

IMPACT INSURANCE AND THE MOTOR VEHICLE ACCIDENT CLIMES IN INDIA

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ABSTRACT

Motor vehicle accidents constitute a serious social, economic, and legal problem in India. The rapid expansion of motorization, urbanization, population growth, and increasing dependence on road transport have contributed to a substantial burden of road accidents, resulting in death, bodily injury, permanent disability, property damage, and loss of income. According to the Ministry of Road Transport and Highways, approximately 4.8 lakh road accidents were reported in India during 2023, resulting in about 1.72 lakh fatalities. The figures demonstrate the continuing importance of an effective legal and insurance mechanism for protecting accident victims. ("Road Accidents in India 2023"). Motor insurance performs an important role in transferring and distributing the financial risks arising from road accidents. In particular, compulsory third-party insurance seeks to ensure that persons who suffer death, bodily injury, or certain forms of property loss because of the use of motor vehicles are not left without an effective source of compensation. The Motor Vehicles Act, 1988 provides the principal statutory framework for third-party insurance, insurer liability, compensation, and Motor Accident Claims Tribunals. Sections relating to compulsory insurance, policy requirements, insurer obligations, hit-and-run compensation, no-fault compensation, and Claims Tribunals collectively establish a statutory mechanism for accident compensation. (India Code). This research examines the impact of motor insurance on motor vehicle accident claims in India from legal, economic, social, and procedural perspectives. It considers the development of

motor insurance, the conceptual foundations of risk transfer and compensation, the role of compulsory third-party insurance, the functioning of Motor Accident Claims Tribunals, the rights of accident victims, the liability and defences of insurers, and the difficulties encountered during the claim process. The study also reviews important judicial decisions concerning insurer liability and the calculation of compensation, including *National Insurance Co. Ltd. v. Swaran Singh*, *Sarla Verma v. Delhi Transport Corporation*, *Rajesh v. Rajbir Singh*, and *Magma General Insurance Co. Ltd. v. Nanu Ram*.

The research is primarily doctrinal and analytical and relies on statutes, judicial decisions, government reports, regulatory materials, legal books, research literature, and reliable electronic legal resources. The study finds that compulsory motor insurance has significantly strengthened the compensation framework by shifting accident-related financial risk from individual victims and vehicle owners to the insurance system. However, delays in adjudication, procedural complexity, inadequate awareness, difficulties in proving income and disability, disputes regarding policy conditions, uninsured vehicles, and delays in payment continue to reduce the effectiveness of the system. The research recommends stronger enforcement of compulsory insurance, simplified claim procedures, greater use of digital technology, time-bound investigation and settlement, improved legal aid, victim assistance centres, better coordination between police, hospitals, insurers, and tribunals, and periodic review of compensation levels. A victim-oriented and technologically integrated compensation system is essential for ensuring that the legal right to compensation becomes an effective and accessible remedy.

Keywords: Motor Insurance, Third-Party Insurance, Motor Vehicles Act, 1988, Motor Accident Claims Tribunal, Compensation, Insurance Liability, No-Fault Compensation, Accident Claims, Victim Protection.

1. INTRODUCTION

Road transport is an essential part of modern economic and social life. Motor vehicles provide mobility, facilitate trade and employment, and connect individuals and communities. At the same time, the extensive use of motor vehicles creates significant risks to human life and property. Road accidents may result in death, serious bodily injury, permanent disability, loss of earning capacity, medical expenditure, property damage, and psychological and social consequences. The scale of the problem makes motor accident compensation an important area of law and public policy. Recent government estimates place the economic burden of road accidents at nearly three per cent of India's Gross Domestic Product every year, a scale of loss comparable to the country's annual spending on education. This economic dimension reinforces the case for a

compensation and insurance mechanism capable of absorbing losses that would otherwise fall disproportionately on victims and their families.¹ The consequences of a serious motor accident are not limited to the injured person. When the victim is an earning member of a family, an accident may cause the sudden loss of the family's principal source of income. Medical treatment, rehabilitation, transportation, and continuing care may impose substantial financial burdens. In fatal accidents, dependants may face long-term economic insecurity. Consequently, an effective compensation system must provide not merely a legal remedy but also meaningful financial and social protection. Motor insurance developed as a mechanism for managing these risks. Insurance is fundamentally based on the transfer of risk. A vehicle owner pays a premium to an insurer, and the insurer undertakes specified risks in accordance with the policy and applicable law. In motor insurance, the importance of insurance extends beyond the relationship between insurer and insured because a road accident may cause harm to an innocent third party. The compulsory third-party insurance regime therefore reflects a public interest in ensuring that accident victims have a practical avenue for compensation. The Motor Vehicles Act, 1988 forms the central legislative framework governing motor vehicle regulation and third-party insurance in India. The Act contains provisions concerning the necessity of insurance against third-party risks, the requirements of insurance policies, the responsibilities of insurers, compensation for hit-and-run accidents, no-fault compensation, and Motor Accident Claims Tribunals. The present statutory framework identifies Sections 146 and 147 with compulsory insurance and policy requirements, while Sections 165 onwards deal with Claims Tribunals and accident compensation procedures. (India Code).

