

# **MOTOR VEHICLE INSURANCE**

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## I. General principles of insurance (*insurance-in-brevi*)

Insurance plays a very crucial role in every individual's life. It covers all those various forms of contractual transactions that every assured person enters into with an insurer. These include both commercial and non-commercial and personal insurance transactions. It is possible that during all transactions incidental to the central insurable interest there might be some form of losses caused to the main subject-matter insured. This is despite the insured having taken all the various necessary (minimal) levels of precautions, including a reasonable degree of care to safeguard the insurable interest *ad manum*. There is thus, an inherent need to indemnify the principle assured against any loss(es) that he has suffered during course of such implied transaction(s). This system of indemnification is usually awarded by the insurance company after a thorough investigation of all relevant factors leading up to the principle *causa causans* of the incidence of loss. However, whether the insurance company is actually liable to indemnify the assured for the loss suffered is more of a *question-of-fact*. If, after careful investigation of all connected facts, it is found that the insured had deliberately caused the accident or mishap with an intention to appropriate the total premium amount fraudulently, then the insurance company is automatically precluded from indemnifying him or her against losses suffered. Thus, in cases where damages are caused to the insurable interest by arson, willful destruction of the subject-matter, pretended burglary/dacoity or other capricious measures etc, the insurer acting *qua* is not bound by law to compensate the assured for any alleged losses suffered by the latter.<sup>1</sup>

## II. About my Research Paper

My research analyzes principles of insurance with key reference to motor vehicular insurance. **Chapter III** deals with the general principles of insurance. **Chapter IV** introduces, in brief, various types of general insurance. **Chapter V** introduces the reader to general principles, both incidental and specific to motor vehicle insurance. **Chapter VI** briefly explains types of motor vehicle insurance coverage. **Chapter VII** analyzes statutory tests to determine whether vehicle is insured or not under relevant insurance laws. **Chapter VIII** briefly discusses Primary

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<sup>1</sup> *M/s. Suraj Mal Ram Niwas Oil Mills & Anr. vs. United India Insurance Co* (Civ. App. 1375/2003)

and Secondary insurance. **Chapter IX** discusses vehicular insurance in case of wars or destruction due to radioactivity. **Chapter X** analyzes policy-package coverage of motor vehicle insurance. **Chapter XI** discusses the advantages and disadvantages of motor vehicle insurance.

### III. General principles of insurance

The contract of insurance is mainly premised upon the principle of *utmost good faith*. As per this legal doctrine, whenever they are entering into an insurance contract, both the contracting parties are required under the law to disclose all true and relevant material facts to each other at the time of making of such a contract. However, if it is found at any stage, that one of the parties had actively and knowingly concealed certain material facts which were otherwise essential to the formation of an otherwise valid contract of insurance then the other party is automatically entitled to cancel the contract. Thus, if the principal policyholder withholds certain material facts that are relevant to the formation of the insurance contract, then the insurer may be precluded from indemnifying him against all losses suffered. This action of the insurer may be legally justified on grounds of non-disclosure of relevant facts *ex parte* insured.

Notwithstanding these limitations, it is also true that there exist cases where, if the insured is able to prove that circumstances existed under which he was automatically precluded from disclosing certain facts that would otherwise lead to recession of the insurance contract, then insurer is liable to compensate him for loss suffered. Similarly, in cases where the insured deliberately misrepresents certain facts to insurer, the latter is disqualified from indemnifying the former in case of a loss (whether nominal or substantive in nature).

### IV. Typology of General Insurance

Insurance has many categories. For example, fire insurance covers all forms of insurance arising out of (and connected to) fire. This may cover the costs or rebuilding or reconstructing what has been destroyed by such a fire. Similarly, marine insurance covers all activities incidental to shipping and commercial conveyance activities, including acts occurring between the place of origin and place of destination. Other forms of insurance include travel insurance, medical insurance,

flood insurance (such as the Kashmir floods of 2013), and health insurance amongst others. Thus, while insurance is the *genus*, its applicability to varied fields is the *species*.

