According to the Supreme Court of India in the case of \*National Insurance Co. Ltd. vs. Chellabhai\*, it was held that the insurance company cannot be exonerated from its liability to pay compensation merely because the transport vehicle was being operated without a valid permit, unless a direct nexus between the lack of permit and the accident is established.

The Motor Vehicles Act, 1988 provides that every transport vehicle must operate with a valid permit. However, courts have consistently ruled that the absence of a permit does not automatically absolve the insurer of their obligation to pay compensation to third parties.

In such cases, the insurer must pay the compensation and later recover it from the insured, provided it was a breach of policy conditions.