

# Understanding Suicide Clauses in Indian Life Insurance

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## ABSTRACT

This legal research paper delves into the nuanced domain of suicide clauses within life insurance contracts in the Indian context. Positioned as a comprehensive examination, the study scrutinizes the contractual dynamics between insurers and policyholders, elucidating the legal obligations binding both parties. Employing a standardized form of contract, the paper scrutinizes the intricacies of policies, delineating covered risks, exclusions, and benefits allocated upon the occurrence of specific events such as death or illness.

Central to the investigation is the exploration of life insurance business, specifically focusing on contracts guaranteeing monetary compensation in the event of death, excluding cases of accidental demise. The research critically evaluates the evolution of law and policy concerning claims arising from suicides after the initiation of the insurance policy. A key focal point of the analysis is the suicide clause embedded within these contracts, unraveling its implications and impact on the legal landscape.

**Keywords:** Life insurance policy, Claim, Suicide, Compensation, Felo de se.

## 1 INTRODUCTION

### 1.1 WHAT IS A LIFE INSURANCE POLICY?

Life insurance policy is the arrangement between the policy owner (“assured”) and the insurer (“insurance undertaking”) when, on the death of an insured person, the insurer undertakes to pay the appointed recipient an amount of money (a “premium”). The policy owner decides in order to pay a fixed sum (at regular intervals or in lump sums). Life plans are, in short, lawful arrangements and the contract provisions define the limitations of insured incidents. Specific exclusions are often written into the contract to limit the liability of the insurer; common examples are claims relating to suicide, fraud, war, riot and civil commotion.

There is no as such statutory definition of life insurance policy or life insurance contract in India and UK. However, it has been defined in the case of *Dalby v London and India Life Assurance Company* as, “a contract in which the insurer in consideration of a certain premium either in lump sum or in any other periodical payments, in return agrees to pay to the assured or to the person for whose benefit the policy is taken a stated sum of money on the happening of a particular event contingent on the duration of human life.”<sup>1</sup>

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<sup>1</sup> Dalby v London and India Life Assurance Company (1884) 15 C.B 365

As per **Section 2(11) of Insurance Act of India (1938)**, ‘Life insurance business means the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any.’

A life insurance policy is purchased by someone so that they have a financial stability for any contingency. The insurer makes a contract with the insured to provide a sum assured as a death benefit to the person whom he nominated in the event of an unexpected death of the insured. Every insurance company is expected to ensure only genuine claims that arise due to the death of the policyholder.

## 1.2 WHAT IS INSURED UNDER THE LIFE INSURANCE

In ordinary life insurance, the insured situation is the loss of life assured resulting from an illness or accident. It makes no difference whether the death was caused by natural or unnatural causes, or even by a third-party criminal act. Contracts whose objectives are against public policy are not enforced by courts. One of the cardinal rules of legal theory based on public policy is that no man shall be allowed to take advantage of his own wrong and this rule is expressed in the maxim *ex turpi causa non oritur action*, i.e., no cause of action arises out of a wrong. Based on this theory, under life insurance law, the legal representatives of the assured will collect the assured’s life policy upon his death, whether the death is caused by natural or accidental causes, including death caused by a third-party criminal act. There are two exceptions to the above principle firstly, where the death of the assured is caused due to the violation of a rule of criminal law by the assured himself, and secondly, where death is the result of a suicide.<sup>2</sup>

In the case of *Liberty National Life Insurance Co. v Weldon* it was held that, ‘the willful misconduct of the assured has always been treated as an implied exception in a policy not only in life insurance but in other branches also.’ For example, in the case of fire insurance where the fire is caused by the willful misconduct of the assured, he is debarred from recovering on the policy.<sup>3</sup>

When the assured violates the law, or commits an act punishable by a death sentence, and he is sentenced to death, the assured or his representative is reported to be killed by himself and the public policy rule that nobody may benefit by his own wrong or guilty conduct comes into play and is obliged to recover under the policy. It is seen that the claims under the policy are refused when the guaranteed person committed suicide. In such circumstances, the insured person must be assured by the hands of justice of benefiting from his death would be contrary to public policy. This theory covers death as a consequence of criminal activities or death during a war or duel and the insurance company is absolved from liability in such instances.<sup>4</sup>

