



W.P(MD)No.1259 of 2024

BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

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DATED : 06.03.2024

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THE HONOURABLE MR.JUSTICE G.R.SWAMINATHAN

W.P(MD)No.1259 of 2024
and
W.M.P(MD)No.1289 of 2024

M.Chellammal

... Petitioner

Vs.

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

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

... Respondents

Prayer : Writ Petition filed under Article 226 of the Constitution of India,
praying this Court to issue a Writ of Certiorarified Mandamus, to call for



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the records relating to the impugned award passed by the first respondent vide his proceedings in Award No. IO/CHN/A/LI/0189/2019-2020 dated 31.03.2020 and quash the same as illegal and consequently direct the second respondent to pay the death benefits claim to the Nominee as per death benefit clause of Life Insurance Corporation Limited Pradhan Mantri Jeevan Jyoti Bima Yojana (LIC PMJJBY) scheme.

For Petitioner : Mr.K.Lenin

For Respondents : Mr.B.Prasanna Vinoth
Standing Counsel for R.2

No Appearance for R.1

ORDER

Heard the learned counsel appearing for the writ petitioner and the learned Standing Counsel appearing for the second respondent.

2.The petitioner's husband was a member of the petition mentioned Insurance scheme. The petitioner's husband Murugan had Savings Bank account with City Union Bank. The petitioner's husband passed away on 01.06.2018. He had enrolled himself on 01.06.2015. The policy annual renewal date was on 31.05.2018. It appears that on the said date, there



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was no deduction from his Savings Bank account and payment of the premium amount. The petitioner applied for payment under the death benefit clause. The second respondent informed the Bank that since the premium of Rs.330 was not deducted due to insufficient funds in Murugan's account, the claim could not be admitted or honoured. Assailing the stand taken by the second respondent, the petitioner filed an appeal before the Insurance ombudsmen. The ombudsmen rejected the petitioner's complaint. The reason for the rejection is as follows:

“v) Rule no.15 dealing with “Grace period”, states as under:

“The Grace period for payment of premium to the designated office of the Corporation 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”

It is this Rule which is relied upon by the complainant to contend that she is eligible to receive the death benefit. The complainant's stand is that the death of her husband, herein the member (who died on 01/06/18), falls within the “grace period of 30 days from the due date and hence, she has claimed that she is entitled to receive the death benefit of Rs.2,00,000.

After careful examination of the above rule, this Forum,



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however, notes that the complainant's interpretation of the above rule is totally misconceived. There is no doubt that the above rule envisages grace period of 30 days "for payment of premium". The moot point, however, is that this "grace period" is not applicable for payment of premium by the member of the Scheme. Instead, it is available only to the designated Branch office of the Master Policyholder for payment of premium (received from the various Branch offices of the Master Policyholder) to the designated office of the Corporation, herein the insurer.

It is, therefore, patent that the Scheme does not provide for any "grace period" for payment of premium by the members of the Scheme, as claimed by the complainant. In this case on hand, the complainant has not disputed the Master Policyholder's stand that an amount of only Rs.10.95 was standing to the credit of the complainant's husband on 31/05/18 which was not sufficient to recover the premium for renewing the insurance coverage from 01/06/18 to 1/05/19. As a sequel thereto, the assurance stood terminated on the annual renewal date, viz. 01/06/18, due to non-payment of premium."

Challenging the award of the insurance ombudsman, the present writ petition came to be filed.



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3.The learned counsel appearing for the petitioner reiterated all the contentions set out in the affidavit filed in support of the writ petition. He relied on the judgment of the Hon'ble Supreme Court rendered in ***Civil Appeal No.4806 of 2005 (Life India Insurance Vs Mani Ram)*** in support of his contentions. He called upon this Court to set aside the impugned award and grant relief as prayed for.

4.The second respondent has filed counter affidavit and the learned Standing Counsel took me through its contents. The reasons set out in the impugned award were reiterated by the learned Standing Counsel. It is pointed out that Murugan was very much alive on 31.05.2018 and deduction of the premium could not be made on account of insufficiency of funds in his account. It is further pointed out that the benefit of grace period could not be invoked by the petitioner herein and that it was available only to the designated branch office of the master policy holder for payment of premium. Paragraph 5 of the counter affidavit filed by the second respondent reads as follows:



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“5. I respectively submit that after joining the scheme, renewal premium is deducted from the members by auto debit facility and it is the responsibility of the individual member to retain sufficient balance for renewal premium of PMJJBY as on 31st May every year. The bank after collecting the renewal premiums from members remits the total premium to LIC of India within 30 days. Unfortunately, the said Late.R.Murugan died on 01.06.2018 and from the bank statement it is evident that the PMJJBY premium is not deducted due to insufficient balance in his account as on 31.05.2018. Hence the premium was not deducted and not remitted to LIC of India by bank for renewal. Due to the insufficient balance and non-deduction of premium by the bank, payment of premium was not made to LIC and hence claim is not admissible.”

The learned Standing Counsel called upon to sustain the impugned award and dismiss the writ petition.

5.I carefully considered the rival contentions and went through the materials on record.



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6.The petitioner's husband had enrolled himself under Pradhan Mantri Jeevan Jyoti Bima Yojana . The Rules governing the said scheme have been enclosed in the typed set of papers. Rules 6, 8 and 15 read as follows:

“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.”*



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All the aforesaid Rules will have to be read together. I do not agree with the learned Standing Counsel's contention that every year a fresh policy is being issued. It is not so. The policy issued in favour of the petitioner's husband in the year 2015 was being renewed every year. The renewal premium must be paid on or before 31st of May every year. If such payment could not be made, grace period of 30 days is given. My attention is drawn to Clause 1A-m of the Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013 issued by IRDA. It reads as follows:

“1A Definitions:

m) “Grace Period” means that time granted by the insurer from the due date for the payment of premium, without any penalty/late fee, during which time the policy is considered to be in-force with the risk cover without any interruptions as per the terms of the policy.”

It is obvious that till the expiry of the grace period, the policy must be considered to be in force with the risk cover without any interruption as per the terms of the policy. Therefore, the policy issued in favour of the petitioner's husband must be deemed to have been in force for a period of



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30 days from 31.05.2018. Since before expiry of the said period, Murugan had passed away, the claimant is entitled to the benefit available under the policy. The respondents had proceeded on the erroneous premise that the benefit of grace period was only for the designated branch of the master policy holder. In matters such as this, provisions of the policy must be interpreted so as to benefit the policy holder.

7.In this view of the matter, the impugned award is set aside. The second respondent is directed to pay the policy amount to the petitioner herein within a period of eight weeks from the date of receipt of a copy of this order.

8.This writ petition is allowed accordingly. There shall be no order as to costs. Consequently, connected miscellaneous petition is closed.

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NCC : Yes/No
Index : Yes / No
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G.R.SWAMINATHAN, J.

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To

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4th Floor, 453 Anna Salai,
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2. The Senior Divisional Manager,
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