

Interpretation of policies

Contracts of insurance are expressed in writing and the insurance policy wordings are drafted by insurers. These policies have to be interpreted according to certain well-defined rules of construction or interpretation which have been established by various courts. **The most important rule of construction is that the intention of the parties must prevail and this intention is to be looked for in the policy itself.** If the policy is issued in an ambiguous manner, it will be interpreted by the courts in favour of the insured and against the insurer on the general principle that the policy was drafted by the insurer.

Policy wordings are understood and interpreted as per the following rules:

- a) An express or written condition overrides an implied condition except where there is inconsistency in doing so.
- b) In the event of a contradiction in terms between the standard printed policy form and the typed or handwritten parts, the typed or handwritten part is deemed to express the intention of the parties in the particular contract, and their meaning will overrule those of the original printed words.
- c) If an endorsement contradicts other parts of the contract the meaning of the endorsement will prevail as it is the later document.
- d) Clauses in italics over-ride the ordinary printed wording where they are inconsistent.
- e) Clauses printed or typed in the margin of the policy are to be given more importance than the wording within the body of the policy.
- f) Clauses attached or pasted to the policy override both marginal clauses and the clauses in the body of the policy.
- g) Printed wording is over-ridden by typewritten wording or wording impressed by an inked rubber stamp.
- h) Handwriting takes precedence over typed or stamped wording.
- i) Finally, the ordinary rules of grammar and punctuation are applied if there is any ambiguity or lack of clarity.

Renewal Notice

Most of the non-life insurance policies are issued on annual basis.

There is no legal obligation on the part of insurers to advise the insured that his policy is due to expire on a particular date. However, as a matter of courtesy and healthy business practice, insurers issue a renewal notice in advance of the date of expiry, inviting renewal of the policy. The notice shows all the relevant particulars of the policy such as sum insured, the annual premium, etc. It is also the practice to include a note advising the insured that he should intimate any material alterations in the risk.