

## **Ramesh Kumar vs National Insurance Co. Ltd. & Ors on 17 August, 2001**

**Equivalent citations: AIR 2001 SUPREME COURT 3363, 2001 (6) SCC 713, 2001 AIR SCW 3291, 2001 ALL MR(CRI) 512, 2001 (5) SCALE 370, 2002 (1) ALL CJ 8, (2001) 6 JT 657 (SC), 2002 ALL CJ 1 8, (2001) 4 ALLMR 512 (SC), 2001 (6) JT 657, 2001 (8) SRJ 242, (2002) ILR (KANT) (1) 870, (2001) 2 ACC 492, (2001) 2 ANDHWR 537, (2001) 107 COMCAS 177, (2001) 5 ANDHLD 130, (2002) 1 MAD LW 640, (2002) 1 MAH LJ 269, (2002) 1 MPLJ 12, (2001) 3 PUN LR 893, (2001) 4 SCJ 508, (2001) 3 TAC 639, (2001) 6 SUPREME 353, (2001) 4 RECCIVR 680, (2001) 5 SCALE 370, (2001) WLC(SC)CVL 856, (2001) 2 UC 435, (2001) 3 ACJ 1565, (2001) 45 ALL LR 131, (2001) 4 ALL WC 2853, (2002) 1 BLJ 27, (2001) 4 CIVLJ 655, 2002 (1) BOM LR 609, 2002 BOM LR 1 609**

**Bench: A.P. Misra, U C. Banerjee**

CASE NO.:

Appeal (civil) 5010 of 1999

PETITIONER:

RAMESH KUMAR

Vs.

RESPONDENT:

NATIONAL INSURANCE CO. LTD. & ORS.

DATE OF JUDGMENT:

17/08/2001

BENCH:

A.P. Misra & U C. Banerjee

JUDGMENT:

With C.A. No. 5051/1999 National Insurance Co. Ltd. vs. Ramesh Kumar & Ors.

C.A. No. 623/1997 National Insurance Co. Ltd. vs. Smt. Krishni & Ors.

C.A. No. 40/1986 National Insurance Co. Ltd. vs. Pavankumar Keshavlal Shah & Ors.

C.A. No. 5457 of 2001 (arising out of SLP © 20312/1997) National Insurance Co. Ltd. vs. Sushil Kumar & Ors.

C.A. No. 5458 of 2001 National Insurance Co. Ltd. vs. (arising out of SLP © No. 20313 of 1997) Sushil Kumar & Ors.

C.A. No. 3393-3395 of 1996 Kona Nageswara Rao Vs. Oriental Fire & Gen. Ins. Co. Ltd. & Ors.

C.A. No. 10846-10850 of 1996 New India Assurance Co. Ltd. vs. Manjulaben Virji & Ors. ETC.

C.A. No. 5459 of 2001 New India Assurance Co. vs. (arising out SLP© No. 13954 of 2000) Lalitha & Ors.

C.A. No. 5460 of 2001 National Insurance Co. Ltd. vs. (arising out of SLP© No. 14855 of 2000) Lalitha & Ors.

C.A. No. 950-957 of 1999 Ramappa & Ors. Vs. National Insurance Co. Ltd. & Anr. vs. C.A. No. 1090 of 1999 New India Assurance Co. vs. Hatuben & Ors.

C.A. No. 521 of 1993 National Insurance Co. vs. Dundaiah Shankaraiah Matapathi & Anr.

C.A. No. 522 of 1993 National Insurance Co. Ltd. vs. Mallappa Mahadeva Walada & Anr.

C.A. No. 523 of 1993 National Insurance Co. Ltd. vs. Ellappa & Anr.

C.A. No. 5461-62 of 2001 Bal Shantaben & Anr. (arising out of SLP© Vs. No. 15554-15555 of 2000) National Insurance Co. Ltd. & Ors.

C.A. No. 1249 of 1999 New India Assurance Co. vs. Zansubai & Ors.

C.A. No. 1253 of 1999 New India Assurance Co. vs. Jadiben & Ors.

C.A. No. 1255 of 1999 New India Assurance Co. vs. OD. Parubai Channa & Ors.

C.A. No. 1254 of 1999 New India Assurance Co. vs. OD. Bai Paru Khema & Ors.

C.A. No. 1251 of 1999 New India Assurance Co. vs. Rukhiben Pachanji Nai & Ors.

C.A. No. 1252 of 1999 New India Assurance Co. vs. Ajmal Mafaji Thakor & Ors.

C.A. No. 5463 of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP No. 3938 of 1996) Gangaben & Ors.

CA No. 6542 of 1994 New India Assurance Co. Ltd. Vs. Ramesh Chand & Ors.

CA No. 6543 of 1994 New India Assurance Co. Ltd. Vs. Ramesh Chand & Ors.

