, the date and place of his death,
 - c) the nature of the policy and the amount secured by it,
 - d) the name and address of each claimant so far as is known to the insurer with details of every notice of claim received,
 - e) the reasons why in the opinion of the insurer satisfactory discharge cannot be obtained for the payment of the amount; and
 - f) the address at which the insurer may be served with notice of any proceeding relating to disposal of the amount paid into Court.
- An application under this section shall not be entertained by the Court if the application is made before the expiry of six months [from the maturing of the policy by survival, or from the date of receipt of notice by the insurer of the death of the insured, as the case may be].
- If it appears to the Court that a satisfactory discharge for the payment of the amount cannot otherwise be obtained by the insurer it shall allow the amount to be paid into Court and shall invest the amount in Government securities pending its disposal.

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- *The insurer shall transmit to the Court every notice of claim received after the making of the application under sub-section (3), and any payment required by the Court as costs of the proceedings or otherwise in connection with the disposal of the amount paid into Court shall as to the cost of the application under sub-section (3) be borne by the insurer and as to any other costs be in the discretion of the Court.*
- *The Court shall cause notice to be given to every ascertained claimant of the fact that the amount has been paid into Court, and shall cause notice at the cost of any claimant applying to withdraw the amount to be given to every other ascertained claimant.*
- *The Court shall decide all questions relating to the disposal of claims to the amount paid into Court.*

A careful analysis of the above reproduced provision would reveal that an insurer can approach the competent civil Court if the following contingencies arise, i.e.,

- whether due to conflicting claims or insufficiency of proof of title to the amount secured thereby, or*
- for any other adequate reason, it is not impossible otherwise for the insurer to obtain a satisfactory discharge for the payment of such amount.*

In such events, insurer can seek permission of the Court to make payment into the Court and obtain a receipt, which will constitute satisfactory discharge to the insurer for the payment of the amount.

In other words, the occasion for the insurer to approach the civil Court u/s 47 of the Act would arise when there is no dispute as to the payment of the insured amount but the dispute as to the persons to whom the amount has to be paid or if there is insufficiency of proof of title to the amount secured or any other adequate reason which render it impossible for the insurer to obtain a satisfactory discharge for the payment of such amount.

DISCLAIMER: *the article presented here is only for sharing information with readers. In case of necessity do consult with professionals.*

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SECTION 47 OF THE INSURANCE ACT, 1938

PAYMENT OF MONEY INTO COURT

(1) Where in respect of any policy of life insurance maturing for payment an insurer is of opinion that by reason of conflicting claims to or insufficiency of proof of title to the amount secured thereby or for any other adequate reason it is impossible otherwise for the insurer to obtain a satisfactory discharge for the payment of such amount, the insurer may apply to pay the amount into the Court within the jurisdiction of which is situated the place at which such amount is payable under the terms of the policy or otherwise.

(2) A receipt granted by the Court for any such payment shall be a satisfactory discharge to the insurer for the payment of such amount.

(3) An application for permission to make a payment into Court under this section shall be made by a petition verified by an affidavit signed by a principal officer of the insurer setting forth the following particulars, namely: --

- (a) the name of the insured person and his address;
- (b) if the insured person is deceased, the date and place of his death;
- (c) the nature of the policy and the amount secured by it;
- (d) the name and address of each claimant so far as is known to the insurer with details of every notice of claim received;
- (e) the reasons why in the opinion of the insurer a satisfactory discharge cannot be obtained for the payment of the amount; and
- (f) the address at which the insurer may be served with notice of any proceeding relating to disposal of the amount paid into Court.

(4) An application under this section shall not be entertained by the Court if the application is made before the expiry of six months from the maturing of the policy by survival, or from the date of receipt of notice by the insurer of the death of the insured, as the case may be.

(5) If it appears to the Court that a satisfactory discharge for the payment of the amount cannot otherwise be obtained by the insurer it shall allow the amount to be paid into Court and shall invest the amount in Government securities pending its disposal.

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(6) The Insurer shall transmit to the Court every notice of claim received after the making of the application under sub-section (3), and any payment required by the Court as costs of the proceedings or otherwise in connection with the disposal of the amount paid into Court shall as to the cost of the application under sub-section (3) be borne by the insurer and as to any other costs be in the discretion of the Court.

(7) The Court shall cause notice to be given to every ascertained claimant of the fact that the amount has been paid into Court, and shall cause notice at the cost of any claimant applying to withdraw the amount to be given to every other ascertained claimant.

(8) The Court shall decide all questions relating to the disposal of claims to the amount paid into Court.

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