2025 INSC 625

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. OF 2025
[@ SPECIAL LEAVE PETITION (CIVIL) NO.2135 OF 2023]

THE ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED …APPELLANT

VERSUS

SMT. HONNAMMA & ORS. …RESPONDENTS

R1: SMT. HONNAMMA

R2: KUM. BHAGYA

R3: KUM. RAMYA

R4: SRI H. NAGARAJ

J U D G M E N T

AHSANUDDIN AMANULLAH, J.

Leave granted.

2. The present appeal mounts a challenge against the Final Judgment and Order dated 25.11.2022 in MFA No.3659/2014 (MV-

D) (hereinafter referred to as the 'Impugned Order') passed by a learned Single Judge of the High Court of Karnataka at Bengaluru (hereinafter referred to as the 'High Court'), whereby the appeal filed by the Respondents No.1 to 3 (herein) was partly allowed and the compensation awarded *vide* Award dated 02.04.2014 passed by the learned Senior Civil Judge & Member, Additional Motor Accident Claims Tribunal, Harihar (hereinafter referred to as the 'MACT') was enhanced from Rs.9,50,000/- (Rupees Nine Lakhs Fifty Thousand) to Rs.13,28,940/- (Rupees Thirteen Lakhs Twenty-Eight Thousand Nine Hundred and Forty) keeping the interest component intact i.e., 6% *per annum* and liability was fastened on the Appellant (herein) to pay such compensation.

BRIEF FACTS:

3. On 29.02.2012, the deceased-Nagarajappa was travelling in a tractor and trailer as a coolie in order to unload the soil, which was loaded thereon. Due to the rash and negligent driving of the Respondent No.5 (herein), the tractor and trailer toppled causing injuries to the deceased-Nagarajappa, ultimately leading to his death. The wife and two minor daughters (Respondents No.1, 2 and

3 herein) of the deceased filed M.V.C. No.121/2012 before the MACT claiming a compensation of Rs.10,00,000/- (Rupees Ten Lakhs). The claimants in support of their case examined Respondent no.1, the wife of the deceased, as PW1 and got marked the documents as Exs.P1 to P10. On the other hand, the Appellant examined two witnesses as RW1 and RW2 and got marked the documents as Exs.R1 to R7 i.e., authority letter, policy schedule, charge-sheet, notice, agreement and RC books. The MACT after considering the evidence on record, partly allowed the claim *vide* Award dated 02.04.2014 and awarded a compensation of Rs.9,50,000/- (Rupees Nine Lakhs Fifty Thousand) with interest at 6% per annum from the date of filing of the petition till its realization. The MACT held that the risk of employee of the tractor and trailer was not statutorily covered under Section 147(1)(b) of the Motor Vehicles Act, 1988 (hereinafter referred to as the 'MV Act') and fastened the liability to satisfy the award on the owner (Respondent No.4 herein) and the driver.

4. The claimants filed appeal bearing MFA No.3659 of 2014 (MV-D) before the High Court seeking enhancement of the compensation. On due consideration of the material before it, the High Court *vide* the Impugned Order partly allowed the appeal and

enhanced the compensation to Rs.13,28,940/- (Rupees Thirteen Lakhs Twenty-Eight Thousand Nine Hundred and Forty) payable with 6% per annum interest from the date of petition till deposit. While doing so, the High Court fastened the liability of compensation on the Appellant-insurance company. Aggrieved thereby, the Appellant has filed the present appeal.

5. The appeal *qua* Respondent No.5-driver stands dismissed in terms of Order dated 20.02.2024 passed by the learned Judge-in-Chambers. Despite due service of notice to Respondents No.1, 2, 3 and 4, none appeared to represent them.

APPELLANT'S SUBMISSIONS:

6. At the outset, learned counsel for the appellant argued that the MACT had holistically appreciated the facts and circumstances of the case and had exempted the appellant from incurring any liability of compensation, which aspect has been erroneously reversed by the High Court in the Impugned Order on unsustainable grounds. It was submitted that the insurance policy did not extend any coverage, either to the trailer or employees of the owner or any passenger travelling on the trailer. Despite categorical options for

risk-coverage of these categories of persons/trailer(s), it was not subscribed to by the Respondent No.4-owner/policy-holder.