CA No. 6544 of 1994 New India Assurance Co. Ltd. Vs. Ramesh Chand & Ors.

CA No. 6545 of 1994 New India Assurance Co. Ltd. Vs. Ramesh Chand & Ors.

CA No. 5385 of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP © No. 9873 of 2000) Asha Rani & Ors.

C.A. 16793-16796 of 1996 National Insurance Co. Vs. Bhag Devi & Ors. ETC.

C.A. 229 of 1999 Satyabama Vs. Uttam Namdeo Patil & ANR.

CA No. 5386-5410 of 2001 Oriental Insurance Co. Ltd. Vs. (arising out of SLP © No.4098-4122 of 2001) Ganeshlal Nathuji Chaudhary & ors.

CA No. 5411-16 of 2001 Oriental Insurance Co. Ltd., A.P. (arising out of SLP © No.11427-11432 of 2001) Vs. A.P. Paper Mills & Ors.

CA No. 5417 of 2001 Oriental Insurance Co. Ltd. Vs. (arising out of SLP © No. 11760 of 2001) Potuganti Chimmannagari Basavamma & Ors.

CA No. 5418-27 of 2001 K.E. Suhara Vs. (arising out of SLP © No.10938-10947 of 2000) National Insurance Co. LTD. & Ors.

C.A. No. 4458 of 1999 Vidha Devi (Dead) Thru Ram Prasad Mittan Vs. Meera Bai C.A. Ndo. 5223 of 2000 New India Assurance Co. Ltd. And Anr. VS. Chaman Lal & Anr.

CA No. 5428-32 of 2001 M/S United India Insurance Co. Ltd. Vs. (arising out of SLP © No. 12889-93 of 2001) Bharamavva & Ors.

C.A. No. 1697 of 1999 The Oriental Insurance Co. Ltd. Vs. K.J. Abraham & Ors.

CA No. 5433-44 of 2001 National Insurance Co. Ltd. Vs. (arising out of SLP © No. 12627-38 of 2000) Lala & Ors.

C.A. No. 6237 of 1997 National Insurance Co. Vs. Roshni Devi & Ors.

C.A. No. 272-77 of 1999 Oriental Insurance Co. Ltd. Vs. Shanti & Ors.

CA No. 5445-50 of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP © No. 8116-22 of 2001) Shanta Devi & Ors.

CA No. 5451-52 of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP © No. 6956-57 of 2001) Lehri & Ors.

CA No. 5453-56 of 2001 Oriental Insurance Co. Ltd. Vs. (arising out of SLP © No. 10419-22 of 2001) Pagedala Venkata Narasamma & Ors.

Etc. Etc. C.A. No.3843 of 2000 United India Insurance Co. Ltd. Vs. Ladhu Devi & Ors.

CA No. 5464 of 2001 National Insurance Co. Ltd. Vs. (arising out of SLP © No. 3408 of 2001) Bharati Naskar & Ors.

CA No. 5465 of 2001 National Insurance Co. Ltd. Vs. (arising out of SLP © No. 3409 of 2001) Krishan Mondal & Ors.

C.A. NO. 6755 of 1999 The New India Assurance Co. LTD. Vs. Khiali Ram & Ors.

CA No. 5466-67 of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP © No. 8765-66 of 2001) Sita & Ors.

CA No. 5468-69 of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP © No. 9892-93 of 2001) Bhanwaridevi & Ors.

J U D G E M E N T MISRA, J.

Leave granted.

The aforesaid sets of cases have been classified in three categories, which raises common question about the liability of payment of compensation by the Insurance Company under the Motor Vehicles Act.

Category I CA No. 5010 of 1999, C.A. No. 5051/1999, C.A. No. 623/1997, C.A. No. 40/1986, C.A. No. 5457 of 2001(arising out of SLP © 20312/1997), C.A. No. 5458 of 2001(arising out of SLP © No. 20313 of 1997), C.A. No. 3393-3395 of 1996, C.A. No. 10846-10850 of 1996, C.A. No. 5459 of 2001 (arising out SLP© No. 13954 of 2000), C.A. No. 5460 of 2001 (arising out of SLP© No. 14855 of 2000), C.A. No. 950-957 of 1999, C.A. No. 1090 of 1999, C.A. No. 521 of 1993, C.A. No. 522 of 1993, C.A. No. 523 of 1993, C.A. No. 5461- 62 of 2001, (arising out of SLP© No. 15554-15555 of 2000), C.A. No. 1249 of 1999, C.A. No. 1253 of 1999, C.A. No. 1255 of 1999, C.A. No. 1254 of 1999, C.A. No. 1251 of 1999, C.A. No. 1252 of 1999, C.A. No. 5463 of 2001, (arising out of SLP No. 3938 of 1996), CA No. 6542 of 1994, CA No. 6543 of 1994, CA No. 6544 of 1994, and CA No. 6545 of 1994, Category II CA No. 5385 of 2001 (arising out of SLP © No. 9873 of 2000), C.A. 16793-16796 of 1996, C.A. 229 of 1999, CA No.5386-5410 of 2001 (arising out of SLP © No.4098-4122 of 2001), CA No. 5411-16 of 2001, (arising out of SLP © No.11427-11432of 2001), CA No. 5417 of 2001 (arising out of SLP © No. 11760 of 2001), CA No. 5418-27 of 2001 (arising out of SLP © No.10938-10947 of 2000), C.A. No. 4458 of 1999 , C.A. No. 5223 of 2000, CA No.5428-32 of 2001 (arising out of SLP © No. 12889-93of

