

**(2012) 10 DEL CK 0364**  
**In the Delhi High Court**  
**Case No : MAC. App. 1115 of 2012**

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|-----------------------------------------|------------|
| Reliance General Insurance Company Ltd. | APPELLANT  |
| Vs                                      |            |
| Rajender Singh Yadav and Others         | RESPONDENT |

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**Date of Decision :** 16-10-2012

**Acts Referred:**

Motor Vehicles Act, 1988 — Section 149(2), 149(2)(a)(i)(ii), 149(2)(a)(ii)

**Citation :** (2012) 10 DEL CK 0364

**Hon'ble Judges :** G.P. Mittal, J

**Bench :** Single Bench

**Advocate :** Sameer Nandwani, for the Appellant;

**Final Decision :** Dismissed

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## Judgement

G.P. Mittal, J.

CM Appl. 17942/2012 (Exemption)

Exemption allowed, subject to all just exceptions.

The Application is allowed.

MAC. App. 1115/2012

1. The Appellant Reliance General Insurance Company Limited impugns a judgment dated 08.08.2012 passed by the Motor Accident Claims Tribunal (the Claims Tribunal) whereby while awarding compensation of Rs. 1,31,641/-, the Appellant Insurance Company was made liable to pay the compensation with right to recover the same from Respondents No. 2 and 3, that is, owner and the driver of the vehicle. There is twin challenge to the impugned judgment. First, the compensation awarded is exorbitant and excessive, particularly, the compensation of Rs. 65,000/- awarded towards pain and suffering was not justified. Second, the Appellant Insurance Company successfully proved the breach of the terms of policy, it was entitled to exoneration. The Claims Tribunal erred in making it liable to pay the compensation in the first instance and then to

recover it from the owner and the driver.

2. The Appellant suffered fracture of both bones right leg. He was initially removed to Kusum Hospital and was then shifted to St. Stephens Hospital where he remained admitted from 29.12.2008 to 02.01.2009. The relevant part of the impugned judgment is extracted hereunder:-

15. I have gone through the material on record. The discharge summary issued by St. Stephen's hospital shows that petitioner was admitted on 29.12.2008 and was discharged on 02.01.2009 and has suffered fracture of both bone of right leg. A prescription of Kusum Hospital shows that petitioner had also suffered fracture of jaw. Petitioner stated that he was working in Delhi Jal Board and has placed on record his ID card issued by Delhi Jal Board, however failed to place on record any document with regard to his salary. Petitioner failed to place on record any document or examine any witness to establish that he remained on leave upto June 2009 and suffered any loss of earning due to injuries suffered in the accident. However, under the facts and circumstances, it cannot be denied that petitioner must have remained out of work for about 1-2 months and must have suffered loss of leaves, if not loss of salary, hence entitled to the compensation for loss of leaves and in my opinion two months salary would be just amount on this account. In the absence of any material on record minimum wages for unskilled workman as prevailing at the time of accident can be taken into consideration. The minimum wages were Rs. 3700/- (approx.) per month. Bills are for Rs. 57,241/-. Keeping in view the facts and circumstances, I consider the following amount to be the just compensation to the petitioner:-

Therefore, in my opinion the petitioner is entitled to Rs. 1,31,641/-(rounded off to Rs. 31,650/-) which shall be the just compensation to petitioner.

3. Thus, it will be seen that the Appellant suffered not only fracture of both bones of right leg but also fracture of jaw. He would be unable to have any solid diet for a considerable period of time. In the circumstances, the award of compensation of Rs. 65,000/- cannot be said to be exorbitant and excessive. Moreover, the Appellant was not granted any compensation towards the attendant charges. The overall compensation of Rs. 1,31,641/- in the circumstances cannot be said to be exorbitant or excessive by any stretch of imagination.

4. As far as the liability of the Insurance Company is concerned, the issue of satisfying the third party liability even in case of breach of the terms of insurance policy is settled by three Judge Bench report in Sohan Lal Passi Vs. P. Sesh Reddy and others, . As per Section 149(2) of the Motor Vehicles Act (the Act), an insurer is entitled to defend the action on the grounds as mentioned u/s 149(2) (a)(i)(ii) of the Act. Thus, the onus is on the insurer to prove that there is breach of the condition of the policy. It is well settled that the breach must be conscious and willful. Even if a conscious breach on the part of the insured is established, still the insurer has a statutory liability to pay the compensation to the third

party and will simply have the right to recover the same from the insured/tortfeasor either in the same proceedings or by independent proceedings as the case may be, as ordered by the Claims Tribunal or the Court. The question of statutory liability to pay the compensation was discussed in detail by a two Judge Bench of the Supreme Court in *Skandia Insurance Co. Ltd. Vs. Kokilaben Chandravadan and Others*, where it was held that exclusion clause in the contract of Insurance must be read down being in conflict with the main statutory provision enacted for protection of victim of accidents. It was laid down that the victim would be entitled to recover the compensation from the insurer irrespective of the breach of the condition of policy. The three Judge Bench of the Supreme Court in *Sohan Lal Passi* analyzed the corresponding provisions under the Motor Vehicles Act, 1939 and the Motor Vehicles Act, 1988 and approved the decision in *Skandia*. In *New India Assurance Co., Shimla Vs. Kamla and Others* etc. etc., , the Supreme Court referred to the decision of the two Judge Bench in *Skandia*, the three Judge Bench decision in *Sohan Lal Passi* and held that the insurer who has been made liable to pay the compensation to third parties on account of issuance of certificate of insurance, shall be entitled to recover the same if there was any breach of the policy condition on account of the vehicle being driven without a valid driving licence. The relevant portion of the report is extracted hereunder:

21. A reading of the proviso to sub-section (4) as well as the language employed in sub-section (5) would indicate that they are intended to safeguard the interest of an insurer who otherwise has no liability to pay any amount to the insured but for the provisions contained in Chapter XI of the Act. This means, the insurer has to pay to the third parties only on account of the fact that a policy of insurance has been issued in respect of the vehicle, but the insurer is entitled to recover any such sum from the insured if the insurer were not otherwise liable to pay such sum to the insured by virtue of the conditions of the contract of insurance indicated by the policy.

