

- All types of commercial vehicles: Goods carrying and passenger carrying
- Miscellaneous type of vehicles e.g. cranes,
- Motor Trade (Vehicles in Showrooms and Garages)

‘Third-Party Insurance’

An insurance policy purchased for protection against the legal actions of another party. Third-party insurance is purchased by the insured (first party) from an insurance company (second party) for protection against another party's claims (third party) for liability arising out of the action of the insured

Third party insurance is called ‘Liability Insurance’ as well.

Two important types of covers that are popular in the market are discussed below:

a) Act [Liability] Only Policy: As per Motor Vehicles Act it is mandatory for any vehicle plying in public place to insure liabilities towards third parties.

The policy only covers the vehicle owner's legal liability to pay compensation for:

- Third party bodily injury or death
- Third party property damage

Liability is covered for an unlimited amount in respect of death or injury and damage.

The claims for compensation to third party victims in case of death or injury caused by a motor accident are to be filed by the complainant in Motor Accident Claim Tribunal (MACT).

b) Package Policy / Comprehensive Policy: (Own damage + Third party liability)

In addition to the above, the loss or damage to the vehicle insured by specified perils (known as own damage to motor vehicles) is also covered subject to the value declared (called IDV - already discussed in chapter 5) and other terms and conditions in the policy. Some of these perils are fire, theft, riot and strike, earthquake, flood, accident etc.

Some insurers may also pay for towing charges from the place of accident to the workshop. A restricted cover is also available covering the risk of fire and / or theft only, in addition to the compulsory cover granted under Act (Liability) Only Policy.

The policy can also cover loss or damage to accessories fitted in the vehicle, personal accident cover under private car policies for passengers, paid driver; legal liability to employees and non-fare paying passengers in commercial vehicles. Insurers also provide free emergency services or use of alternative car in case of breakdown.