

First-hand insurance for your second-hand car

Most people are oblivious of transferring the motor insurance policy to their name

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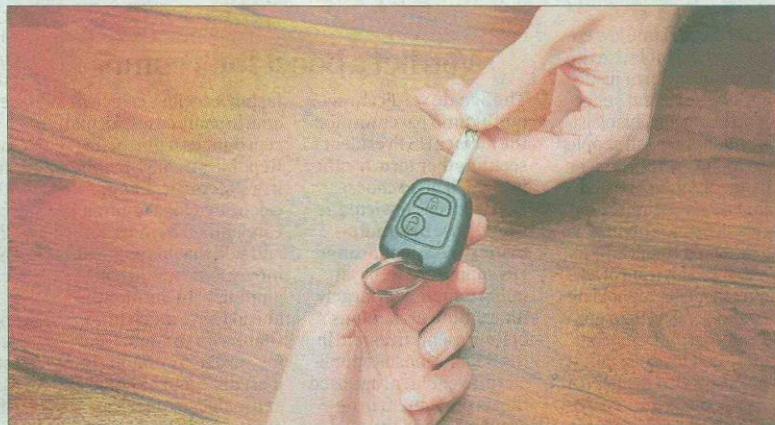
The sale of used cars is growing at a faster pace than the sale of new cars, with more people preferring personal vehicles over shared mobility due to the ongoing pandemic.

We also live in a country where having a third party motor insurance is mandated by law. Whenever a new car is bought, its price includes the road tax and the insurance cost which is added to the ex-showroom price of the vehicle. This is not the case with the purchase of second hand cars. Both the parties involved in a second hand sale, agree upon a value and the contract of sale is then made. Subsequently, RC copy is transferred, and vehicle ownership is shifted to the buyer. Amidst all this documentation, the transfer of the insurance contract, from previous owner to the new owner, is often missed out.

In India largely all the policies that you get when you purchase a new vehicle are comprehensive. A comprehensive motor insurance policy comprises of two parts - Own Damage (OD) and Third Party (TP). Whereas TP section covers damages caused by your vehicle to a third person and is mandated by law, OD covers damages caused to your vehicle owing to any accidental mishap.

After purchasing a used car, Section 157 of the MV Act casts a duty on the new vehicle owner to get the insurance policy transferred in his name by applying to the insurance company within 14 days.

For these 14 days, while the "Third Party" part of the insurance policy gets automatically transferred, the "Own Damage" part will be transferred only after the policy gets registered under the new owner's name. Post this period of 14 days, the insurance company is not liable to bear any losses incurred by new vehicle owner in either of the TP/OD sections, as the contract of insurance hasn't been transferred to his/her name.



Let's consider two situations, to understand these points better:

Situation 1 - You have sold your first car to an acquaintance. The RC is transferred, but the insurance is not. Months later, you receive a court notice, stating that your car has hit a pedestrian causing him severe bodily injury, and as the insurance is still in your name, you shall be liable for compensating the injured.

Situation 2 - You have bought a second hand car from an acquaintance. You were unaware of transferring insurance to your name. During a road trip, your car got severely damaged in an accident. You approach the insurance company, with whom the car was previously insured. They do not honour the claim.

Both these situations are not uncommon in the Indian scenario. Owing to low financial awareness, we often find ourselves in circumstances, which could have been easily avoided through some prudence. In Situation 1, as the insurance is not transferred and the policy still bears your name as the car owner, the court sends you a Notice to compensate the loss caused to third party. The whole process of establishing the proofs of sale, the transfer of vehicle RC etc. can be a gruelling exercise.

There have been recent cases that resemble Situation 2 where even Consumer Courts have ruled in favour of insurance companies. The Courts have upheld the view that in the absence of a contract between the new owner and the insurance company, the damage claim of the second hand vehicle is not to be honoured by the Insurers.

These kind of mental agonies can be easily avoided if as both sellers and buyers of second hand vehicles you initially itself, insist on getting the insurance policy transferred to the new owner's name.

To break it down, here are 5 points to be kept in mind while opting for a used car:

- As soon as you purchase a used car you must ensure immediate transfer of insurance policy in your name.

- To facilitate policy transfer, you need to fill a fresh proposal form, and submit the evidence of sale, Forms 29 and 30 duly signed by previous owner, transfer fee and previous policy copy to insurance company. The insurance company shall then pass the endorsement of transfer.

- The change of ownership in RC may take some time at RTO office. However, to transfer policy to your name, the documents as listed above are sufficient to initiate the endorsement. Submitting a copy of new RC after it is issued by RTO will be helpful in avoiding any glitches at the time of claim.

- In case your insurance policy has been transferred but the transfer in the RC copy is not made/or the proof of same is not submitted to the insurance company, in the event of a claim, you will have to furnish the proof of transfer of RC to the insurance company to get the claim.

- If the transfer is still in process the claim will not be repudiated, however, it will be paid only once the proof of transfer in RC has been submitted to the insurance company.

While so much thought is put into the purchase of a second hand car, most are oblivious when it comes to transferring the Motor Insurance policy to their name. This can have huge financial impacts, in case of any damage to the vehicle, or damages to a third party in the event of an accident. Being vigilant about getting the policy transferred is definitely the smarter choice, always!

(The writer is President and Country Head - Motor LOB, Bajaj Allianz General Insurance)