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B.Com Honours | Semester V | Calicut University

FUNDAMENTALS OF BANKING AND INSURANCE

Course Code: COM5EJ303 • Module 4 Notes

Module IV: Insurance Contracts & Regulatory Framework

Covers legal framework of life and general insurance contracts, proposal mechanics, Assignment vs Nomination, claim settlement, and IRDAI statutory powers.

Unit 14: Law Relating to Life Insurance Contracts

Governed by Insurance Act, 1938 and LIC Act, 1956. Essential elements: Proposal, acceptance, medical examination, premium payment, issue of policy document, and Section 45 Incontestability Clause (policy cannot be questioned after 3 years).

Unit 15: Policy Mechanics – Assignment vs. Nomination

Assignment (Sec 38 Insurance Act): Transfer of legal title and right to receive policy proceeds to assignee (e.g. for securing housing loan). Irrevocable without assignee consent.
Nomination (Sec 39 Insurance Act): Appointing a nominee to receive policy benefits upon death of life assured. Nominee acts as legal receiver for heirs.

Unit 16: General Insurance Contracts & Claim Settlement

Governed by General Insurance Business (Nationalisation) Act, 1972 and Marine Insurance Act, 1963. Average Clause applies in under-insurance:

> **Claim Amount = ext{Actual Loss} imes rac{ ext{Sum Insured}}{ ext{Actual Value of Asset}}**

Unit 17: IRDAI Powers, Functions, & Regulatory Oversight

Insurance Regulatory and Development Authority of India (IRDAI Act, 1999). Statutory regulator protecting policyholder interests, registering insurance companies, setting solvency margin standards (150% requirement), and regulating agents.

Practical Case Framework (Assignment Sec 38 vs Nomination Sec 39 Comparison Table): Compare legal mechanisms of policy transfer and beneficiary designation under the Insurance Act.

Assignment vs Nomination Legal Comparison Matrix:

Legal Dimension	Policy Assignment (Section 38)	Policy Nomination (Section 39)
Legal Nature & Effect	Transfers complete Ownership Title & rights	Appoints a Beneficiary to receive claim money upon death
Consideration Required	May be for valuable consideration (loan security)	No consideration required (Family affection)
Revocability	Irrevocable once executed (Unless reassigned)	Fully Revocable & changeable by policyholder anytime
Status of Recipient	Assignee becomes absolute owner of policy proceeds	Nominee acts as trustee for legal heirs of deceased
Notice Requirement	Written notice must be registered with Insurance Company	Endorsed on policy or communicated to insurer