2001), C.A. No. 1697 of 1999, CA No. 5433-44 of 2001 (arising out of SLP © No. 12627-38 of 2000), C.A. No. 6237 of 1997, C.A. No. 272-77 of 1999, CA No. 5445-50 of 2001 (arising out of SLP © No. 8116-22 of 2001), CA No. 5451-52 of 2001 (arising out of SLP © No. 6956-57 of 2001), CA No. 5453-56 of 2001 (arising out of SLP © No. 10419-22 of 2001), and C.A. No. 3843 of 2000, Category III CA No. 5464 of 2001 (arising out of SLP © No. 3408 of 2001), CA No. 5465 of 2001 (arising out of SLP © No. 3409 of 2001), C.A. NO. 6755 of 1999, CA No. 5466-67 of 2001 (arising out of SLP © No. 8765-66 of 2001), and CA No. 5468-69 of 2001 (arising out of SLP © No. 9892-93 of 2001) The first category of cases arise out of the Motor Vehicles Act, 1939 (hereinafter referred to as Old Act). The question raised for this category is:

Whether insurance company is liable to pay the compensation on account of the death or bodily injury of the gratuitous passengers including owner or his representative of the goods, travelling in a goods vehicle under Section 95 of the said Act?

The second category of cases arise out of the Motor Vehicles Act, 1988 (hereinafter referred to as New Act) prior to its amendment in 1994. In this category also similar question is raised. The third category of cases also arise under the new Act but after its amendment by Act No. 54 of 1994. In this category also the same question is raised. Thus the question raised in all these cases is about the liability of the insurance company, for the payment of compensation to the claimants for those falling under the aforesaid field on account of their death or bodily injury while travelling in a goods vehicle. We are disposing of through this judgment, the group of cases falling under category one and three respectively. So far cases covered under category two, we will be dealing with it through a separate judgment and order.

The category one cases are all in which a claim petition has been filed by the claimants on account of death or bodily injuries of either the owners or his representative or the gratuitous passengers. In all these cases claimant claimed compensation under Section 95(1)(b)(i) and clause (ii) of the proviso after its amendment in 1969 under the old Act. The submission is, it is the insurance company, which is liable to pay the compensation notwithstanding that vehicle involved in the accident is a goods vehicle. On the other hand submission for the insurance company is that they are not liable for those passengers who travels by a goods vehicle, in view of the language used in Section 95 of the old Act. The cases under this category need not detain us long as this question has been directly raised and decided in the case of Mallawwa (Smt.) and Ors. vs. Oriental Insurance Co. Ltd. and Ors. (1999) 1 SCC 403. In this case the accidents were for the period between 1971 and 1985. This Court held, the insurance company is not liable for any damage in cases the gratuitous passengers including owner of the goods or his representative who travelled in a goods vehicle. So the first category of cases are disposed of in term of this declaration that liability to pay compensation to the claimants of such person is not on the insurance company but on the owner of the goods vehicle. In case insurance company had made part or full payment towards such compensation

awarded, the same shall not be refunded from the claimant but is recoverable by the insurance company from the owners. In case the amount has been withdrawn by the claimants on furnishing any security, the said security shall stand discharge. In case no payment or part payment has been made by the claimant, we direct the owners of the vehicle to pay the awarded compensation to the claimant within a period of three months from today.

Accordingly the first category of cases are disposed of.