## V. Introduction to the general principles of motor vehicle insurance

Motor vehicle insurance is a relatively new form of insurance. The purpose of such insurance is to indemnify owners against any form of losses caused to vehicles of all sorts. Such vehicles<sup>2</sup> could include *heavy goods vehicles* (such as trucks); *heavy motor vehicles* (such as double-decker buses); *motorcars*, *omnibuses*, and *public vehicles* (such as buses) as well. Motor vehicles also cover smaller vehicles such as motorcycles and scooters as well. Additionally, such losses could take place to these vehicles in the form of theft, destruction by fire, collision, damages caused during the towing away of vehicles etc. Whatever be the exact cause of loss, it does not really matter. The general principle is that the insurer is liable to indemnify the owner of such motor vehicle against losses suffered by him. Although the Motor Vehicles' Act (1988) does not clearly define what is meant by the term *motor vehicle*, yet under *Category 'M'* of the Central Motor Vehicles Rules, every motor vehicle is defined as being a vehicle with at least four wheels to be used for the carriage/transportation of passengers and their luggage<sup>3</sup>. However, what is deemed to be a '*motor vehicle*' is a question-of-fact to be determined under various facts and circumstances of every relevant case.<sup>4</sup>

Under guidelines issued by the IRDA, every claim for indemnification in all matters incidental to motor vehicle insurance may be made either by: (a) the principal-injured party or (b) a third-party source. When an accident occurs where the driver of his own personal vehicle is liable for the accident-incident, he must first inform the police about such incident. Apart from this, a surveyor must be called from the insurance company which the insured is subscribed to. Such surveyor will analyze the loss on spot to determine the extent of actual damages suffered by the vehicle and the quantum of damages that should be awarded by the insurance company

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<sup>2</sup> *Parmanand Thakur vs. Comm., Coal Mines Welfare*(1986)

<sup>3</sup> As per the Central Motor Vehicles' Rules(1989)

<sup>4</sup> *The Oriental Insurance Co. vs. Sri. D. Lakshman* (2007 4 KAR. LJ 224) Also see *Oriental Insurance Co. vs. N. Chandrasekhan &Ors.*(1997 ACJ 512)

accordingly. Additionally, there may be cases where the insured's policy contains a "cashless clause." This is a clause where the insured is not really required to pay out of his pocket directly. Instead the insurance company will pay for the damages he or she has suffered as a direct result of the injury sustained at the time of the accident.<sup>5</sup>

### **Can motor vehicles plying passengers claim insurance if the total limit exceeds the limits prescribed by statute?**

Statutes limit number of passengers that every vehicle is designed to carry. Generally, if a particular vehicle (*e.g.* car, bus or mini-van etc) is designed for a particular purpose, then it must carry only that limit of passengers in its seats. If the owner knowingly defies the statutory limits and the vehicle exceeds the total number of passengers resulting in an accident, then the owner is automatically precluded from claiming damages from the insurance company.

In *Anil Shrivastava vs. Branch Manager*<sup>6</sup> the insurance policy mandated that a particular vehicle would be allowed to ply on roads only a certain limited number of passengers. The owner, despite knowing all this, still flouted the statutory rules. During conveyance of these passengers, there was an accident. The owner claimed indemnification from the insurance company. But, in upholding the refutations *qua* insurance company's liability to pay, the State Consumer Disputes Commission held that since there was a direct violation of the terms and conditions of the insurance policy both directly and substantially by the owner, he was automatically precluded from claiming insurance.<sup>7</sup> However, this is not always the case<sup>8</sup>

Under Section 61(Chapter IV) of the *Road Transport Safety Bill* (2015), every person is to hold a valid driver's license at the time of using a(ny) motor vehicle. Such license would be deemed effective in the whole of India, allowing its owner to use the vehicle for whatever purposes he thinks fit. However it must be for only legal purposes. If the motor vehicle is used for illegal purposes, then the driver's license may be rescinded and he could face arrest and imprisonment for a period of at least 6 months-1 year. Also, every driver must have only one valid license. If he is found to

