



Sakshi Singhal
Senior Associate

SUPREME COURT ON EFFECTIVE DATE OF INSURANCE POLICY

A. Introduction

The Supreme Court (“**SC**”), in the *Reliance Life Insurance Company* case,¹ held, on January 03, 2024, that the date of issuing an insurance policy would be the effective date for claims and all other purposes.

B. Brief Facts

1. Reliance Life Insurance Company (“**Reliance**”) had issued two life insurance policies (“**Policies**”), whose details are:
 - a. Jaya Wadhvani (“**Policy A**”): The quotation for the policy, proposal form and cheque were issued on 14.07.2012. On 16.07.2012, the policy was issued and at all relevant places, it was mentioned that the policy would be effective from 16.07.2012. The policy holder committed suicide on 15.07.2013.
 - b. Usha Soni (“**Policy B**”): The proposal form was submitted on 26.09.2012. The date of issue of policy and the date of commencement of policy was 28.09.2012. The date of next premium due was 28.09.2013. As the next premium was not paid, the policy lapsed. She paid the premium on 25.02.2014 and the policy was reinstated from that date. On 03.06.2014, the policy holder committed suicide.
2. Clause 9 of the Policies stated that no claim will be provided if suicide occurs within 12 months from the issuance or reinstatement date of the Policies.
3. The National Consumer Disputes Redressal Commission (“**NCDRC**”) had held that Reliance was liable to pay the assured sum in the Policies on the basis that the date of issuance of the initial deposit receipt of premium is the date of commencement of the Policies.
4. In the joint appeal by Reliance to the SC from two orders passed by the NCDRC, the common legal concern is about when insurance policies become effective, whether it is the issuance date, commencement date in the policy, or the date of premium payment.

C. SC’s Judgement and Reasoning

The SC:

1. Allowed the appeals, set aside the orders passed by the NCDRC, and held that:
 - a. In Policy A, the date of issue of policy is actually the date from which the policy commenced and became effective, even though the date of issue of receipt of the initial premium was earlier.
 - b. In Policy B, although the NCDRC made a reference to Clause 9 of the policy, it did not consider the aspect of reinstatement of a lapsed policy.

¹*Reliance Life Insurance Company Ltd. v. Jaya Wadhvani*, 2024 LiveLaw (SC) 19.

2. Observed that: *“The date of proposal cannot be treated to be the date of policy until and unless on the date of proposal, initial deposit as also the issuance of policy happens on the same date where, for example, the premium is paid in cash then, immediately, the policy could be issued. Merely, tendering a cheque may not be enough as till such time the cheque is encashed, the contract would not become effective. The drawer of the cheque may, at any time, after issuing, stop its payment or there may not be enough funds in the account of which the cheque is issued and there could be many other reasons for which the cheque could be returned without being encashed.”*²
3. Relied on its two earlier judgements³ and reiterated that: *“[T]he date of issuance of the policy would be the relevant date for all the purposes and not the date of proposal or the date of issuance of the receipt.”*⁴

This *Counselence Connect* contains information in a nutshell on a recent change in law.

This is not legal advice and must not be treated so. For any clarifications, please contact us at: info@counselence.com. Past issues of *Counselence Connect* are available at the ‘Newsletters’ page of our website (www.counselence.com).

² Paragraph 11 of the Judgement.

³ *LIC of India v. Dharam Vir Anand*, (1998) 7 SCC 348 and *LIC of India v. Mani Ram*, (2005) 6 SCC 274.

⁴ Paragraph 15 of the Judgment.