This takes us to the third category of cases where similar question is raised regarding liability of the insurance company under the new Act after its 1994 amendment. The submission for the claimant is, the insurance company is liable to pay the compensation both in view of the decision of this Court in *New India Assurance Company vs. Satpal Singh and Ors.*, (2000) 1 SCC 237 and also in view of its 1994 amendment. This Court in this case, while interpreting Section 147(1)(i) and (ii) of the New Act holds, the insurance company liable to pay the compensation both for the owner and his representative and also for the gratuitous passengers travelling in a goods vehicle. In this third category, in spite of the said declaration the claimants have confined their claim only for the owner or his representative who were travelling in a goods vehicle and not for the gratuitous passenger. Since *Satpal Singh* (supra) confers right over gratuitous passengers also, which is not claimed by any of the claimants under this category, thus declaration of law in *Satpal Singh* (Supra) is not required to be considered for this category, as claim for the owner and his representative is not disputed even by the learned counsel for the insurance company, after its aforesaid 1994 amendment, that insurance company is liable to pay compensation for such person even when they were travelling in a goods vehicle. This is in view of 1994 amendment in sub-clause (I) of Section 147 (1)(b) of the new Act in which the following words were brought in:

injury to any person, including owner of the goods or his authorised representative carried in a vehicle.

Thus this category of cases are also disposed of by declaring that compensation awarded in such cases where deceased or injured persons were travelling in a goods carriage who were owner or his authorised representative, the insurance company is liable to pay the compensation. Any compensation or part of it not paid shall be paid to the claimant by the insurance company within eight weeks of this order. Any such amount withdrawn by the claimant which was deposited by the Insurance Company on furnishing security, such security stands discharged.

Learned counsel appearing for the insurance company has submitted that even though the insurance company is liable to pay to the legal representatives of the owner or authorised representative, the question is, whether those travelling were truly owners of the goods or not? This in our considered opinion is a question of fact which we need not advert. Only in cases it is recorded by the Tribunal that they were not the owners then only insurance company could succeed that they are not liable to pay. In any case if insurance company has not raised any such issue they cannot be permitted

to raise it now. Unless such an issue was raised, foundation laid in the pleading and if not adjudicated by the Tribunal thereafter if a ground is raised before the High Court yet not decided there could be possibility of remanding the case otherwise it cannot be permitted to be raised. We have not been shown in any of these cases to qualify for the above. Accordingly we dispose of these cases falling under the third category, by declaring that the insurance company is liable to pay the compensation for the deceased or injured persons travelling in a goods carriage, who were either the owner or his representatives. These appeals are disposed of accordingly.

..J (A.P. Misra) ..J (U.C. Banerjee) August 17, 2001 IN THE SUPREME COURT OF INDIA CIVIL APPELLATE JURISDICTION CA No. of 2001 (arising out of SLP © No. 9873 of 2000) New India Assurance Co. Ltd. Appellants Versus Asha Rani & Ors. Respondents with C.A. 167893-16796 of 1996 National Insurance Co. Vs. Bhag Devi & Ors. ETC.

C.A. 229 of 1999 Satyabama Vs. Uttam Namdeo Patil & ANR.

CA No. of 2001 Oriental Insurance Co. Ltd. Vs. (arising out of SLP © No.4098-4122 of 2001) Ganeshlal Nathuji Chaudhary & ors.

CA No. of 2001 Oriental Insurance Co. Ltd., A.P. (arising out of SLP © No.11427-11432 of 2001) Vs. A.P. Paper Mills & Ors.

CA No. of 2001 Oriental Insurance Co. Ltd. Vs. (arising out of SLP © No. 11760 of 2001) Potuganti Chimmannagari Basabamma & Ors.

CA No. of 2001 K.E. Suhara Vs. (arising out of SLP © No.10938-10947 of 2000) National Insurance Co. LTD. & Ors.

C.A. No. 4458 of 1999 Vidha Devi (Dead) Thru Ram Prasad Vs. Meera Bai C.A. Ndo. 5223 of 2000 New India Assurance Co. Ltd. And Anr. VS. Chaman Lal & Anr.

CA No. of 2001 M/S United India Insurance Co. Ltd. Vs. (arising out of SLP © No. 12889-93 of 2001) Bharamavva & Ors.

C.A. No. 1697 of 1999 The Oriental Insurance Co. Ltd. Vs. K.J. Abraham & Ors.

CA No. of 2001 National Insurance Co. Ltd. Vs. (arising out of SLP © No. 12627-38 of 2000) Lala & Ors.

C.A. No. 6237 of 1997 National Insurance Co. Vs. Roshni Devi & Ors.

C.A. No. 272-77 of 1999 Oriental Insurance Co. Ltd. Vs. Shanti & Ors.

CA No. of 2001 New Insurance Co. Ltd. Vs. (arising out of SLP © No. 8116-22 of 2001) Shanta Devi & Ors.

CA No. of 2001 New India Assurance Co. Ltd. Vs. (arising out of SLP © No. 6956-57 of 2001) Lehri & Ors.

CA No. of 2001 Oriental Insurance Co. Ltd. Vs. (arising out of SLP © No. 10419-22 of 2001) Pagedala Venkata Narasamma & Ors.

Etc. Etc. C.A. No.3843 of 2000 United India Insurance Co. Ltd. Vs. Ladhu Devi & Ors.

J U D G E M E N T MISRA, J.