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<sup>5</sup> *Anil Shrivastava vs. Branch Manager*(2014)

<sup>6</sup> *Ibid* pp. 5

<sup>7</sup> *The Manager, United India Assurance Co. vs. Anusayabai*(Fir.App. 367/2003)

<sup>8</sup> *Divisional Manager vs. Smt. Pushpalatha S. Shetty*(2015); *New India Assurance Co. vs. Prem Rani&Ors.*(2015); *United India Assurance Co. vs. Nilkanth R. Fuke&Ors.*(2015)

be in possession of more than one license, he will be punished under relevant provisions of the proposed Act.<sup>9</sup>

## VI. Typology of motor vehicle insurance

All forms of motor vehicle insurance can be classified into the following categories. They are:

- automobile liability coverage
- comprehensive motor coverage
- collision coverage
- coverage against theft
- coverage against all forms of personal injury
- uninsured coverage
- underinsured coverage
- coverage against fire

### Automobile liability insurance coverage

Under this motor vehicle insurance coverage policy, sometimes it is possible that during course of operating a vehicle, considerable harm could occur to another person or vehicle. Automobile insurance would cover only those injuries accruing to a specific third-party and **not** the driver of the vehicle that was responsible for causing such injury. For example, supposing A is driving his car *M* at 90 mph, well above the prescribed statutory limit and collides with vehicle *B*. The driver of *B* is injured severely, while A suffers minor injuries. Under the principle of automobile liability coverage, A's insurance company would be liable to pay only *B* for losses suffered but not for A.

In India, insurance laws are very stringent with reference to automobile insurance. S. 147 of the *Motor Vehicles Act* (1988) mandates that any person who owns a vehicle that is going to be used in a public place must take out an automobile insurance policy. The main purpose is to seek coverage under a specified monetary amount by which the principal owner of such vehicle will be covered in case of any injury accruing from unforeseeable circumstances.

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<sup>9</sup> Section 287



There are two types of coverages; viz. *personal coverage* and *package coverage*. While the former covers all incidents related to death/injury caused to a third party source & damages caused to the vehicle, the latter covers the owner(of the vehicle that caused the damage) from any losses caused to the vehicle by fire, theft, robbery, *vis majora* acts, floods *etc.*

In *United India Insurance Co. vs. Lehu & Ors*<sup>10</sup> an accident occurred while the car was in motion. The driver of the vehicle filed a claim in the insurance company for award of the assured amount. However, on further investigation *qua* insurance company, it was found out that the defendant was operating the vehicle on a fake license. This, the company, contended, was illegal-in-law that precluded it from awarding damages. On first appeal, the Motor Vehicles' Tribunal held that although the license was fake, the insurance company was nevertheless liable to indemnify the defendant for losses suffered. On second appeal to the Apex Court, it was held that, irrespective of whether the driver had a fake license or not, the insurance company would continue to be liable till such time they were able to prove beyond a reasonable doubt that such license was indeed, fake.<sup>11</sup>

### **Comprehensive liability insurance coverage**

As per this principle, the insurance package policy covers a whole host of events that could occur to the car and cause injuries to both it and its occupants as well, despite the owner taking all forms of reasonable degree of care. These could include (but are not solely restricted to): theft, destruction by fire, any *vis majora* causal factor *etc.* Comprehensive liability insurance coverage can also extend to other persons' vehicles as well, provided there was such a clause in the insurance contract.

