

Ref: CO/CRM/1010/23

03/03/2016

*All Zonal Managers,  
All Regional Managers (CRM)  
All Sr. / Divisional Managers,  
M.D.C., Audit & Inspection Departments*

**Re: Nomination by policyholder (Section 39) as amended by Insurance Laws (Amendment) Act, 2014.**

The provisions of Section 39 have been amended as per Insurance Laws (Amendment) Act, 2014. The amended section is attached to this circular as Annexure-1 for ready reference and is effective from 26<sup>th</sup> December 2014.

Consequent to this amendment, the **following changes** are effected under Section 39 of the Insurance Act which governs Nomination by policyholder:

1. The transfer or assignment of a policy, whether wholly or in part, in consideration of a loan advanced by the transferee or assignee to the policyholder **henceforth**, shall not cancel the nomination but shall affect the rights of the nominee only to the extent of the interest of the transferee or assignee, as the case may be in the policy.
2. The nomination which stands automatically cancelled consequent upon the transfer or assignment shall stand automatically revived when the policy is reassigned. Hence no fresh nomination will be required on reassignment in all such cases.
3. The concept of Beneficiary nominee has been introduced. Parents, spouse and children either individually or jointly **shall be beneficially entitled to the amount payable by the insurer**. If the beneficiary nominee/nominees die after the death of insured but before the amount secured by the policy is paid, the amount shall be paid to the heirs or legal representatives of nominee/nominees or to the holder of succession certificate as the case maybe and they shall be beneficially entitled to such amount. These provisions shall apply to all policies of life insurance maturing for payment after the commencement of the Insurance Laws (Amendment) Ordinance, 2014.
4. In all other cases except as mentioned in point no (3), the earlier provision wherein if the nominee dies after the policyholder but before receiving the policy moneys, the Nomination would become ineffective, and it is the estate of the Assured that would become entitled to receive the Policy moneys, and consequently representation has to be obtained to the estate of the Assured stands valid.

5. The right of Creditors will not be destroyed or impeded by the concept of beneficial entitlement.
6. Where a policyholder dies after the maturity of the policy but the proceeds and benefits of his policy has not been made to him because of his death, in such a case, his nominee shall be entitled to the proceeds and benefit of his policy.
7. The following fees are to be charged for registering cancellation, first nomination or change of nomination:
  - a) Rs 50/- for policies issued in electronic form
  - b) Rs 100/- for policies issued in other than electronic form.
8. The fees as stated in point no (7) is to be charged for the following:
  - a) All policies with sum assured above Rs 75000/- .
  - b) In case of policies with sum assured equal to and below Rs 75000/- the first cancellation or change of nomination will be free. The fees shall be charged only from the second cancellation or change of nomination.
  - c) The fees are to be charged with effect from the date of issuance of the circular.
9. The account code 4031(segment wise), which is used for registration of Assignment, shall be utilized for registration of Nomination also.
10. Original Nomination will get automatically restored on reassignment, after the release of update 15.64 dated 12.01.2016, where the programs for assignment were released. For all the policies which are registered for assignment between 26/12/2014 and release dated 12.01.2016, the branch should restore the nomination after reassignment after due verification by way of an RFM. It may be noted that no fresh nomination needs to be called and no fees to be charged.
11. At the time of registering the nomination, MR number, date and amount needs to be entered.
12. All other terms and conditions regarding Nomination remain unchanged.



**Executive Director (CRM)**