The aforesaid sets of appeals were listed under category two out of the three categories. The arguments were heard, compositively for all the three categories. We have delivered judgment today for category one and three, while we are passing this order for the appeals falling under category two. The appeals falling under first category were those which fell under the Motor Vehicles Act, 1939 (hereinafter referred to as Old Act). The appeals falling under second category are those which falls under Motor Vehicles Act 1988 (hereinafter referred to as new Act), prior to its 1994 amendment, while the appeals falling under category three were those falling under the new Act but those after the 1994 amendment.

Learned counsel for the insurance company submits, that in New India Assurance Compay vs. Satpal Singh and Ors. (2000) 1 SCC 227 this Court held that insurance company is liable to pay compensation in all cases where the deceased or injured persons are gratuitous passengers including owner or his representative of the goods while travelling in a goods carriage under Section 147 of the new Act. He seeks reference of this point to a larger Bench as it vitally affects Insurance Company and as relevant provisions of the new Act were not placed before this Court and if it were placed, a different conclusion would have come.

This Court in Satpal Singh (Supra) held:

The result is that under the new Act an insurance policy covering third-party risk is not required to exclude gratuitous passengers in a vehicle, no matter that the vehicle is of any type or class. Hence the decisions rendered under the old Act vis-à-vis gratuitous passengers are of no avail while considering the liability of the insurance company in respect of any accident which occurred or would occur after the new Act came into force.

To Section 95 of the old Act the corresponding section is Section 147 of the new Act, which deals with liability to pay the compensation. The relevant portion of Section 95



under the old Act and Section 147 of the new Act is quoted hereunder:

Section 95: Requirements of policies and limits of liability- (1) In order to comply with the requirements of this Chapter, a policy of insurance may be a policy which, -

(a) is issued by a person who is an authorised insurer [or by a co-

operative society allowed under section 108 to transact the business of an insurer], and

(b) insures the person or classes of persons specified in the policy to the extent specified in sub-section (2)

(i) against any liability which may be incurred by him in respect of the death of or bodily injury to any person or damage to any property of a third party caused by or arising out of the use of the vehicle in a public place;

(ii) against the death of or bodily injury to any passenger of a public service vehicle caused by or arising out of the use of the vehicle in a public place;

Provided that a policy shall not be required

(i) to cover liability in respect of the death, arising out of and in the course of his employment, of the employees of a person insured by the policy or in respect of bodily injury sustained by such an employee arising out of and in the course of his employment [other than a liability arising under the Workmen's Compensation Act, 1923,] in respect of the death of, or bodily injury to, any such employee

(a) engaged in driving the vehicle, or

(b) if it is a public service vehicle, engaged as a conductor of the vehicle or in examining tickets on the vehicle, or

(c) if it is a goods vehicle, being carried in the vehicle]; or

(ii) except where the vehicle is a vehicle in which passengers are carried for hire or reward or by reason of or in pursuance of contract of employment, to cover liability in respect of the death of or bodily injury to persons being carried in or upon or entering or mounting or alighting from the vehicle at the time of the occurrence of the event out of which a claim arises, or

(iii) to cover any contractual liability;

Explanation For the removal of doubts, it is hereby declared that the death of or bodily injury to any person, or damage to any property of a third party shall be deemed to have been caused by or to have arisen out of the use of a vehicle in a public place notwithstanding that the person who is dead

or injured to the property which is damaged was not in a public place at the time of the accident, if the act or omission which led to the accident occurred in a public place.] (2) Subject to the proviso to sub-section (1) a policy of insurance shall cover any liability incurred in respect of any one accident up to the following limits, namely :-

[(a) where the vehicle is a goods vehicle, a limit of one lakh and fifty thousand rupees in all, including the liabilities, if any, arising under the Workmens Compensation Act, 1923, in respect of the death of, or bodily injury to, employees (other than the driver), not exceeding six in number, being carried in the vehicle;]

(b) where the vehicle is a vehicle in which passengers are carried for hire or reward or by reason of or in pursuance of a contract of employment, -

(i) in respect of persons other than passengers carried for hire or reward, a limit of fifty thousand rupees in all;

(ii) in respect of passengers, a limit of fifteen thousand rupees for each individual passenger;]

(c) save as provided in clause (d), where the vehicle is a vehicle of any other class, the amount of liability incurred;

(d) irrespective of the class of the vehicle, a limit of rupees [six thousand] in all in respect of damage to any property of a third party] Section 147: Requirements of policies and limits of liability- (1) In order to comply with the requirements of this Chapter, a policy of insurance must be a policy which, -

(a) is issued by a person who is an authorised insurer; or

(b) insures the person or classes of persons specified in the policy to the extent specified in sub-section (2)

