

MWPA Insurance

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Objective

- **To understand**
 - **What is MWP Act**
 - **Purpose of MWP Act**
 - **Application of MWP Act to life insurance**
 - **Features of MWP Act**
 - **How to position policies under MWP Act**

What is MWP Act

- Section 6 of the Married Women Property Act, 1874 provides that the policy of insurance effected by any married man, on his own life, and expressed on the face of it to be for the benefit of his wife or his wife and children or any of them, **shall ensure and deemed to be a trust for the benefit of his wife and children**, or any of them according to the interests so expressed and shall not so long as any object of the trust remains, be subject to the control of the husband, or of his children, or form part of his estate.

Protection to Beneficiary

The Act thus not only provides for a simple method by which a married man can make settlement for the benefit of his dependents without the formality of a deed of settlement, but operates to give the beneficiaries under such a policy certain **statutory privileges** by virtue, of which they secure better protection than they would get under a voluntary settlement outside the Act.

Application of MWP

Act to life insurance

To which policies does the MWP Act apply?

Married Man

- **Section 6 of the MWP Act applies to those policies that are effected by a married man on his own life.**
- **By its nature, it would be available only on Whole Life and Endowment Plans.**
- **Bonus Options: If the MWP Act is applied to the Policy, the Life Insured cannot avail of a bonus option that allows him pay-outs or to take term insurance, paid up additions, or offset premium payments. Bonus can only be allowed to accumulate.**

How to initiate a MWP Policy

Married Man

- The question “what is the objective of insurance”, in the Proposal Form, would need to be answered to state that:
- “the Policy if effected would be for the benefit of the (“....” [Beneficiary]) and the provisions of Section 6 of The Married Women's Property Act, 1874, shall apply”.
- The Addendum to the Proposal must be filled.

When to apply?

- The MWP Act can be applied to a Policy at the time it has been issued.
- But.....

Beneficiaries

Married Man

- The Proposal, and the Policy, must specifically state that the insurance is to be effected/ is effected for the benefit of the Life Insured's:
 - wife;
 - wife and any of his child/children;
 - any of his child/children,
- under the provisions of the Married Women's Property Act, 1874.
- “Married Man” would include widowers and divorcees (the last two would apply where the beneficiaries are the children of the man).

Beneficiaries

Married Man

- The adopted child of a Hindu can be a beneficiary.
- A separate Policy can also be taken for each beneficiary.
- The Special Provisions /Nomination Section of the Schedule to the Policy should carry a suitable noting:
 - "This Policy is effected under the provisions of Section 6 of The Married Women's Property Act, 1874."

A Trust for beneficiary

- Since a Policy effected by a Married Man under the MWP Act results in a trust, the Life Insured does not have any interest in, nor can he control the Policy.
- The Policy will not be a part of his estate, and **cannot be taken by his creditors.**

Can beneficiaries be changed?

- In the case of a policy effected by a Married Man under MWP, ordinarily, there can be no change in the beneficiaries.
- However, if for example, one of the beneficiaries is the wife of the Policy Holder, and if the Policy Holder subsequently undergoes divorce, there is a possibility in change of the beneficiary.*

**Please seek legal opinion*

Assignment

- In the case of a policy effected by a Married Man under MWP, policy can't be assigned;

Nomination

- Can the policy holder effect nominations under section 39 of the insurance Act?

Married Men

No

Policy Loans

Married Men

- (a) The Life Insured cannot obtain a loan against the Policy.
- (b) In those cases where no trustees are appointed, and where the beneficiaries have been **specifically named, it will be possible for the beneficiaries to avail the loan jointly with the Life Insured.** In such cases, the assignment of the Policy in favor of the lender will be executed by the beneficiaries jointly with the Life Insured. The beneficiaries should sign the receipt of the loan.

Surrender of the policy

Married Men

- a) The Life Insured cannot surrender the Policy.
- b) If trustees are appointed, the trustees can with the written consent of the Life Insured and the named beneficiaries surrender the policy.
- c) Where no trustees have been appointed, the Life Insured can with the written consent of the named beneficiaries, if they are major and competent to contract, surrender the Policy.
- d) The surrender value would be paid to the trustee (if there are trustees) or to the beneficiaries.

Payment by Insurer

Married Men

For a Policy effected by a Married Man:

- If no trustees are appointed to receive the sum secured, the money is to be paid by the Insurer to the Official Trustee of the State where the office of the Insurer, from which the insurance is effected, is situated.
- If any of the beneficiaries has died, the Insurer would make payment to the appointed trustee if there is one, or to the Official Trustee.

How to position a policy under MWP Act

- Create a secure nest for your wife and/or children
- An asset exclusively created for your wife & children which can't be attached by anyone (creditors, IT, banks etc.)
- Its compulsory savings once the policy is issued
- The individual (husband) has no rights on the policy (the policy is protected for the purpose it has been issued)

Target Segment

- **Individuals married with/without kids**
- **Individual married & having high financial liabilities**

Thank You