## 2 SUICIDE AND THE LIFE INSURANCE

Suicide is voluntary and deliberate self-destructive behavior of a person killing himself. Any act of self-destruction is including in suicide. Life insurance policies have provisions in which the insurer's liability is altered and restricted by the insured in cases of suicide. The insurer may prevent a policy where such a provision exists in a policy. Suicide itself does not constitute a crime under Indian law, and as such a suicide clause cannot be enacted unless the policy provides otherwise. However, if the policy holder assigned this policy for beneficial consideration, suicide shall not impact the right of the customer. The

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<sup>2</sup> Insurance Act of India, 1938, Section 2 (11)

<sup>3</sup> *Liberty National Life Insurance Co. v Weldon* (1957) Alabama 100 So 2d 696.

<sup>4</sup> *Ibid.*

insurers bear the risk of proving suicide, because if the cause of death is not determined, the assumption is not against suicide and the policy cannot be prevented. In India, that is the same thing. This method would prevent this allegation to a contractual level because the insured person could not be the author of his own loss and to a wider extent, as legislation would not enable him to take advantage of it.

## **2.1 FELO DE SE**

In earlier times, suicide was known by the Latin expression *felo de se* or *felonia de se*. The Athenians would ‘punish’ the self-murderer by cutting off his hand or, more properly stated, off the corpse of the self-murderer.

*Felo de se* is a latin phrase which means ‘felon of himself’. It’s an old legal phrase that generally referred to suicide. An adult who committed suicide was regarded as a criminal and therefore punished by the king. However, a child or individual who is mentally unstable or incapable of doing his own tasks and killing himself would not be considered a *felo de se* and has therefore not been penalized. In legal practice, the word *felo de se* is not popular. Suicide is normally not an unanticipated or unplanned insurance event.

The likelihood of death and death insured in a life insurance may be a disease, accident, negligence, or misconduct by a third party. When death-related insurance occurs, normally the insurer is liable for payment under the policy. However, the principle suggests that the insurer has been released from responsibility as it is in other insurance divisions where the insured case is perpetrated on the basis of the intentional and unauthorized conduct of the insured individual or his officer. The risk of assured people being killed by third parties thus falls within the scope of the normal life policy and the insured suicide commission though insane is not an exception to the risk for similar reasons.

India’s National Crime Records Bureau (NCRB) has published yearly reports since 1967 covering all states in India and Union Territories. Nowadays due to the pandemic many lost were jobs which increased the number of suicide cases in India, financial crisis was the main mental stress and according to the data, 80 people killed themselves each day.

Changes in the insurance policies were made in 2014, all insurance policies did not include suicide clause. Before 2014 no claims were entertained by such companies where the insurer commits suicide. But from 2014 onwards amendments were made keeping in mind the ache and problems of the people left behind in the family.

## **2.2 EXCEPTION TO SUICIDE OR THE SUICIDE CLAUSE IN THE INSURANCE POLICY**

Classically, the suicide provisions made the insurance policy effectively null and void such that all payments made for premium were meaningless and the deceased were no left largely. It was also much worse than when the deceased committed suicide. Later things have changed. A second form of suicide clause has gained worldwide prominence. This provision provides for the entire payout made during the time of the policy to be returned to the family in such a case even though the policyholder would not have to pay the death benefit for his own life.

Changes in the policies were made in 2014, where all insurance policies did not include suicide clause. Until 2014, the cases in which an insurer committed suicide have not received any claims. However, amendments have been introduced since 2014 in order to take account of the hardship and the concerns of the family members. The policy concept was released on 1 January 2014 covering the families of covered persons with a suicide death. The term insurance plan’s suicidal death protection shall apply after 12 months of the issue date policy or after 12 months after the policy has been improved. If the suicide of the insured is a true cause of death, the applicant shall be fully compensated, and even full death benefits shall be paid: The suicide clause was found invalid before January 2014 and no family claim was due.

