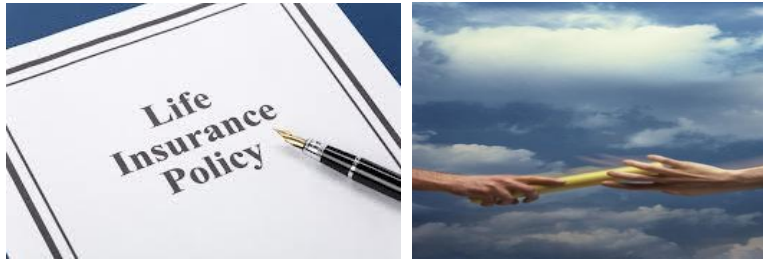


Understanding life insurance policy assignment



What is assignment of a life insurance policy?

An assignment of a policy may be defined as an instrument whereby the beneficial interest, title and right under a policy is transferred by one person to another person. The person who assigns the policy, i.e. transfers the rights, is called the assignor and the one to whom the policy has been assigned, i.e. the person to whom the policy rights have been transferred is called the assignee. Once the rights have been transferred to the assignee, the rights of the assignor stands cancelled and the assignee becomes the owner of the policy.

What are the different types of assignment?

There are two types of assignments:

1) Conditional assignment

Transfer of rights will happen from the assignor to the assignee subject to certain conditions. Only if the conditions are fulfilled the policy will get transferred from the assignor to the assignee.

2) Absolute assignment

Absolute assignment means an assignment by virtue of which all right, title and interest which the assignor (life assured) has in the policy is transferred / passes to assignee. The absolute assignments are generally made for valuable consideration. This type of assignment has the effect of passing the title in the policy absolutely to the assignee & policyholder in no way retains any interest in the policy. The absolute assignee can deal with the policy in any manner he likes & may assign or transfer his interest to another person

Is it possible to cancel an assignment?

An assignment of a life insurance policy once validly executed, cannot be cancelled or rendered in effectual by the assignor. Scoring of such assignments or super scribing words like 'cancelled' on such assignment does not annul the assignment. And the only way to cancel such assignment would be to get it re-assigned by the assignee in favor of the assignor.