

INSURANCE

INSIGHT

Supreme Court affirms awarding interest on future prospects in long-delayed motor
accident compensation case

Supreme Court clarifies insurer's limited liability for owner-cum-driver in motor accident
claims



Supreme Court clarifies insurer's limited liability for owner-cum-driver in motor accident claims

In the case of *Manjusha & Ors. vs United India Assurance Company Ltd.*, the Supreme Court examined the scope of insurance coverage regarding the owner-cum-driver of a vehicle involved in a fatal accident. The claimants, family of a deceased driver, sought compensation, which was controversially limited by the insurer to Rs. 2 lakhs as per the policy terms.

The Court dissected precedent and policy documents, observing that statutory motor insurance limits third party liability and does not conventionally cover owner's personal risk unless a distinct personal accident cover is purchased and utilized. The Supreme Court held that the insurer's contention regarding limited liability was not properly pleaded before the Tribunal or the High Court and was therefore not binding. Moreover, policy documents and written statements supporting this limited claim were not part of the record. The Court emphasized the principle that limitation of liability must be clearly brought on record and cannot be introduced afresh without appropriate pleading and evidence.

The Supreme Court restored the Tribunal's award in favor of the claimants, directing the insurance company to pay the full amount awarded, with interest. The ruling reaffirms that insurers cannot deny claims of personal accident coverage based on unpleaded grounds of limited liability and stresses due process in pleading and proof.

Supreme Court affirms awarding interest on future prospects in long-delayed motor accident compensation case

In the case of *Oriental Insurance Co. Ltd. vs Niru @ Niharika & Ors.* (SLP (C.) No. 11340 of 2020) involving a motor accident of 1995, the Supreme Court upheld the award of compensation to the family of a deceased engineer employed in the UK, and struck down the insurer's challenge to the quantum and interest rate assigned by the Tribunal and the High Court.

The accident resulted in the death of the insured, and the claimants, his wife and minor children, sought compensation accounting for foreign income and conversion rates. The Court endorsed the use of multiplier 13 for dependency calculation, allowing interest at 9% on the total award from the date of filing, rejecting insurer's plea to limit interest on the basis of delayed procedural participation by claimants.

The Court emphasized that delayed disbursement of compensation necessitates awarding interest on future prospects to fairly compensate claimants deprived of timely funds. The ruling underscores that insurers should consider provisional payments to minimize interest liabilities in long-pending claims.



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