BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED: 01.07.2024

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THE HON'BLE MR.JUSTICE **R.SURESH KUMAR**
AND
THE HON'BLE MR.JUSTICE **G.ARUL MURUGAN**

W.A(MD)No.1079 of 2024
and
C.M.P.(MD)No.8124 of 2024

The Senior Divisional Manager,
Life Insurance Corporation of India,
Divisional Office,
Jeevan Prakash, Gandhi Salai,
Thanjavur- 613 001. ... Appellant

vs

1.M.Chellammal

2.Office of the Insurance Ombudsman,
State of Tamil Nadu & Puducherry,
Fathima Akhtar Court,
4th Floor, 453 Anna Salai,
Teynampet, Chennai – 600 018. ...Respondents

PRAYER: Writ Appeal filed under Clause 15 of Letters Patent, to set aside the order of this Court dated 06.03.2024 passed in W.P(MD)No.1259 of 2024.

For Appellants : Mr.B.Prasanna Vinoth

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JUDGMENT

(Judgment of this Court was delivered by **G.ARUL MURUGAN, J.**)

The claim of the Writ Petitioner to pay the death benefit claim of her husband under the Life Insurance Corporation Limited Pradhan Mantri Jeevan Jyoti Bima Yojana (LIC PMJJBY) scheme was rejected by the appellant and the further appeal to the second respondent/Insurance Ombudsman also came to be rejected by order, dated 31.03.2020. Challenging the same, the first respondent had preferred the Writ Petition. The Writ Court, after finding that the first respondent's husband has died within the grace period, as contained in the policy, had set aside the impugned orders and directed the Insurance Corporation to pay the policy amount. Challenging the order passed by the Writ Court, the appellant, Insurance Corporation is before this Court.

2.The learned Counsel for the appellant argued that the insurance policy is covered under the scheme and only if the insurance premium is paid every year in time, the policy will get renewed and since admittedly, the premium amount has not been paid by the first respondent's husband, the Corporation had refused to entertain the claim. The learned Counsel further submitted that since the policy itself got lapsed on 31.05.2018, only if further premium is paid, the policy would stand renewed. It is his further submission that since the first respondent's husband was not having sufficient amount in the account on the due date, the premium amount of Rs.330/- was not paid due to insufficient funds, due to which, the policy had not been renewed. The learned Counsel further contended that no grace period is provided for payment of the premium by the member of the policy and since it is a group insurance, it is the bank, who is a policy holder and not the beneficiary and therefore, the grace period provided in the scheme is only applicable to the bank and not the beneficiary. He further contended that the learned Judge, by misinterpreting the provisions of the scheme in respect of the grace period, had erroneously allowed the Writ Petition, which is unsustainable, he contended and sought for allowing the Writ Appeal.

3.Heard the learned Counsel for the appellant and perused the materials available on record.

4.The Central Government with the avowed object for the citizens to have the benefit of insurance in the case of untimely death of the family head, in collaboration with the Life Insurance Corporation of India, had introduced the Life Insurance Corporation Limited Pradhan Mantri Jeevan Jyoti Bima Yojana (LIC PMJJBY) Scheme. As per the scheme, the head of the family having a bank account by availing the consent are included in the group insurance under the LIC PMJJBY Scheme, whereby, a sum of Rs.330/- is directly deducted by the bank from the account of the individual policy holder and paid to the Life Insurance Corporation of India. Once an individual joins in the scheme, the premium amount of renewal is deducted from the account of the policy holder automatically as auto debit on 31st of May of every year and the bank remits the same to the Life Insurance Corporation of India and thereby, the policy is renewed every year on the payment of the premium of Rs.330/-.

5.The first respondent's husband, who has maintained the account with the City Union Bank, had enrolled in the LIC PMJJBY scheme on 01.06.2015 and the premium stood renewed for subsequent years on payment of the premium amount of Rs.330/-. However, on the due date for renewal of the policy on 31.05.2018, since the first respondent husband did not maintain sufficient funds in the account, the premium amount of Rs.330/- was not deducted due to the insufficient funds and thereby, the premium amount remained unpaid. On 01.06.2018, the first respondent husband unfortunately died and the first respondent had made a claim before the appellant Insurance Corporation to settle the death benefit of a sum of Rs.2,00,000/-, she being the nominee of her husband for the LIC policy on the ground that since the 30 days grace period was provided under the scheme for the payment of the premium amount and her husband died within this grace period, the Insurance Corporation is liable to honour the payment.

6.The appellant/Insurance Corporation and also the second respondent/Insurance Ombudsman had rejected the claim of the first respondent on the ground that the grace period mentioned is not applicable for payment of the premium by the member of the scheme, but instead available only to the designated branch office of the bank for payment of premium to the designated office of the Corporation, ie., the Insurer.