The insurance system therefore serves two interconnected purposes. First, it provides financial protection against risks associated with motor vehicles. Second, compulsory third-party insurance protects persons who may be injured by the use of a vehicle even though they have no contractual relationship with the insurer. This second function gives motor insurance a strong social welfare dimension. Motor Accident Claims Tribunals occupy an important position in this framework. They were established to provide a specialized forum for determining motor accident compensation claims. The objective is to offer a comparatively accessible and less technical mechanism than ordinary civil litigation. The tribunal may consider issues relating to negligence, liability, insurance coverage, disability, income, dependency, and the amount of compensation. Judicial decisions have played a major role in developing motor accident compensation law. In *National Insurance Co. Ltd. v. Swaran Singh*, the Supreme Court examined the effect of driving licence-related breaches on insurer liability and emphasized the statutory protection available to

NewsOnAir, 'Road Accidents Cost Nation 3% of GDP Annually: Union Minister Nitin Gadkari' (NewsOnAir, 25 March 2025) <<https://www.newsonair.gov.in/road-accidents-cost-nation-3-of-gdp-annually-union-minister-nitin-gadkari>> accessed 27 August 2026.

third-party victims. In *Sarla Verma v. Delhi Transport Corporation*, the Court provided important guidance concerning the multiplier method and deductions for personal expenses, contributing to greater consistency in compensation assessment. Later decisions further developed principles concerning future prospects and conventional heads of compensation. The legal framework has also developed through regulatory reforms. The Insurance Regulatory and Development Authority of India (IRDAI) regulates the insurance industry and has introduced regulations relating to policyholder protection, insurer operations, motor third-party obligations, and other aspects of insurance administration. The 2024 regulatory framework includes the IRDAI (Protection of Policyholder's Interests, Operations and Allied Matters of Insurers) Regulations and the IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations. (IRDAI).

Despite the existence of a comprehensive legal structure, the effectiveness of motor accident compensation remains affected by practical difficulties. Accident victims may experience delays in obtaining police documents, medical records, disability certificates, income evidence, and insurance information. Tribunal proceedings may take considerable time because of adjournments, heavy caseloads, disputes regarding liability, and difficulties in assessing compensation. Economically weaker victims may also lack access to effective legal representation. The problem is therefore not merely whether a legal right to compensation exists, but whether that right can be exercised efficiently. A compensation system that requires a victim to wait for many years before receiving meaningful financial relief may fail to achieve the social objective underlying compulsory insurance. This study consequently examines the impact of motor insurance on motor vehicle accident claims in India. It seeks to understand how insurance affects the availability of compensation, the distribution of accident risks, the relationship between victims and insurers, the functioning of tribunals, and the settlement of claims. It also examines whether existing legal and regulatory mechanisms adequately protect victims and whether technological and administrative reforms can improve the system.

2. REVIEW OF LITERATURE

The literature relating to motor insurance and accident compensation in India can broadly be divided into four areas: insurance theory, statutory and regulatory literature, judicial literature, and empirical or policy-oriented literature.

The first area concerns the theoretical foundations of insurance. Insurance scholarship generally explains insurance through concepts such as risk transfer, risk pooling, indemnity, insurable interest, utmost good faith, premium, and social risk distribution. These principles are particularly significant in motor insurance because road accidents involve uncertain risks capable

of producing substantial financial consequences. Avtar Singh's Law of Insurance explains the legal character of insurance contracts and the rights and obligations arising from insurance relationships. Similarly, K. S. N. Murthy and K. V. S. Sarma's Modern Law of Insurance in India provides a broader understanding of insurance principles and their operation in Indian law.