In a particular case<sup>12</sup> the defendant was travelling in a private vehicle when it met with an accident. He subsequently died from the injuries sustained. His legal representatives filed an application for grant of

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<sup>10</sup> App 1959/2003

<sup>11</sup> *New India Assurance Co. vs. Kamla & Ors*(2001); *National Insurance Co. vs. Santro Devi & Ors*(1997). *National Insurance Co. vs. Rajani Singi*(2013)

<sup>12</sup> *Bhagyalakshmi & Ors. vs. United India Co. & Anr*(2009); see also *National Insurance Company(L) vs. Pattabhi Ramian & Ors.*(2006)

compensation before the Motor Vehicles' Claims Tribunal. The Tribunal awarded compensation, following which the plaintiffs filed an appeal before the Karnataka HC. The central question-of-law before the Court was whether the insurance policy was comprehensive enough to cover the passenger(s) traveling in the car or not. The HC ruled in favor of the insurance company. On further appeal the Apex Court held that any gratuitous passenger traveling in a private vehicle is automatically precluded from claiming compensatory damages *ex parte* insurance company. However, the legislature was of the view that this provision of law was contrary to public policy. Hence this provision was amended in 1975.

### **Collision coverage insurance liability**

Collision coverage insurance liability is a part of comprehensive vehicular insurance coverage. As per this concept, if an insured's vehicle has collided with another vehicle and suffers damages in the process, the insurance company will automatically indemnify the insured for any losses suffered by him. This would include those cases where an owner has leased out his vehicle to another on a purely contractual basis. However the only catch in this insurance policy is that the insured must pick a deductible amount. This deductible amount is the monetary amount that every insured must agree to pay at the time of filing a claim before the insurance company.<sup>13</sup>

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<sup>13</sup> *Nand Kishore Prasad vs. Smt. Suman Devi*(2015); also see *Jusabai Dadabhai Sandhi vs. Unknown*(2014)

### Coverage against theft

Usually, every vehicular insurance policy contains a clause that seeks to indemnify the insured against any form of losses suffered if his or her vehicle is subjected to theft. However, the only requirement for this policy to be operative is that there must be an assumption of *no-return* policy by the taker of such policy. In other words, it must be firmly established beyond a reasonable doubt *qua* insurer that there was no accidental loss by misplacement of the insured's vehicle. Also, the comprehensive insurance coverage must be containing such clause seeking to compensate the insured against such an act. However, like all other forms of insurance, the assured must pay a certain deductible amount.

### Individual loss under vehicle insurance

The question arises now, whether individual losses are covered by vehicular insurance policies also? It has been determined by the Courts that personal possessions inside a vehicle (*e.g.* camera, iPhone, expensive watch, *etc.*) will not be covered under this policy, as insurance will cover theft occurring to the vehicle solely.<sup>14</sup> Hence, any complaint made by insured to the insurer company must be made within a reasonable time. If it is not done then the insured forfeits his (or her) right to indemnification.<sup>15</sup>

### Coverage against personal injury

In American laws, every state has various guidelines relating to what happens in case of personal injuries occurring to the driver out of a motor-vehicle accident. For example, the State of Utah has a legal provision that specifies that if an insured meets with some form of personal injuries, he or she will be subject to acupuncture treatment. Additionally, the law there mandates that there must be absolute liability insurance *qua* insured if his vehicle meets with some form of accident.<sup>16</sup> The same has been held in India as well.<sup>17</sup>

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<sup>14</sup> *Baljeet vs. United India Assurance Co.*(2013)

<sup>15</sup> *National Insurance Co. vs. Sukram Pal*(2015)

<sup>16</sup> Extracted from: <http://dmv.utah.gov/register/insurance#> on Saturday Aug. 22(2015)

<sup>17</sup> *Komeravel Gounder vs. Bajaj Allianz GIC*(2012); *New India Assurance Co. vs. Kendra Devi&Ors*(2008)

## Coverage against fire

In case a vehicle is destroyed due to a sudden fire, the insurance company will automatically indemnify the assured for any losses suffered. However, it must be proved that the fire was accidental and not a deliberate act of arson. In every action of vehicular damage accruing out of fire, it must be proved that the fire was due to natural causes (*e.g.* rats gnawing through the wires).<sup>18</sup> The defense of latent manufacturing defects is inapplicable to the insured when establishing liability in such cases.

