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### [New motor vehicles law will increase insurance penetration](#)

The Bill has proposed a limitation period of six months from the date of accident for filing an application for compensation before the MACT

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#### **Moneycontrol Contributor**

#### **Sanjay Saxena**

The Indian roads are the most dangerous in the world going by the number of road traffic accidents and the ever increasing number of fatalities resulting out of them. The existing Motor Vehicles Act, 1988 was archaic and in dire need of amendment to address improvement in road safety, strengthen public transport and improve transport related services available to the public.



The urgency of the same was brought to light and the Motor Vehicles (Amendment) Bill was framed and passed by the Lok Sabha in 2017. The same could not be passed by the Rajya Sabha and lapsed with the dissolution of the 16th Lok Sabha.

In 2019, the Motor Vehicles (Amendment) Bill, 2019 was passed by Lok Sabha on July 23 and tabled before the Rajya Sabha by the Union Minister for Road Transport and Highways, Nitin Gadkari. It has been passed by the Rajya Sabha on July 31 and is waiting for the President's final nod.

The present Bill aims to instill a sense of discipline in the road users and make Indian roads safer.

From the accident victim's perspective, the Bill defines 'golden hour' as the time period of up to one hour following a traumatic injury, during which the likelihood of preventing death through prompt medical care is the highest.

The Bill also requires the Central Government to constitute a Motor Vehicle Accident Fund, which increases the ambit of protection for treatment of persons injured in hit and run accidents, pay compensation to the legal heirs of deceased person and to a person grievously hurt in a hit and run accident. The compensation in hit and run cases stands enhanced from Rs 25,000 to Rs 2 lakh in case of death and from Rs 12,500 to Rs 50,000 in case of grievous injury.

The enhanced compensation will help in more accident victims and/or their families filing claims under the hit and run scheme. The Bill also proposes increased penalty for offences such as driving without a valid license, speeding, dangerous driving, drunk driving and vehicles plying without a permit, which will act as deterrent against traffic violations.

The definition of 'third party' which was an inclusive definition has been given a wider connotation and is now defined to include the Government, the driver and any other co-worker on a transport vehicle.

Now, the victims of an accident claim won't be required to wait for a long time for disposal of cases by the Motor Claims Tribunal (MACT). They will have an option to approach insurance companies for getting their claim. The concerned police officer will be required to prepare an accident information report to facilitate the settlement of claim within three months and submit the same to the Claims Tribunal.

The insurance company on receipt of information of accident from claimant or accident report will have to make an offer to the claimant within 30 days before MACT. If offer is accepted by the claimant, insurance company will have to make payment to claimant within the next 30 days. In case claimant does not agree to the offer made s/he can approach MACT for adjudication. This will benefit the claimants by simplifying the claims process and reducing litigation period, which currently runs into years.

The Bill has increased the penalty for not have a vehicle insurance from Rs 1,000 to Rs 2,000. This may lead to more people buying insurance especially two-wheeler owners where the premium rates are comparatively low and they would rather opt for insurance than pay fine.

This will bring more people within the ambit of insurance as around 70 percent of the two-wheelers that are plying on road are uninsured. With this move, insurance penetration will increase especially for two-wheeler segment.

The Bill has proposed a limitation period of six months from the date of accident for filing an application for compensation before the MACT. This will bring down chances of forged claims that are made years after the accident and relieve insurance companies from receiving belated claims where it becomes difficult to properly investigate genuineness of accident and beneficiaries.

As per the Motor Vehicles Act, 1988, an insurance company has unlimited liability under third party motor insurance. This means that, if a person is hit by a motor vehicle and dies, the victim's family can claim any amount from the insurance company.

The insurance companies have time and again justified the need for a 'limited liability' third-party motor cover, as is the case of a fixed compensation for air and train accident victims. It is observed that there is an annual inflation of 18-20 percent, in the average compensation awarded by the courts.

However, the annual premium hikes are not in proportion to the inflation in court awards. The new Bill now empowers the central government to prescribe rules for providing minimum premium and maximum liability of an insurer in consultation with the regulator.

Another point the Bill has addressed is the mis-interpretation of the wordings of the Act, making insurance companies liable to pay the compensation irrespective of the statutory defenses available to them under the existing Act and later recovering the same from the insured.

The scope for any confusion has been done away with in the new proposed amendment. The insurers can now deny third party liability claims if the person behind the wheels or riding a motorcycle does not have valid driving license or permit or if the policy holder has not paid insurance premium. This will instill discipline among the vehicle owners to follow law of the land.

In view of the rising litigation costs and high pendency of motor accident claims before the courts, the proposed amendment has attempted to reduce the pendency by increasing the limit of the amount in dispute. It stands currently at Rs 10,000 which will increase to Rs 1 lakh for an appeal to be made against the award of the MACT.

The proposed new amendments reposes faith of the citizens of India in its legislative system, which strives to benefit and safeguard their interest. At the same time insurance companies will also benefit, who can in turn work towards strengthening country's economy along with providing justifiable compensation wherever liable.

*The writer is head-retail claims, Bajaj Allianz General Insurance*