The second area of literature concerns statutory regulation. The Motor Vehicles Act, 1988 is the principal legal source for third-party motor insurance and accident compensation. Its insurance provisions establish compulsory insurance requirements and regulate the relationship between insurers, vehicle owners, and third-party victims. The Act also provides for compensation mechanisms and Claims Tribunals.² The current India Code structure places third-party insurance provisions within Chapter XI and Claims Tribunals within Chapter XII. (India Code).

The statutory framework has evolved significantly through amendments. Contemporary provisions include mechanisms for hit-and-run compensation, compensation for death and grievous hurt on a no-fault basis, interim relief, and the Motor Vehicle Accident Fund. The statutory evolution demonstrates a movement towards simplifying access to compensation and strengthening victim protection.

A third major area of literature is judicial interpretation. Judicial decisions are particularly important because compensation law requires courts to translate statutory principles into practical standards. *National Insurance Co. Ltd. v. Swaran Singh* is a leading authority concerning insurer defences and driving licence violations. The case considered the scope of Section 149 and the circumstances in which an insurer can avoid or recover liability. The decision is significant because it attempts to balance the contractual relationship between insurer and insured with the statutory protection of third-party victims. (Swaran Singh).

The decision in *Sarla Verma v. Delhi Transport Corporation* is another important contribution to the literature on motor accident compensation. The Supreme Court addressed the calculation of loss of dependency and provided guidance concerning the multiplier and deductions for personal expenses. Its importance lies in promoting greater uniformity and reducing excessive variation in compensation awards. (Sarla Verma).

The jurisprudence concerning conventional heads of compensation was subsequently developed through cases such as *Rajesh v. Rajbir Singh*. Later decisions also reconsidered the nature and scope of consortium. In *Magma General Insurance Co. Ltd. v. Nanu Ram*, the Supreme Court recognized spousal, parental, and filial consortium, thereby acknowledging different forms of relational and emotional loss arising from death. (Magma General Insurance).

1. Avtar Singh, Law of Insurance, Eastern Book Company.

2. P. S. Atiyah, Accidents, Compensation and the Law.

Regulatory literature has also become increasingly important. IRDAI's recent regulatory framework focuses on policyholder protection, insurer operations, and motor third-party obligations. The 2024 regulations reflect a regulatory movement towards strengthening policyholder interests and establishing more systematic standards for insurance operations. (IRDAI).

This gap is compounded by uncertainties in the underlying accident data itself. Independent analyses suggest that official road accident statistics may understate the true extent of fatalities, since India's Sample Registration System, which relies on household-level verbal autopsies, has at times recorded a higher number of road traffic deaths than police-reported figures. A literature that engages more closely with such data limitations would strengthen doctrinal analysis of the compensation framework.³

However, an important gap remains in the existing literature. Many legal discussions focus either on statutory provisions or individual judicial decisions, while fewer studies combine the legal, procedural, economic, technological, and victim-oriented dimensions of motor insurance claims. There is therefore a need to examine not only what the law provides but also how insurance operates within the practical claim process.

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3. OBJECTIVES

The study is undertaken with the following objectives:

- 3.1. To examine the legal and regulatory framework governing motor insurance and motor vehicle accident claims in India.
- 3.2. To examine the conceptual and theoretical principles underlying motor insurance, including risk transfer, indemnity, risk pooling, liability, and compensation.
- 3.3. To study the functioning of Motor Accident Claims Tribunals and their role in determining accident compensation.
- 3.4. To study the judicial development of compensation principles through important Supreme Court decisions.
- 3.5. To identify procedural, administrative, and practical difficulties faced by accident victims while obtaining compensation.

Nileena Suresh, 'Road Accident Deaths' (Data For India, January 2025)
<<https://www.dataforindia.com/road-accident-deaths/>> accessed 27 August 2026.

1. Avtar Singh, Law of Insurance, Eastern Book Company.
2. P. S. Atiyah, Accidents, Compensation and the Law.

3.6. To assess the impact of delays, inadequate awareness, documentation requirements, and insurance disputes on accident victims.

3.7. To examine the potential contribution of digital technology and regulatory reforms to the motor accident claim process.

3.8. To evaluate whether the existing compensation framework provides speedy, adequate, and fair relief to accident victims.

3.9. To provide practical and legal recommendations for improving the motor insurance claim and compensation system in India.

4. METHODOLOGY AND DATABASE USED

The present research adopts a primarily doctrinal, descriptive, and analytical methodology. Since the study focuses on legal principles, statutory provisions, judicial decisions, and regulatory developments, it relies predominantly on secondary legal materials.

