

Force majeure clause won't apply to coronavirus death claims in life insurance policies

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The Life Insurance Council of India has announced that all life insurance companies, both public and private, will process all coronavirus-related death claims, at the earliest.

According to a press release from the Life Insurance Council, "The Council also confirmed that the clause of 'Force Majeure' will not apply in case of COVID-19 death claims. This step was taken to reassure customers who had reached out to individual life insurance companies seeking clarity on this clause in their contract as well as to dispel rumours to the contrary. All life insurance companies have also communicated to their customers individually in this regard."

Life Insurance Council is a forum that connects various stakeholders of the insurance sector. It develops and coordinates all discussions between the Government, Regulatory Board and the public.

What is force majeure?

Typically, force majeure events include an Act of God or natural disasters, war or war-like situations, labour unrest or strikes, epidemics, pandemics, etc.

Santosh Agarwal, CBO-Life Insurance, Policybazaar.com said, "Force majeure clause is basically a clause for unforeseen circumstances that makes the contract null or invalid, for the situations like natural disasters, war or war like situations, etc., that life insurance companies can't plan for. Recently, the Life Insurance council issued a statement for both state-run and private life insurance players that the "force majeure" clause will not be applicable in any of COVID-19 death claims. "However, many insurers do not have this clause in their contract and everyone will cover death caused due to COVID-19 given that the policyholder declared all the details correctly while buying the policy. The life insurance industry is making sure to help their customers in these gloomy times," she said.

According to life insurance policy wordings, "In the event of any force majeure or disaster that affects the normal functioning of the company and during the continuance of the force majeure events, all request for servicing the policy including policy related payment shall be kept in abeyance." This means that life insurer can temporarily suspend the claims in the events such as natural calamities, strikes, war, civil unrest, riots and bandhs.

However, according to the latest press release from the Life Insurance Council, it states that force majeure in the case of COVID-19 will not apply. Secretary General, Life Insurance Council said, "The spiraling global and local impact of COVID-19 pandemic has emphasized the fundamental need for life insurance in every household. The life insurance industry is taking every measure to ensure that the disruption caused to policyholders, due to the lockdown is minimal, by providing them uninterrupted support digitally, be it for honouring death claims related to COVID-19 or for servicing their policy. We reiterate that all life insurance companies stand by their customers in these difficult times and the customer should not be swayed by misinformation or misrepresentation."

Moreover, Anil PM, Head – Legal & Compliance, Bajaj Allianz Life said, “The force majeure condition will not have any impact on insurance contracts of customers due to COVID-19.” He said, “We will continue to honour the death claims received from our customers pertaining to the COVID-19 pandemic, and assure them of any assistance on their policy in these crucial times.”

Measures taken by IRDAI

Apart from this, the Insurance Regulatory and Development Authority of India (Irdai) has also provided additional time for payment of renewal premium in case of health insurance policies and motor third party insurance.

Responding to representations made by life insurers and the Life Insurance Council, the regulator issued the instructions for providing an additional grace period of 30 days for premium payments.