

Madras High Court made mandatory bumper-to-bumper cover for New Vehicles.

The Madras HC order reads, “After September 1, 2021, it is mandatory for coverage of bumper-to-bumper insurance every year, in addition to covering the driver, passengers and owner of the vehicle, for a period of five years.” (The New India Assurance Co. Ltd. vs. K. Parvathi).

The Madras high court’s decision to make bumper-to-bumper insurance mandatory for all vehicles sold after September 1,2021 could result in an increase in premiums.

According to the court order issued on August 26 ,2021, in addition to the bumper-to-bumper insurance, the driver, passengers and the owner of the vehicle should be provided cover for five years.

The single-member bench of the court was referring to a case related to a challenge by an insurer against compensation of Rs 14.65 lakh awarded by the Motor Accidents Claims Tribunal in Erode. The court ruled that the insurer is not liable to pay compensation to the victim and that the owner of the vehicle could be held liable to pay compensation for the victim.

The MACT had awarded the hefty compensation based on the ground that the entire policy conditions were not produced by the insurance company despite the fact that the policy taken was ‘Act only’ and that as per the policy, the driver/owner would only be entitled to a sum of ₹1,00,000.

It was also submitted by the appellant that the deceased was not the driver of the vehicle at the time of accident.

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However, the MACT found that unless the entire policy conditions were produced, it would be difficult to analyse whether the insurance company was liable to pay the compensation.

The High Court did not find merit in MACT's decision and observed that since no premium was paid with regard to the driver and the other passengers who were travelling in the vehicle, the order completely erred in granting compensation only on the ground that the conditions of the policy have not been produced.

The Court further held that the tribunal should have rejected the claim petition for non-filing of the details of the policy by the claimants, as it was claimants, who had approached the tribunal, with unclean hands, by taking a different stand.

The High Court although did clarify that the order would not restrain the claimants from seeking compensation from the owner of the car.

Keeping in mind the safety a vehicle's passengers, Justice Vaidyanathan made bumper to bumper coverage mandatory.

It was also directed that the order be circulated to all insurance companies so as to ensure that the directions in the order are followed scrupulously in letter and spirit without any deviation.

Against this backdrop, Justice S Vaidyanathan said, "This court directs that whenever a new vehicle is sold after September 1,2021, it is mandatory for coverage of bumper-to-bumper insurance every year, in addition to covering the driver, passengers and owner of the vehicle, for a period of five years."

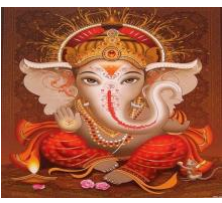
POTENTIAL IMPACT

Bumper-to-bumper motor insurance offers complete coverage for vehicles regardless of the depreciation of its parts. Experts said bumper-to-bumper cover would also mean that a motor own-damage policy must be sold with all vehicles from September 1,2021.

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There are three aspects to motor insurance currently:

- i) third-party insurance, which is mandatory for three years for four-wheelers and five years for two-wheelers;*
- ii) own-damage policy, which covers the owner's car and is voluntary, and personal accident cover, which is compulsory for the first year for the vehicle owner and optional from the second year.*

Experts said the court order would make the motor own-damage policy mandatory for as long as the owner retains the vehicle.

Further, the order makes personal accident cover compulsory for all passengers in a vehicle, whereas this is currently mandated only for the owner of the vehicle, and this could also impact premiums.

The direct effect will be an increase in the on-road prices of vehicles including premiums, which will benefit insurance companies.

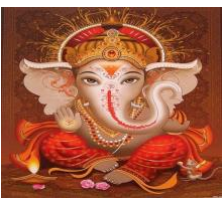
CONCLUSION: *the decision of High court is a welcome statement. The Order makes personal accident cover compulsory for all passengers travelling in the vehicle, this is a very good step to protect passengers at the time of accident. The order mandates that as long a owner hold its vehicle he has to continue Own-damage policy alive. This may increase cost of insurance i..e payment of premium and new products may be launched by the insurance companies in the market.*

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