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Readers' guide to first-hand insurance for a second-hand car

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

The sale of used cars is growing at a faster pace than the sale of new cars, with more persons preferring the personal vehicles over shared mobility due to the unfortunate ongoing pandemic. We also live in a country where having a third party motor insurance is mandated by law. If you could not catch the correlation, and are planning to buy a second hand car or wish to sell your previous car, this article is a must read for you!

Whenever a new car is bought, its price includes of the on-road price including 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 pur-

chase 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.

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 Third Party/ Own Damage 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 acquaint-

ance. 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 un-

aware 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.

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!

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