7. It was argued that the High Court took a very naive and simplistic view of the matter ignoring the concerned respondent's categorical admission regarding rash driving. Further, the High Court ignored that the Respondents No.4 and 5 had accepted the order of the MACT dated 02.04.2014 as they had not challenged the decision. It was argued that the High Court by awarding a sum of Rs. 13,28,940/- (Rupees Thirteen Lakhs Twenty-Eight Thousand Nine Hundred and Forty) exceeded the originally prayed for compensation in the claim petition. Moreover, it was urged that the Award was not in accordance with the decision of this Court in ***Sarla Verma v Delhi Transport Corporation***, **(2009) 6 SCC 121**.

8. Lastly, learned counsel relied on the decisions rendered in ***New India Assurance Co. Ltd. v C M Jaya***, **(2002) 2 SCC 278** to state that compensation could not exceed the limits of the insurance policy and on ***Dhondubai v Hanmantappa Bandappa Gandigude Since Deceased Through His LRs & Ors.***, **Civil Appeals No.5459-5460/2023**, to argue that liability cannot be fastened on the

insurance company, when the deceased was travelling in an uninsured trailer.

ANALYSIS, REASONING AND CONCLUSION:

9. Heard the learned counsel for the appellant and perused the material/evidence on record. We have given serious consideration to the issue as it raises a mixed question of fact and law where both have to be harmoniously balanced.

10. In the present case, the admitted fact is that the incident occurred while a tractor which was insured with the Appellant was attached to a trailer and on the trailer a person was present who due to an unfortunate accident, fell off the trailer which was being pulled by/driven by/attached to the tractor, resulting in the death of such person.

11. Therefore, the undisputed position is that the trailer was being pulled by/attached to the tractor and then the trailer on which the deceased was present, turned turtle/upturned, resulting in his death. From the above, it is clear that the tractor which was insured was the reason for the accident. It is not the case that only because

of some fault on the part of the trailer stand-alone, the accident happened. To explain, we may give an example: that had the trailer been stationary at a place and due to some reason, it overturned or a mishap happened, then without the trailer being specifically insured the Appellant would not be liable to pay, but here the main cause of the accident was the tractor which was pulling/driving/moving the trailer and in such sequence of events, the trailer upturned. Thus, the accident was caused by the tractor, as during the course of being driven/pulled by the tractor, the accident occurred.

12. Thus, the liability of the tractor/its insurer extended to the accident caused by the tractor resulting in the death of the deceased, through the trailer. This being the position in the present case, the principles emanating from the decisions where the Courts have held that the trailer has to be separately registered with the insurance company to make it liable, would not be applicable. To that extent, the facts in the present case are clearly distinguishable from the ones cited by learned counsel for the appellant. The legislation i.e., the MV Act, being beneficial and welfare-oriented in nature [***Ningamma v United India Insurance Co. Ltd.*****, (2009) 13 SCC 710**; ***K Ramya v National Insurance Co. Ltd.*****, 2022 SCC**

OnLine SC 1338, and; ***Shivaleela v Divisional Manager, United India Insurance Co. Ltd.*, 2025 SCC OnLine SC 563**] and ultimately the root cause of the accident being the tractor, which was insured, this crucial fact cannot be lost sight of. For further clarification, we might illustrate: if an insured vehicle hits another vehicle which in turn hits a third vehicle, then for the entire chain of accidents, the liability would pass on to the vehicle which was the root cause of the accident because it is the result of the action in the same chain of events which cannot be segregated or compartmentalized. Moreover, this Court is duty-bound to be mindful of the ground realities of our nation and cannot let practicality be overshadowed by technicality.