(i) against any liability which may be incurred by him in respect of the death of or bodily [injury to any person, including owner of the goods or his authorised representative carried in the vehicle](brought in by amendment through Act No. 54 of 1994) or damage to any property of a third party caused by or arising out of the use of the vehicle in a public place;

(ii) against the death of or bodily injury to any passenger of a public service vehicle caused by or arising out of the use of the vehicle in a public place;

Provided that a policy shall not be required

(i) to cover liability in respect of the death, arising out of and in the course of his employment, of the employees of a person insured by the policy or in respect of bodily injury sustained by such an employee arising out of and in the course of his employment other than a liability arising under the Workmens Compensation Act, 1923 (8 of 1923) in respect of the death of, or bodily injury to, any such employee

(a) engaged in driving the vehicle, or

(b) if it is a public service vehicle, engaged as a conductor of the vehicle or in examining tickets on the vehicle, or

(c) if it is a goods carriage, being carried in the vehicle]; or

(ii) to cover any contractual liability.

Explanation For the removal of doubts, it is hereby declared that the death of or bodily injury to any person or damage to any property of a third party shall be deemed to have been caused by or to have arisen out of, the use of a vehicle in a public place notwithstanding that the person who is dead or injured or the property which is damaged was not in a public place at the time of the accident, if the act or omission which led to the accident occurred in a public place.] (2) Subject to the proviso to sub-section (1), a policy of insurance referred to in sub-section (1), shall cover any liability incurred in respect of any one accident, up to the following limits, namely :-

(a) save as provided in clause (b), the amount of liability incurred;

(b) in respect of damage to any property of a third party, a limit of rupees six thousand:

Provided that any policy of insurance issued with any limited liability and in force, immediately before the commencement of this Act, shall continue to be effective for a period of four months after such commencement or till the date of expiry of such policy whichever is earlier.

By comparing these two sections, what emerges is that clause (ii) to the proviso of Section 95(1)(b) under the old Act has been deleted and clause (iii) has been re-numbered as (ii) in Section 147 of the new Act. Sub- Section (2) of Section 95 is also modified under the new Act through sub- sections (2) of Section 147, which refers to quantum of compensation to which we are not concerned. The submission for the insurance company is, the earlier decision in Mallawwa (Smt.) & Ors. Vs. Oriental Insurance Co. Ltd. & Ors., (1999) 1 SCC 403 held insurance company not liable to pay the compensation but it has been distinguished in Satpal Singh (Supra) that it was under the old Act while the case in hand is under the new Act. The submission is, mere deletion of sub-clause (ii) to the proviso of Section 95 (1)(b) under the old Act by itself would make no difference to hold the liability to fall on the

insurance company. This apart some of the distinguishing features in the new Act, to which attention was not drawn would make a difference in drawing the conclusion.

The first striking distinguishing feature pointed out is with reference to the definition of the goods vehicle as defined under the old Act and the goods carriage as defined under the new Act. Section 2(8) of the old Act defines good vehicle:

2(8): goods vehicle means any motor vehicle constructed or adapted for use for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods solely or in addition to passengers.

Under the new Act goods vehicle is substituted by the words goods carriage. There is no definition of goods vehicle. It is defined under Section 2(14) of the New Act as hereunder:

Section 2(14): goods carriage means any motor vehicle constructed or adapted for use solely for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods.

The significant difference between the two definitions is that under the old Act the definition includes or in addition to passengers, while these words are deleted while defining the goods carriage under the new Act. The submission is, this exclusion itself is indicative that passengers are not to travel in a goods carriage.. The second distinguished feature pointed out is with reference to Section 149 under the new Act. The submission is, by virtue of sub-section (2) of Section 149 the defence which is permissible to the insurer is obliterated, in view of the declaration of law in Satpal Singh (Supra). The relevant portion of Section 149 sub-section (2) is quoted hereunder:

149: Duty of insurers to satisfy judgments and awards against persons insured in respect of third party risks (1)..

(2) No sum shall be payable by an insurer under sub-section(1) in respect of any judgment or award unless, before the commencement of the proceedings in which the judgment or award is given the insurer had notice through the Court or, as the case may be, the Claims Tribunal of the bringing of the proceedings, or in respect of such judgment or award so long as execution is stayed thereon pending an appeal; and an insurer to whom notice of the bringing of any such proceedings is so given shall be entitled to be made a party thereto and to defend the action on any of the following grounds, namely:-

(a) that there has been a breach of a specified condition of the policy, being one of the following conditions, namely:-

(i) a condition excluding the use of the vehicle

(a) for hire or reward, where the vehicle is on the date of the contract of insurance a vehicle not covered by a permit to ply for hire or reward, or

(b) for organised racing and speed testing, or

(c) for a purpose not allowed by the permit under which the vehicle is used, where the vehicle is a transport vehicle, or

(d) without side-car being attached where the vehicle is a motor cycle; or

(ii) a condition excluding driving by a named person or persons or by any person who is not duly licensed, or by any person who has been disqualified for holding or obtaining a driving licence during period of disqualification; or

(iii) a condition excluding liability for injury caused or contributed to by conditions of war, civil war, riot or civil commotion; or

(b) that the policy is void on the ground that it was obtained by the non-disclosure of a material fact or by a representation of fact which was false in some material particular.