The situation is different both in India and England. In England suicide and execution for murder, in this connection, may conveniently be put upon the same plane and the beneficiary is not entitled to recover the policy in cases where the insured commits suicide or if he is executed for a crime.

Life insurance is an important institution in India, in some respect, related to huge charitable fund established, mainly for the unfortunate wives and children. But life insurance is not a pure charity. To the life insurance fund, very oft en, wives and children have made large contributions in money, toil and sacrifice. Their title to the fund became vested prior to the commission of the crime. What difference should it make, whether the insured was killed by his own act, or by the act of some stranger or by accident? It must not be forgotten, in this connection, that policies of life insurance are often utilized in the market as a means of procuring loans of money. If the rights of an assignee for value are likely to be cut off by events over which he has no control, the commercial value of the instrument will be seriously impaired.

### **2.3 SITUATIONS WHEN SUICIDE CLAUSE IS NOT APPLICABLE**

The insurer is entitled to refuse your request when the lapsed policy is renewed and the later owner executes suicide 365 days after the date of the policy's renewal.

Second, when insured, it gives false/inconvenient information to the insurer that is prima facie deceptive and leads to reject the claim.

Thirdly, it is important to appoint a candidate when it is guaranteed to take insurance as a candidate. The nominee dies before payment of the policy is due in exceptionally rare circumstances. In that event, the legal heirs will have the right to receive the cash.

Finally, if the policyholder was protected by group insurance policies, suicide death allowance cannot be sought by the employer of the policyholder. The Policy Bazaar states that the suicide clause is not protected by the community insurance policy, given that it has been in effect for one year and requires more than one year of the suicide clause. Therefore it is not included here.

### **2.4 ITS APPLICABILITY AFTER ONE YEAR**

In a year, life insurance will cover it against the moral danger of the business and in order to stop insurance fraud as well. The policyholder will also fail to pay the debt and buy a life insurance cover for paying the insured sum. It is also thought that one year is sufficient to be free of such a perspective.

However, suicide compensation is provided for emotional and debt distress after the completion of one year and may cause him psychological stress and is the only viable alternative. The insured's dependents after the policyholder's death could confront these reasons. Since life insurance is a perfect alternative to keep the life of the dependent financially safe when their family member dies, the claim coverage would protect them in this situation.

## **3 JUDICIAL PRONOUNCEMENTS IN INDIA**

In India the committing of suicide is not a crime. Attempted suicide is punishable under Section 309, I.P.C., while abetment of suicide is punishable under Section 306.<sup>5</sup> It is not and cannot be considered as a crime in India to commit suicide itself. The English common law in India is inapplicable in this regard, because the establishment of a Statute is Indian criminal law.

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<sup>5</sup> Section 306 & 309 of the Indian Penal Code, 1860

In *Faqir singh v. Union Of India*<sup>6</sup> the insured had died because of asphyxia because of the rope all around the neck, which caused a heart attack. The fact of suicide, however, was not proven and there was crucial evidence that it may also be a murder. In such a case, the refusal to benefit the insured's father through postal insurance because the death was attributed to suicide was incorrect.

In *Northern India Assurance Co. v. Kanhayala*<sup>7</sup>, The contract specified that if Moolchand being the insured had caused his own death for a year before the policy was in effect, the policy would become void. When his policy was over 13 months old he suicide by taking poison on the discovery of his wife's infidelity and allocated the insured policy to his son, Kanhayalal. The court upheld the assigned son's argument that suicide was not a crime in India, and India was not subject to the rules of English law, which enable to take place as a felony.

In the case of *Scottish Union and National Insurance Co. v. Jahan Begum*<sup>8</sup>, the question of whether suicide is against public policy in India was raised in which, since they were represented by the insurer, the insurer was the only company to be in India to issue policies that did not impose suicide restrictions and pay the amount insured in the lifetime insured committed

Life insurance is a significant institution for the large charitable fund founded in our country, especially for unfortunate women and children. In some respects it is a major institution. Life insurance, though, is not pure love. Life insurance, though, is not pure charity. Wives and children have very frequently made a major contribution to the life insurance fund; labour and sacrifice. Before the crime had been committed, their title to the fund was granted.