13. In ***Dhondubai*** (*supra*), the Court stated:

> '***5.*** *In a matter of the present nature, the law is well settled that when a tractor and trailer are involved, both the tractor as well as the trailer are required to be insured. Therefore,* ***in a normal circumstance****, when the appellant/claimant was travelling in the trailer which was not insured, the liability on the Insurance Company cannot be fastened and to that extent the High Court was justified.*'
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> (emphasis supplied)

14. To our mind, the learned Judges in ***Dhondubhai*** (*supra*) did not lay down an absolute principle of law, but taking note of ***Oriental Insurance Co. Limited v Brij Mohan*, (2007) 7 SCC 56**, it was

ordered that the '*respondent-Insurance Company shall pay the amount awarded by the High Court as compensation with the accrued interest and recover the same from the owner of the vehicle.*' A decision by a Division Bench of the Andhra Pradesh High Court in ***United India Insurance Co. Ltd., Kadapa District v Koduru Bhagyamma*, 2007 SCC OnLine AP 830** is relevant:

> '***1.*** *This case has come before this Court on a reference made by a learned Single Judge of this Court as it was contended before the learned Single Judge by the appellant that* ***as the trailer in which the deceased was travelling was not insured, although it was attached to the tractor which was insured, therefore no liability could be fastened upon the insurer.***
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> ***13.*** *Now on analysis of these judgments and the provisions of law which have been quoted above,* ***we feel that the law has been correctly appreciated by a learned Single Judge of this Court in Gunti Devaiah v. Vaka Peddi Reddy (supra) and the reasons given by him are sufficient to hold that under the Motor Vehicles Act no separate insurance is contemplated for a trailer and when the trailer is attached to the tractor which is insured, it becomes the part of the tractor. We reproduce the Para 26 of the said judgment*** *as under:*
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> > *"The word* ***"vehicle" mentioned in Section 147 is co-relatable to the word motor vehicles, which is stipulated in Section 146. Therefore, the expression vehicle wherever appearing in Chapter X(XI) has to be only read as motor vehicle. The principle of claim for compensation in accidents arising out of the use of the motor vehicle is based on tortuous liability and the negligence of the driver of the motor vehicle is a sine quo non for maintaining a claim under the provisions of***

the Act. Inasmuch as the trailer by itself cannot be driven and it has to be carried or towed with a motor vehicle namely a tractor or a like self-propelled vehicles. Therefore, the question of driving the trailer in a rash and negligent manner would not arise. It is only the prime mover or the motor vehicle which controls movement of the tractor and in case of the negligence driving of the trailer or the motor vehicle, the owner of the vehicle and its insurer alone will be made liable for payment of compensation. But, since the trailer is attached can it be said that trailer should also be independently insured so as to avoid the liability of compensation in case of rash and negligent driving by the driver. That contingency would not arise, as it is only a vehicle and not a motor vehicle. It may be for tax purposes, it is treated as a goods vehicle. But, under the provisions of the Motor Vehicles Act, no separate insurance is contemplated. When the trailer is attached to the tractor it becomes a tractor-trailer. There is no provision requiring the trailer to be separately insured to cover the third party risk. The reasons are obvious that it cannot be driven by the driver as in the case of motor vehicles or tractors. Thus, a separate distinction has been drawn between the motor vehicle and a vehicle i.e., visible in all the definitions and more especially in Chapter XI. The same situation also persists in Chapter X in case of no fault liability wherein it has been stated that whether a death or a permanent disability of any person has been resulted from an accident arising out of the use of a motor vehicle or motor vehicles and there is no reference to vehicle as such. This aspect was never considered in any of the decisions relied on by the learned Standing Counsel for the Insurance Company and also for other side.'"

(underlined in original; emphasis supplied by us through the bold highlight)

15. Insofar as the Appellant's reliance on ***C M Jaya*** (*supra*) is concerned, we may first set out Section 147 of the MV Act, as it currently stands:

> '***147. Requirement 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; 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 including owner of the goods or his authorised representative carried in the motor vehicle or damage to any property of a third party caused by or arising out of the use of the motor vehicle in a public place;*
> > *(ii) against the death of or bodily injury to any passenger of a transport vehicle, except gratuitous passengers of a goods vehicle, caused by or arising out of the use of the motor vehicle in a public place.*
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> *Explanation.—For the removal of doubts, it is hereby clarified 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) Notwithstanding anything contained under any other law for the time being in force, for the purposes of third party insurance related to either death of a person or grievous hurt to a person, the Central Government shall prescribe a base premium and the liability of an insurer in relation to such premium for an insurance policy under sub-*

section (1) in consultation with the Insurance Regulatory and Development Authority.