The submission is, Sub-section (2) declares that no sum is payable by the insurer, if any of the grounds mentioned under various sub-clauses of the sub-section (2) is proved to exist. For example, no sum is payable by the insurer under sub-section (2) if there has been a breach of specified conditions of the policy, namely, where the vehicle on the relevant date is not covered by a permit to ply for hire or reward and if it plies for the same, i.e., in case the insured uses the vehicle for a purpose not allowed by the permit. If a permit for a goods carriage is not meant for the passengers to be carried and if passengers travel, the insurer would not be liable to pay the compensation. This defence of the insurer would not be available which stands negated in view of the declaration of law in Satpal Singh (Supra).

This apart, submission is also with reference to the deletion of sub- clause (ii) of proviso to Section 95 (1)(b) of the old Act that this by itself would make no difference for drawing conclusion different from what was declared by this Court in Malwa (Smt.) supra, if various earlier decisions of courts and amendment under the old Act is taken into consideration.

We may usefully refer here the decision of the Karnataka High Court in Oriental Insurance Co. Ltd. vs. Smt. Irawwa and Ors. AIR 1992 Karnataka 321. This judgment has very significantly brought the difference between Section 147 of the new Act and Section 95 of the old Act with reference to the definition clause. It reads:

It may be seen that S.147 of the 1988 Act, like S.95 of the 1939 Act, apart from prescribing the compulsory coverage in respect of third party risks, prescribed the compulsory coverage against death of or bodily injury to any passenger in a Public Service Vehicle caused by or arising out of the use of the vehicle in a public place. The proviso to S.147 of the 1988 Act which is similar to the corresponding Proviso to S.95(1) of the 1939 Act, makes it clear that compulsory coverage in respect of drivers of any motor vehicle, conductors of public service vehicles and employees carried in a goods vehicle shall be limited to the liability under the Workmens Compensation Act. Under S.147(2) of the Act, while the liability in respect of damage to any property of third party is limited to Rs. Six thousand as regards the liability in respect of passengers as also third parties it is made equal to the liability incurred. Section 2(35) of the 1988 Act which defines Public Service Vehicle is similar to S. 2(25) of the 1939 Act and does not include a goods carriage. The difference in the definition goods vehicle given in S.2(8) of the 1939 Act and the goods carriage given in S.2(14) of the 1988 Act is significant. While the definition given in the 1939 Act gave an indication, goods vehicle could carry some passengers, the definition in 1988 Act omits the words in addition to passengers and states that goods carriage means any motor vehicle constructed or adapted for use solely for the carriage of goods. Therefore, the question whether risk in respect of passengers carried in a goods vehicle should be covered by an insurance policy does not arise at all under the 1988 Act.

This question of the liability of the insurance company in respect of gratuitous passengers travelling in a goods vehicle has been in issue before various High Courts under the old Act which has led to the conflicting judgments. As we have recorded earlier, Satpal Singh (Supra) held, insurance company liable both for the gratuitous passengers and the owners or his representative of the goods, while interpreting Section 147 of the new Act. This was based on the fact of deletion of Clause (ii) of the proviso of the Section 95(1) of the old Act. It is relevant to refer to some of the decisions with brief background history both of the interpretation and incorporation of the said sub-clause (ii) of Section 95 of the old Act and its exclusion, to see whether the decision of Satpal Singh (Supra) requires reconsideration. It is not in dispute in Mallawwa (Smt.) and Ors. vs. Oriental Insurance Co. Ltd. and Ors. (1999) 1 SCC 403, this Court while interpreting Section 95(1) including the said sub-clause (ii) held the insurance company not liable to pay compensation either to the gratuitous passengers or to the owners of the goods.

The full Bench of the Karnataka High Court in National Insurance Co. Ltd. Vs. Dundamma, 1992 ACJ 1, while interpreting the said proviso

(ii) held that this proviso takes care of passengers in public service vehicle only because of the words used therein, namely, in which passengers are carried for higher or reward. However, in view of proviso (i) it was held that insurer would be liable to pay compensation to the employees and the owner of a goods vehicle.