22. To repeat, the effect of the above provisions is this: when a valid insurance policy has been issued in respect of a vehicle as evidenced by a certificate of insurance the burden is on the insurer to pay to the third parties, whether or not there has been any breach or violation of the policy conditions. But the amount so paid by the insurer to third parties can be allowed to be recovered from the insured if as per the policy conditions the insurer had no liability to pay such sum to the insured.

23. It is advantageous to refer to a two-Judge Bench of this Court in *Skandia Insurance Co. Ltd. Vs. Kokilaben Chandravadan and Others*, . Though the said decision related to the corresponding provisions of the predecessor Act (Motor Vehicles Act, 1939) the observations made in the judgment are quite germane now as the corresponding provisions are materially the same as in the Act. Learned Judge pointed out that the insistence of the legislature that a motor vehicle can be used in a public place only if that vehicle is covered by a policy of

insurance is not for the purpose of promoting the business of the insurance company but to protect the members of the community who become suffers on account of accidents arising from the use of motor vehicles. It is pointed out in the decision that such protection would have remained only a paper protection if the compensation awarded by the courts were not recoverable by the victims (or dependants of the victims) of the accident. This is the *raison d'être* for the legislature making it prohibitory for motor vehicles being used in public places without covering third-party risks by a policy of insurance.

24. The principle laid down in the said decision has been followed by a three-Judge Bench of this Court with approval in *Sohan Lal Passi Vs. P. Sesh Reddy and others*, .

25. The position can be summed up thus:

The insurer and the insured are bound by the conditions enumerated in the policy and the insurer is not liable to the insured if there is violation of any policy condition. But the insurer who is made statutorily liable to pay compensation to third parties on account of the certificate of insurance issued shall be entitled to recover from the insured the amount paid to the third parties, if there was any breach of policy conditions on account of the vehicle being driven without a valid driving licence....

5. Again in *United India Insurance Company Ltd. Vs. Leheru and Others*, , in para 18 of the report the Supreme Court referred to the decision in *Skandia, Sohan Lal Passi and Kamla* and held that even where it is proved that there was a conscious or willful breach as provided u/s 149(2)(a)(ii) of the Motor Vehicle Act, the Insurance Company would still remain liable to the innocent third party but may recover the compensation paid from the insured. The relevant portion of the report is extracted hereunder:

18. Now let us consider Section 149(2). Reliance has been placed on Section 149(2)(a)(ii). As seen, in order to avoid liability under this provision it must be shown that there is a "breach". As held in *Skandia* and *Sohan Lal Passi* cases the breach must be on the part of the insured. We are in full agreement with that. To hold otherwise would lead to absurd results. Just to take an example, suppose a vehicle is stolen. Whilst it is being driven by the thief there is an accident. The thief is caught and it is ascertained that he had no licence. Can the insurance company disown liability? The answer has to be an emphatic "No". To hold otherwise would be to negate the very purpose of compulsory insurance....

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20. ...If it ultimately turns out that the licence was fake, the insurance company would continue to remain liable unless they prove that the owner/insured was aware or had noticed that the licence was fake and still permitted that person to drive. More importantly, even in such a case the insurance company would

remain liable to the innocent third party, but it may be able to recover from the insured. This is the law which has been laid down in Skandia, Sohan Lal Passi and Kamla cases. We are in full agreement with the views expressed therein and see no reason to take a different view.

6. The three Judge Bench of the Supreme Court in National Insurance Co. Ltd. Vs. Swaran Singh and Others, again emphasized that the liability of the insurer to satisfy the decree passed in favour of the third party was statutory. It approved the decision in Sohan Lal Passi, Kamla and Lehu. Paras 73 and 105 of the report are extracted hereunder:

73. The liability of the insurer is a statutory one. The liability of the insurer to satisfy the decree passed in favour of a third party is also statutory.

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105. Apart from the reasons stated hereinbefore, the doctrine of stare decisis persuades us not to deviate from the said principle.

7. This Court in Oriental Insurance Company Limited v. Rakesh Kumar and Others, 2012 ACJ 1268 noticed some divergence of opinion in National Insurance Co. Ltd. Vs. Kusum Rai and Others, , National Insurance Co. Ltd. Vs. Vidhyadhar Mahariwala and Others, ; Ishwar Chandra and Others Vs. The Oriental Insurance Co. Ltd. and Others, and Premkumari and Others Vs. Prahlad Dev and Others, and held that in view of the three Judge Bench decision in Sohan Lal Passi(supra) and Swaran Singh, the liability of the Insurance Company vis-?-vis the third party is statutory. If the Insurance Company successfully proves the conscious breach of the terms of the policy, then it would be entitled to recovery rights against the owner or driver, as the case may be.

8. In the circumstances, I am of the view that the liability of the Insurance Company to satisfy the award in the first instance is statutory. It is bound to satisfy the same and entitled to recover the amount of compensation paid from the owner and the driver (Respondents No. 2 and 3) in execution of this very judgment without having recourse to independent civil proceedings.

9. The Appeal is devoid of any merit; the same is accordingly dismissed.

10. The statutory deposit of Rs. 25,000/- shall be refunded to the Appellant Insurance Company. In view of dismissal of the Appeal, CM 17941/2012 also stands disposed of.