## 'Uninsured' v. 'under-insured' vehicle insurance

There is a nominal difference between '*uninsured*' and '*underinsured*' vehicular insurance. All forms of *uninsured* vehicular insurance cover those peculiar situations where the driver of a car (containing vehicular insurance) collides with another vehicle (which has no insurance coverage at all)<sup>19</sup>. In such cases, the law requires that every vehicular insurance policy contain *at least* one provision relating to what happens in case the insured's vehicle collides with a vehicle belonging to an uninsured driver.<sup>20</sup> On the other hand, *underinsured* vehicular insurance covers damages caused to an owner's personal vehicle against incidents that are in excess of the limits of the underinsured driver's motor insurance policy<sup>21</sup>.

For example let us assume that the insured plaintiff's car has been badly damaged or totaled by an accident accruing out of direct collision with another vehicle. The total bill for estimated costs of repairs is say Rs. 75000/-. If the driver who caused the accident carried a minimum motor insurance policy coverage (MIPC) of around Rs. 50000/- the insurer's liability for repair of the damaged vehicle *qua* owner would be around Rs. 25000/- only. The basic purpose of all underinsured motor vehicle insurance would be to cover the residual amount in any accident arising thereof.

<sup>18</sup> *Sai Service Station & Maruti vs. M/s. Kores(India) Ltd. & Ors*(2010)

<sup>19</sup> *United India Assurance Co. vs. S. Saravanan*(2009)

<sup>20</sup> *Parmananad Thakur vs. Commissioner, Coal Mines Welfare & Anr.*(1986)

<sup>21</sup> *Oriental Insurance Co. vs. Sh. Mohan Lal & Ors*(2015)

### **Analysis of the *ratio* of law invoked in *Mangilal vs. Parasaram***

As per the facts, the plaintiff/petitioner's son was answering Nature's call when he was mowed down by a bus (*heavy public vehicle*) and died. Plaintiff's father (Parasaram) filed a claim before the Motor Vehicles' Tribunal. In his contentions he stated that because the impounded motor vehicle *in quaesto* was being driven at high speed, that in itself was the principle *causa causans* for the death of his son. The Tribunal found the respondent-defendant (Mangilal) guilty and ordered him to pay costs to the plaintiff. Respondent challenged the validity of the Tribunal's decision before the Madhya Pradesh HC. The central *question-of-law* placed before the Court was whether, in cases incidental to Section 110A/110B (claims incidental to compensatory damages being paid) the Tribunal would pass a valid judicial order on the facts& circumstances of the assumed finding it had made or was it purely on the actual *causa causans* relating to the injury? It was held that as per the legal principle of *res ipsa loquitur*, the respondent-defendant had negligently run over the child while swerving. Hence, the insurance company was automatically liable to indemnify petitioner for immediate loss suffered.<sup>22</sup>

### **VII. Statutory tests to determine whether vehicle is insured or not under relevant insurance laws**

To determine whether a vehicle is insured (or not) under various regulatory guidelines, the IRDA have enacted certain statutory guidelines. Thus, in case a person is a victim of road accidents, all he has to do is to furnish certain details of such accident on the IRDA website. Only then can he or she find out the exact details of the insurability status of the vehicle responsible for causing the accident. In case the IRDA does not contain details, then referrals may be made before its representative agency, the Insurance Information Bureau (IIB).<sup>23</sup>

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<sup>22</sup> 1971 MP 5 Also see *State of UP vs. V.K. Kalia*(1968)

<sup>23</sup> Extracted from: *Department of Financial Services, Ministry of Finance*

### Calculation of premium under Motor Vehicles Act (1988)

Under the statutory provisions of Section 160 of the Motor Vehicles' Act (1988), whenever any person files a claim before the appropriate authority, he must furnish relevant information before such petitioner seeking such information. However, in case of an insurance company, detailed particulars of the vehicle must be furnished to it. These include exact markings on the body of the vehicle, the name and address of its owner, the property damaged *etc.* The purpose is for calculation of premium amount to be paid to the assured.<sup>24</sup>