(3) A policy shall be of no effect for the purposes of this Chapter unless and until there is issued by the insurer in favour of the person by whom the policy is effected, a certificate of insurance in the prescribed form and containing the prescribed particulars of any condition subject to which the policy is issued and of any other prescribed matters; and different forms, particulars and matters may be prescribed in different cases.

(4) Notwithstanding anything contained in this Act, a policy of Insurance issued before the commencement of the Motor Vehicles (Amendment) Act, 2019 shall be continued on the existing terms under the contract and the provisions of this Act shall apply as if this Act had not been amended by the said Act.

(5) Where a cover note issued by the insurer under the provisions of this Chapter or the rules or regulations made thereunder is not followed by a policy of insurance within the specified time, the insurer shall, within seven days of the expiry of the period of the validity of the cover note, notify the fact to the registering authority or to such other authority as the State Government may prescribe.

(6) Notwithstanding anything contained in any other law for the time being in force, an insurer issuing a policy of insurance under this section shall be liable to indemnify the person or classes of persons specified in the policy in respect of any liability which the policy purports to cover in the case of that person or those classes of persons.'

16. The provision *supra* is identical to Section 95 of the Motor Vehicles Act, 1939, which was looked at in ***C M Jaya*** (*supra*), wherein a 5-Judge Bench harmonised the decisions of the 3-Judge Benches in ***New India Assurance Co. Ltd. v Shantibai*****, (1995) 2 SCC 539** and ***Amrit Lal Sood v Kaushalya Thapar*****, (1998) 3 SCC**

744 on the extent of liability that could be fastened on the insurer.

The Bench of 5 learned Judges held:

> '***8.*** *Thus, a careful reading of these decisions clearly shows that* ***the liability of the insurer is limited, as indicated in Section 95 of the Act, but it is open to the insured to make payment of additional higher premium and get higher risk covered in respect of third party also. But in the absence of any such clause in the insurance policy the liability of the insurer cannot be unlimited in respect of third party and it is limited only to the statutory liability. This view has been consistently taken in the other decisions of this Court.***
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> ***9.*** *In* ***Shanti Bai*** *case [(1995) 2 SCC 539] a Bench of three learned Judges of this Court, following the case of Jugal Kishore [(1988) 1 SCC 626: 1988 SCC (Cri) 222] has held that:*
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> > *(i)* ***a comprehensive policy which has been issued on the basis of the estimated value of the vehicle does not automatically result in covering the liability with regard to third-party risk for an amount higher than the statutory limit,***
> > *(ii) that* ***even though it is not permissible to use a vehicle unless it is covered at least under an "Act only" policy, it is not obligatory for the owner of a vehicle to get it comprehensively insured****, and*
> > *(iii) that the* ***limit of liability with regard to third-party risk does not become unlimited or higher than the statutory liability in the absence of specific agreement to make the insurer's liability unlimited or higher than the statutory liability.***
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> ***10.*** *On a careful reading and analysis of the decision in* ***Amrit Lal Sood*** *[(1998) 3 SCC 744] it is clear that the view taken by the Court is no different. In this decision also, the case of Jugal Kishore [(1988) 1 SCC 626: 1988 SCC (Cri) 222] is referred to. It is held:*

> *(i) that the* ***liability of the insurer depends on the terms of the contract between the insured and the insurer contained in the policy****;*
> *(ii)* ***there is no prohibition for an insured from entering into a contract of insurance covering a risk wider than the minimum requirement of the statute whereby risk to the gratuitous passenger could also be covered****; and*
> *(iii) in such* ***cases where the policy is not merely statutory policy, the terms of the policy have to be considered to determine the liability of the insurer.***