### 3.1 FUTURE OF THE SUICIDE CLAUSE

In this age nowadays, more and more policies are being developed on how suicide is handled. Moreover, the suicide clause has been completely removed mostly by policies. Statistics appear to have shown that they do little benefit to them. The insurance policy would not stop the majority of people at high risk for suicide. More complex suicide awareness has also changed the situation. The symptoms, side effects, or health conditions of suicide have seen rather than as an option in the past few days. Studies begin to show that suicide is not linked with mental illness alone; depression is not a cause.

Advanced psychology and medicine have provided a new definition of suicide, so deception by self-homicide seems to be far less important. Why should suicide not be insured if, like cancer, suicide is an uncontrollable medical problem? It makes sense to have a suicide clause or no clause at all when searching for the correct life insurance policy when you suffer from depression and are highly at risk for suicide. New rules were passed, requiring "reasonable" life insurance plans to cover suicide (reasonable in this case means no more than two years).

The idea is that no healthy individual can purchase a policy in order to wait two years to save the window; it's a sufficient demonstration of mental disease and it's a covered exposure. This safeguards the needs of innocent families and also restricts a casual perception of suicide.

Therefore, there are chances that in the upcoming years the law related to suicide clause will be applicable all over the world due the increasing need of safety of other family members.

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<sup>6</sup> Faquir singh v. Union Of India AIR 2002 J&K 62

<sup>7</sup> Northern India Assurance Co. v. Kanhayala (1938) lah ore High Court , P.561

<sup>8</sup> Scottish Union and National Insurance Co. v. Jahan Begum AIR 1945 Oudh 152

#### 4 CONCLUSION AND SUGGESTIONS

Life insurance serves as a crucial safeguard against the uncertainties of life, offering financial protection for individuals and their families. However, the availability of insurance proceeds becomes a matter of public concern when contemplating suicide as a response to financial challenges. Suicide-related life policies, or “suicide clauses”, not only legalizing one's demise but also run counter to the policies of the Indian government.

The absence of cases challenging the legality of suicide clauses in the Supreme Court of India raises questions about the societal and legal awareness surrounding this issue. Instances where financial institutions or family members, as beneficiaries, harbor suspicions regarding suicide present an additional layer of complexity. Although such suspicions may constitute offenses under the Indian Penal Code, the lack of motivation for investigative agencies and prosecutors to pursue the matter compounds the challenge.

The assumption that modern life insurance plans legitimize suicide provisions in the case of intentional death fails to justify the act, especially if one waits for an extended period before committing suicide. While insurance may not be a primary factor driving suicide, the prospect of financial rewards for distressed individuals could add an unintended incentive.

The suicide clause embedded in Indian life insurance policies aligns with international norms, stipulating that payment or premium return is contingent on the insured party committing suicide within a specified period. However, paying out policy proceeds for intentional suicide after the stipulated period raises legal and ethical concerns. The justification for this practice rests on the premise that no one can plan and wait to commit suicide for such an extended period. Legally, the claim may be barred on both contractual and broader moral grounds, as individuals should not benefit from their own criminal acts.

Enforcing insurance contracts when the insured willfully takes their own life with a sound mind raises legal and ethical questions. Allowing policy proceeds for intentional suicides contradicts public policy in India and opens the door to commercially planned suicides. Distinguishing between suicide and murder, particularly when substantial sums are involved, poses investigative challenges and threatens the moral fabric of individual life dignity against economic interests.

To maintain the integrity of criminal law principles, there is a pressing need to reconsider the existing legal framework in situations involving intentional suicides and life insurance claims. The law should be amended to exclude benefits to legal representatives and beneficiaries of the deceased. Failure to do so risks violating the fundamental principle that no one should profit from their own criminal acts. As the global demand for the safety and welfare of family members increases, it is likely that amendments to suicide clause laws will be contemplated worldwide in the coming years.