### Factors included when calculating premium amount

- Policy type (*e.g. life insurance/non-life insurance coverage policy*)
- Individual driving record (*amateur driver/professional*)
- Age/marital status (whether *single* or *married*)
- Insurance score
- Total number of cars owned (*i.e. does insured own more than one car?*)
- Purpose of such vehicle (*e.g. is it for commercial/personal usage?*)
- Health and medical status/history of principal-assured
- Age of the vehicle (*i.e. is it a brand new vehicle or a very old vehicle?*)

However these are only a few basic factors to be taken into account while tabulating the total premium amount. Other factors may be taken into account as well (*e.g. sex of the insured, his/her fixed occupation etc.*). Hence calculation of premium amount is more variable than static in nature and outlook.

## VIII. Primary and Secondary insurance

Most vehicular insurance policies can be divided into two broad categories. They are: (a) *primary vehicular insurance policies* and; (b) *secondary vehicle insurance policies*. The basic difference between *primary* and *secondary* insurance is that while the former calculates insurance (in terms of motor

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<sup>24</sup> *New India Assurance Co. vs. Surajmal Mulchandi*(2000); *NIAC vs Shanta Bai*(1995 SCC 2 539); *National Insurance Co. vs. Jugal Kishore&Ors.*(1988)

vehicles) on the actual basis of who uses the vehicle the most, the latter is reserved for those who use the car on a *for-hire* basis. This is especially true in those cases where the principle assured's vehicle has been leased out to another party for personal usage purposes (PUP). For example, a father buys his 21-year old daughter a new car as a gift when she graduates as the topper of her college course. If she is going to be the only person who is going to utilize it for whatever purposes, she will be deemed by law to be the primary user of such motor vehicle. This is even though the parent (father) may be actually paying for the vehicle's insurance. On the other hand, if the owner (e.g. A) gives his car to his friend (e.g. B) for usage on a semi-regular basis (*i.e. use-it-when-you-want-to*) then in case of any damages accruing from usage of the vehicle thereof will automatically make him liable. The same rule applies even if he knowingly gives the car to a minor to take it for a joyride on the busy roads.

## **IX. Vehicular insurance in case of wars or destruction due to radioactivity**

Will the insurance company be under a legal duty to indemnify the assured against losses caused due to a nuclear or thermal power plant leak causing extensive damage to the owner's vehicle?

According to the principle as laid out in the *Pan Am*<sup>25</sup> case, it was held by US Courts that insurance covers only incidents that are directly or substantially incidentally related to a war. Thus, any attempt *qua* terrorist organizations to overthrow the Government of any particular State could not be deemed as being under concept of 'war', as the former requires the element of force to overthrow an existing ruling regime. Hence the principle of insurable indemnification would be inapplicable in this context. This applies to motor vehicular insurance as well. This (attack) was merely an act of individual/class terror by an unlawful organization that could hardly be said to be overthrowing the elected Federal Government of America. In doing so, the Court used the principle of *stare decisis* in another case, instead of subjecting it to judicial review under Section 14 of the American Constitution. The same

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<sup>25</sup> Flight 103 bombing (2000). Also see *Holiday Inn vs. Aetna Insurance Co.* (1983)

principle applies in case of damages caused *qua* radioactive material from nuclear fallout as well.

## **X. Policy-package coverage of motor vehicle insurance**

The principle of *policy-package coverage* (PPC) is found in most forms of insurance policies. Under this principle, every insured can elect to choose an insurance package that will cover the various needs of his industry. PPC can be found in a wide variety of insurance businesses. These include (but are not restricted to): *fire insurance, flood insurance, pet insurance, liability insurance* etc. However, with reference to motor vehicle insurance it could imply various factors. Some of these include destruction by fire, theft, injury through collision, damages in flood etc.<sup>26</sup> Thus, the main purpose of all policy package insurance is to provide more elasticity to the consumer-insurer to tailor its contents in conformity with the insurable interest(s) he holds in his possession.