Hence, ***the Court after noticing the relevant clauses in the policy, on facts found that under Section II(1)(a) of the policy, the insurer has agreed to indemnify the insured against all sums which the insured shall become legally liable to pay in respect of death of or bodily injury to "any person". The expression "any person" would undoubtedly include an occupant of the car who is gratuitously travelling in it.*** *Further, referring to the case of Pushpabai Purshottam Udeshi [(1977) 2 SCC 745] it was observed that the said decision was based upon the relevant clause in the insurance policy in that case which restricted the legal liability of the insurer to the statutory requirement under Section 95 of the Act. As such, that decision had no bearing on Amrit Lal Sood case [(1998) 3 SCC 744] as the terms of the policy were wide enough to cover a gratuitous occupant of the vehicle. Thus, it is clear that the specific clause in the policy being wider, covering higher risk, made all the difference in Amrit Lal Sood case [(1998) 3 SCC 744] as to unlimited or higher liability. The Court decided that case in the light of the specific clause contained in the policy. The said decision cannot be read as laying down that even though the liability of the Insurance Company is limited to the statutory requirement, an unlimited or higher liability can be imposed on it.* ***The liability could be statutory or contractual. A statutory liability cannot be more than what is required under the statute itself. However, there is nothing in Section 95 of the Act prohibiting the parties from contracting to create unlimited or higher liability to cover wider risk. In such an event, the insurer is bound by the terms of the contract as specified in the policy***

in regard to unlimited or higher liability as the case may be. In the absence of such a term or clause in the policy, pursuant to the contract of insurance, a limited statutory liability cannot be expanded to make it unlimited or higher. If it is so done, it amounts to rewriting the statute or the contract of insurance which is not permissible.

xxx

14. *In the premise, we hold that the view expressed by the Bench of three learned Judges in the case of Shanti Bai [(1995) 2 SCC 539] is correct and answer the question set out in the order of reference in the beginning as under:*
In the case of the Insurance Company not taking any higher liability by accepting a higher premium for payment of compensation to a third party, the insurer would be liable to the extent limited under Section 95(2) of the Act and would not be liable to pay the entire amount.'

(emphasis supplied)

17. In this light, let us examine the insurance policy, holistically. Relevant clauses read as under:

'***The Policy does not cover:***
a) Use for Racing, Pace Making, Reliability trails or Speed Testing
b) Use for the Carriage of passengers for hire or reward.
c) Use whilst drawing a greater number of trailers in all than is permitted under law.

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LIMITS OF LIABILITY:
Under Section 11-1 (i) of the Policy - Death of or bodily injury - Such amount as is necessary to meet the requirements of the Motor Vehicles Act, 1988.

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B - LIABILITY
3. Trailers (IMT 48) 0.00[1]

XXX
Legal Liability:
9. To Coolies (IMT 39) 3 0.00[2]'

(emphasis supplied)

18. What emerges is that the Appellant ought not to be saddled with payment of compensation exceeding what the insurance policy provides for or the limit, if any, set under any law for the time being in force, whichever be the higher amount of the two, in the underlying factual scenario. The amount exclusively payable by the Appellant, however, shall in no case be less than Rs.9,50,000/- (Rupees Nine Lakhs Fifty Thousand).

19. For the reasons aforesaid, we do not find any infirmity in the Impugned Order, either with regard to the quantum of compensation awarded or fixation of liability on the insurer-Appellant for the accident. The same shall be paid within two months from today after adjusting whatever has been paid earlier, in terms of Order dated 06.02.2023 passed in the present case. However, liberty is granted to the Appellant to recover the differential amount (if any), in terms of Paragraph 18 *supra* i.e., total compensation awarded less the

[1] 0.00 refers to the '*Premium in Rs*'.
[2] *Ibid*.

maximum amount payable, contractually or as per law (whichever be the higher amount), by the Appellant, from the Respondent No.4-owner.

20. Accordingly, subject to the above observations and directions, the appeal is dismissed. No order as to costs.

…….....J.
[SUDHANSHU DHULIA]

…….....…..J.
[AHSANUDDIN AMANULLAH]

NEW DELHI
MAY 05, 2025