Similar question came before the full Bench of the Rajasthan High Court, Jaipur Bench in Santra Bai and Ors. vs. Prahlad and Ors. 1985 ACJ

762. This decision contains a detailed discussion on the question, whether the said proviso is confined to public service vehicle only or takes within its hold goods vehicle also. It was held that the owner of the goods or his employee, if he travels in the goods vehicle, has to be taken to be a person carried for reward, if not for hire. Then with reference to the definition of goods vehicle and with reference to the words used in proviso (ii) it was pointed out that the legislature has not used the term public service vehicle but used the words where the vehicle is a public vehicle in which passengers are carried. It was held, the word used therein would also include goods vehicle and such goods vehicle can also carry passengers for hire or reward. Thereafter came the full Bench of the Orissa. In New India Assurance Company Ltd. Vs. Kanchan Bewa and Ors. II (1994) ACC 117 (FB). This full Bench considered the aforesaid two full Benches and came to the conclusion different from what was held in the said two Benches. The Court held:

The conclusion is irresistible unless a vehicle is a vehicle meant for carrying passengers for hire or reward or the said vehicle by reason of or in pursuance of contract of employment is required to cover the liability in respect of death of or bodily injury to persons being carried in or upon, the insurer will not be liable to pay compensation. Admittedly, the owner of goods who has hired a goods vehicle does not become a person travelling on the vehicle in pursuance of a contract of employment and even if he is carrying his goods after hiring the vehicle, the vehicle does not become a vehicle meant for carrying passengers for hire or reward and consequently, would not come within the proviso (ii) to section 95(1)(b). To come under the first part of Section 95(1)(b), proviso (ii), the vehicle in question must be a vehicle which is meant for carrying passengers for hire or reward and consequently, a goods vehicle will not come within the proviso. We, therefore, state that proviso to Section 95(1)(b) did not apply to the passengers carried for hire or reward in a goods vehicle and it is restricted to such passengers carried in a public service vehicle.

As aforesaid, in view of the said conflict in the decision, when the matter came before this Court it settled the issue in the case of Mallawwa (Smt.) (Supra). This Court in this case approved the aforesaid full Bench decision of the Orissa High Court. This Court held, while interpreting Section 95(1)(b)(i) and proviso (ii) under the old Act, only a vehicle which is used for a systematically carrying of passengers can be said to be a vehicle in which passengers are carried for hire or reward, hence persons travelling in goods vehicle, whether owners of the goods or passengers on payment of fare or gratuitous passengers, could not be covered by proviso (ii) hence the insurer of the goods vehicle is not liable to pay compensation. This decision also considered and affirmed the decision of this Court in the case of Pushpabai Purshottam Udeshi and Ors. vs. M/s. Ranjit Ginning & Pressing Co. (P) Ltd. and Anr. (1977) 2 SCC 745.

Then came the new Act and the similar question is raised under it. We find corresponding to Section 95 of the old Act is Section 147 of the new Act. The only

difference we find in Section 147(1) of the new Act from Section 95(1) of the old Act is that proviso (ii) which was under the old Act stands deleted and (iii) is re-numbered as (ii). There is also amendment to sub-Section (2) to Section 95 of the old Act in sub-section (2) of Section 147 of the new Act which is in respect of quantum to which we are not concerned.

It is because of this deletion of clause (ii) to the proviso to Section 95 (1)(b) of the old Act has been interpreted in Satpal Singh (Supra) to bring liability on the insurer to pay both for the gratuitous passengers and the owner or his representative of the goods travelling in a goods carriage.

We feel as some of the striking features of the new Act were not brought to the notice of this Court which we are recording hereunder may have bearing to the conclusion which was arrived at in Satpal Singh (Supra), Viz., (a) Difference between the definition of Goods Vehicle under the old and Goods Carriage under the new Act. Under the old Act goods vehicles is defined under Section 2(8) and under the new Act Section 2(14) defines goods carriage. The significant difference is, under the old Act the goods vehicle could be used for the carriage of goods or in addition to passengers while in definition of goods carriage the words or in addition to passengers stand deleted. The submission is, now goods carriage cannot carry any passenger. The other striking feature is with reference to Section 149(2) of the new Act. It is submitted that the defence available to the insurer under it would be obliterated in view of the declaration of law in Satpal Singh (Supra). Under New Act, it would be a breach of condition in case vehicle is used for a purpose other than for which permit has been issued. Thus in a case a permit is issued for a goods carriage it would not include any passengers and in case they travel it would be contrary to the mandate of the statute and thus in view of Section 149(2) no liability could be passed on to the insurance company. This apart, the effect of the deletion of sub-clause (ii) to the proviso to Section 95(1)(b) in the new Act also requires reconsideration.

Accordingly we feel it appropriate in view of what we have recorded above, Satpal Singh (Supra) requires reconsideration by a larger Bench. Let this matter be placed before Honble the Chief Justice for constituting a larger Bench.

..J (A.P. Misra) ..J (U.C. Banerjee) August 17, 2001