7.Rules 6, 8 and 5 of the scheme, which are relevant for the issue in the above appeal, are extracted hereunder for easy reference:

> *"6.PREMIUM :*
> *Premium to be deducted from member's SB Account. The premium is Rs.330/- plus Service Tax (if payable) irrespective of date of entry i.e. during enrollment period or after that date during the first year. Renewal premium is chargeable as per the rate decided from time to time on Annual Renewal dates.*
> *8.BENEFITS ON DEATH PRIOR TO TERMINAL DATE :*
> *Upon the death of the Member prior to Terminal Date, the sum assured under the Assurance shall be payable to the nominated Beneficiary, provided the assurance is kept in force by payment of premium for that member.*
> *15.GRACE PERIOD:*
> *The Grace Period for payment of premium to the Designated Office of the LIC OF INDIA shall be 30 days from the due date. In case of death during Grace Period, assured benefit as defined in rule 7 shall be settled on receipt of premium."*

8.As per the above provision of the scheme, the premium amount of Rs.330/- will be deducted from the bank account of the member and the policy will be renewed from time to time on annual renewal dates and in case of death of the member prior to the terminal date, the sum assured under the insurance will be paid to the nominee of the beneficiary, if the policy is kept in force on payment of the premium.

9.In case, if the premium amount is not paid on the due date of 31st of May of the concerned year, still Clause-15 of the scheme provides for a grace period of 30 days for payment of the premium and in case of death of the policy holder during this grace period, then the assured benefit, as defined under Rule 7, shall be settled on receipt of the premium.

10.The argument advanced by the learned Counsel for the appellant that this grace period of 30 days is not applicable to the policy holder for paying the premium amount, but only for the concerned bank to make the payment to the Insurance Corporation, is liable to be rejected for the simple reason that when on the due date, automatically money is withdrawn from the bank account towards the renewal of the premium of the LIC policy, the question of providing grace period only for the bank to remit it to the Insurance Corporation, as provided under the scheme does not arise, as it is only the internal arrangement between the Bank and the Insurance Corporation. The grace period of 30 days, as provided under Clause 15 of the scheme, can only mean that even in cases where the money is not paid by auto-debit from the account of the policy holder on the due date of 31st of May of concerned year, still, an opportunity is provided to the policy holder to renew the policy by making the payment of premium amount of Rs.330/- within a period of 30 days from the due date. Only in cases, where the policy holder has failed to avail this grace period and has not paid the premium amount, then the policy would get lapsed. It is not a new policy taken every year, but it is the group insurance policy taken under the special scheme, which is renewed every year on the auto-debit made from the account of the policy holder on the 31st May.

11.In the instant case, on the due date of 31.05.2018, since there was no sufficient balance in the bank account of the first respondent's husband, the premium amount of Rs.330/- was not able to be deducted from the account and as such, the insurance premium amount stood unpaid for the renewal of the policy. But unfortunately, the first respondent's husband died on 01.06.2018, ie., within the grace period of 30 days provided under Clause 15 of the scheme. As the policy holder, Murugan, who is the husband of the first respondent, died on 01.06.2018, ie., on the next day of the due date for payment of premium for renewing the policy, which is within the grace period, the payment of the renewal amount did not arise and it has only to be construed that the policy stood valid till the death of the first respondent's husband, which falls within the grace period provided under the scheme.

12.As the policy holder had died on 01.06.2018, which is within the grace period provided under the scheme, the further payment of premium within this grace period also does not arise as the policy being valid on the date of death of the first respondent's husband. The learned Judge by also taking note of the definition of the grace period, as defined under Clause-1A of the Insurance Regularity and Development Authority (Linked Insurance Products) Regulation, 2013 issued by IRDA, had rightly come to the conclusion that till the expiry of the grace period, the policy must be considered to be in force with risk cover without any interruption, as per the terms of the policy. Since the policy is deemed to have been in force on the date of death of the first respondent's husband, which falls within the grace period, the learned Judge had allowed the Writ Petition by directing the appellant to pay the policy amount, as covered under the LIC PMJJBY Scheme. In our considered opinion, we do not find any error in the approach of the learned Judge and accordingly, we sustain the order passed in the Writ Petition.

13.In view of the above, the Writ Appeal stands dismissed. However, there shall be no order as to costs. Consequently, connected miscellaneous petition is closed.

[R.S.K., J] & [G.A.M., J]
01.07.2024

Internet :Yes/No
Index :Yes/No
NCC :Yes/No

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R.SURESH KUMAR, J.

AND

G.ARUL MURUGAN, J.

cmr

Judgment made in
W.A(MD)No.1079 of 2024

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