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POWER POINT

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TRANSFERRING INSURANCE OF SECOND-HAND VEHICLES

Insurance companies often come across instances of second-hand car insurance claims, where the new owner files a claim without having transferred the insurance policy in his name. The claim, however, is not admissible in the absence of a valid contract between the insurance company and the new owner of the vehicle.

In a recent case, the Pune Consumer Court ruled in favour of the insurance company and upheld the insurer's decision to not pay the claim to a second-hand vehicle owner, as he had not transferred the insurance policy to his name. The court ruled that an insurance policy is a contract between a policyholder and an insurer. In the absence of the new vehicle owner's name on the motor insurance policy, there exists no valid contract between him and the insurance company. Hence, any accidental damage suffered by the new owner is not admissible under the previous policy.

Owing to low awareness about insurance among the general public, instances of post-loss insurance grievances in such scenarios are commonplace in India. Hence it is important for individuals, who have purchased or are looking at buying a second-hand vehicle, to know that transfer of insurance is a critical aspect of the process of buying a vehicle and it is ignored or procrastinated only at their own peril.

Also, individuals who sell their vehicle have an equal responsibility to ensure that the insurance is transferred in the new owners' name, to avoid any legal hassles that may arise in the future. Here we shall explain how the failure to transfer an insurance will impact both buyers and the sellers of vehicles. We shall also demystify for you the procedure of ensuring a seamless insurance transfer of a vehicle.

To begin with, it is important for you to understand the structure of a motor insurance policy.

A comprehensive motor insurance policy has two parts—own damage and third party. Whereas the third-party section covers damage caused by your vehicle to a third person—and is mandated by law—the own-damage section covers damage caused to your vehicle owing to any accidental mishap. After purchasing a used car, section 157 of the Motor Vehicle Act casts a duty on the new vehicle owner to get the insurance policy transferred in his or

her name by applying to the insurance company within 14 days of the purchase.

For these 14 days, only the third party section of the insurance policy gets automatically transferred.

This automatic transfer does not apply to the own damage section of the policy. It will be transferred only after the insurance policy is registered under the new owner's name. After this 14-day period, if the new owner fails to get the insurance policy transferred in his or her name, the insurance company is not liable to bear any losses incurred by new owner—neither in the third-party section, nor in the own-damage section.

If the insurance is not transferred and the policy still bears the name of the first owner, then in case of an accident, the claim for damages caused to the vehicle, or to a third party, will not be paid by the insurance company. Moreover, the court may also send the first owner a notice to compensate for the loss caused to a third party, for an accident caused by the new owner.

The whole process of establishing the proof of sale, including the transfer of the vehicle's registration certificate, by the previous owner can be a gruelling exercise.

This can be easily avoided if both as a seller and a buyer of a second-hand vehicle, one insists on getting the insurance policy transferred to the new owner's name immediately after the sale is finalised.

Here are five points that will help you understand the insurance policy transfer procedure and will ensure that a seamless transaction with the insurance company takes place.

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1. As soon as you purchase a used car, you must ensure that the insurance policy is transferred in the name of the new owner within 14 days.

2. To facilitate policy transfer and to ensure that the entire process is completed with ease, you need to fill a fresh proposal form and submit the evidence of sale—transfer of registration certificate, forms 29 and 30 duly signed by the previous owner along with the transfer fee and previous policy copy—to the insurance company. The insurance company shall then pass the endorsement of transfer.

3. The change of ownership in the registration certificate may take some time at the regional transport office (RTO). However, to transfer policy to your name, the documents as listed above are sufficient to initiate the endorsement. Submitting a copy of new registration certificate after it is issued by RTO will help in avoiding any glitches at the time of claim.

4. In case your insurance policy has been transferred but the transfer in the registration certificate copy is not made or the proof of same is not submitted to the insurance company, then in the event of a claim, you will have to furnish the proof of transfer of registration certificate to the insurance company to ensure your claim is settled.

5. If the transfer is still in process, the claim will not be repudiated. However, it will be paid after the proof of transfer in registration certificate has been submitted to the insurance company.

While so much thought is put into the purchase of a second-hand car, most of us are oblivious when it comes to transferring the insurance policy to their name. This can have a huge financial impact in case of an accident. As an insurer, we advise you to be vigilant about getting the policy transferred within the stipulated time as it is definitely the smarter choice, always!

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