Under motor vehicle insurance, the intent of such PPC is to select a specified package coverage that would seek to indemnify the assured against any losses arising out of a variety of exigencies. Thus, if the insured wishes to protect his car against say *fire, flood*, or other forms of *vis major* exigencies, he may elect to choose such a package. Later on, he may also include separate add-ons if he wishes to, pursuant to his original intent in selecting such policy. Thus, factors such as probability of theft, crime, possibility of vehicular damage (*e.g.* vehicular breakdown) can also be included in the chosen insurance package. There is no specified restriction as to the limitation of add-ons that every insured can include in the primary package.<sup>27</sup>

### **For public/commercial vehicles**

As per the provisions of most insurance policies, it is always possible that during course of transit, there may be some form of accident occurring. This is all despite the most reasonable degree of care being undertaken *qua* driver of such motor vehicle. To protect themselves against such incidents, every public

<sup>26</sup> "Law of Insurance"; Mishra, M.N.; Ch. XVI, Ed. 9 pp. 140

<sup>27</sup> extracted from the *United India Insurance Company*(UIIC) website  
<http://uiic.co.in/product/motor/Motor-Package-and-Liability-only-Policies> on Monday Aug. 24th at 10:40 pm



commercial motor vehicle (e.g. truck, buses or any other vehicle which is used for commercial purposes) usually comes equipped with two types of forms. They are: (1) *motor carriers' commercial vehicle insurance* and (2) *truckers' motor vehicle insurance*. Although both fall in the category of public commercial vehicles, yet there is a marginal difference between the two. While the first is more of a public liability indemnification that seeks to compensate members of the public against any injuries caused to them by (or arising out of) heavy motor vehicles, the latter covers only individual accidents arising out of collisions involving heavy trucks on every public roadway or street.

### Coverage policy extent for public vehicles

There are three broad categories under which all public vehicles can be covered<sup>28</sup>. These are:

- Act Policy
  - Third-party policy
  - Comprehensive policy
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- ***Act policy***: It covers all forms of risks for which the vehicle is to be insured<sup>29</sup>. These could include *vis major* acts or even damages accruing out of sudden collision with other vehicles or motorbikes also<sup>30</sup>.
  - ***Third party-policy***: It covers all forms of risks for which the insurance policy is created by law<sup>31</sup>
  - ***Comprehensive policy***: It covers all forms of incidents that might occur while the insured motor vehicle is in transit<sup>32</sup>

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<sup>28</sup> "Law of Insurance"; Mishra, MN, Chapter XVI; Ed. IX at pp. 141

<sup>29</sup> Ibid

<sup>30</sup> Ibid

<sup>31</sup> Ibid

<sup>32</sup> Ibid

## **XI. Advantages and disadvantages of motor vehicle insurance**

There are many advantages of motor vehicle insurance. Firstly, as the very nature of the term itself suggests, motor vehicle insurance would seek to indemnify the principle assured against huge costs that he would otherwise have had to pay out if he were not covered.

Secondly, if the insured were to raise the costs of the deductible amount he were to actually pay out, he would be actually lowering the car premium amount he would have otherwise paid out normally. Also, deductible amount being of an elastic nature, it logically follows that every assured can choose to select any specified monetary amount as a deductible, as long as it is financially beneficial to him,

Like there are many advantages to motor vehicular insurance, there are many disadvantages as well. For example, if an insured has a very large deductible amount, he might end up paying enormous monetary amounts for every time his vehicle actually gets totaled.

Thirdly, if a person files a civil lawsuit in case of injuries arising out of motor vehicle accidents, it will be very expensive and time-consuming by nature. Even though he(or she)will be entitled to claim for compensatory measures *qua* insurance company, yet the procedure for investigation and final analysis of the insured's claim might take a very long time. As a result, most insurers might not actually receive the compensatory costs that they would have otherwise received in the normal course of action. There exists thus, a need to urgently amend the procedure incidental to the claims' procedure. This view has also been suggested by the Law Commission of India in its report as well. (DIXIT, 1980) <sup>33</sup>

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<sup>33</sup> *Claims for Compensation under Motor Vehicles' Act(1939)*

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