The doctrinal method is used to examine the provisions of the Motor Vehicles Act, 1988 and related legal rules. Particular attention is given to provisions concerning compulsory third-party insurance, policy requirements, insurer obligations, hit-and-run compensation, no-fault compensation, Claims Tribunals, applications for compensation, awards, interest, and appeals. The statutory structure confirms the importance of Sections 146 and 147 in relation to third-party insurance and Sections 165–176 in relation to Claims Tribunals. (India Code).

Judicial decisions constitute another important source of the study. Leading Supreme Court cases are examined to understand how courts have interpreted insurer liability, policy breaches, calculation of compensation, dependency, future loss of income, consortium, and other heads of damages.

The research also uses descriptive analysis to identify recurring problems in the motor accident claim process. These include delay in filing and processing claims, difficulty in obtaining documents, disputes over driving licences and policy conditions, determination of income, assessment of permanent disability, delay in tribunal proceedings, and delayed payment of awards.

The analytical method is used to compare the objectives of the statutory framework with its practical operation. The study asks whether compulsory insurance actually results in timely and adequate compensation and whether existing mechanisms sufficiently protect vulnerable victims.

The study does not depend upon a primary field survey or personal interviews. Instead, it uses secondary sources including statutes, judicial decisions, government publications, regulatory

materials, legal textbooks, research articles, legal journals, reports, and reliable online legal databases.

The principal databases and sources used include:

- India Code, for the Motor Vehicles Act, 1988 and statutory provisions.
- Supreme Court of India judgments, for authoritative judicial decisions.
- Indian Kanoon, as an electronic legal research resource for locating judicial decisions.
- IRDAI publications and regulations, for insurance regulatory developments.
- Ministry of Road Transport and Highways publications, particularly road accident statistics and policy materials.
- Legal textbooks and commentaries on insurance and motor accident compensation.
- Academic literature relating to insurance law, accident compensation, and road safety.

In addition to these sources, the annual yearbooks and statistical publications of the General Insurance Council provide useful data on premium collection, policy volumes, and claims experience in the motor insurance segment, supplementing the doctrinal analysis with an indication of the scale at which the insurance mechanism actually operates.⁶

The research also uses a thematic method of analysis. The collected material is organized around five principal themes: victim protection, insurance liability, compensation determination, tribunal effectiveness, and regulatory and technological reforms.

The study recognizes certain limitations. As a doctrinal study, it does not independently generate primary statistical data from accident victims, insurance companies, or MACTs. Therefore, practical conclusions are based on the available statutory, judicial, regulatory, governmental, and academic materials. Nevertheless, the combination of these sources provides an appropriate basis for analysing the legal effectiveness of motor insurance in India.

5. RESEARCH ANALYSIS OR RESEARCH DISCUSSION

Motor insurance operates at the intersection of private contract, statutory liability, social welfare, and economic risk distribution. The central issue is whether the insurance system

1. S. K. Verma and M. Afzal Wani, Legal Research and Methodology. General Insurance Council, 'Gross Written Premium' in GI Council Yearbook 2023-24 (General Insurance Council) <https://www.gicouncil.in/yearbook/2023-24/?page_id=634> accessed 27 August 2026.

effectively converts the legal right to compensation into practical financial relief.

5.1. Compulsory Insurance and Victim Protection

The most significant feature of Indian motor insurance law is the compulsory nature of third-party insurance. Section 146 of the Motor Vehicles Act requires insurance against third-party risks for vehicles used in public places. Section 147 specifies requirements concerning policies and liabilities. (India Code).

The scale of this compulsory cover has grown substantially in recent years. Gross direct premiums written under the motor third-party insurance segment rose from close to ₹495 billion in the financial year 2022-23 to over ₹544 billion in the financial year 2023-24, reflecting both the expanding vehicle population and the increasing reach of the statutory obligation. This growth illustrates the widening base over which accident-related financial risk is being distributed.⁸

The justification for compulsory insurance is primarily social. A person injured in a road accident may have no contractual relationship with the vehicle owner or insurer. Nevertheless, the victim should not be deprived of compensation merely because the wrongdoer lacks financial resources. Compulsory insurance therefore converts a potentially uncertain private claim into a claim supported by an insurance mechanism.

5.2. Risk Transfer and Risk Pooling

Motor insurance is based on risk transfer. The individual vehicle owner cannot predict whether an accident will occur or how severe its consequences may be. Insurance allows the financial risk to be transferred to an insurer in exchange for a premium.

Risk pooling provides the economic foundation for this arrangement. Premiums collected from many policyholders create a common financial pool from which claims are paid. Thus, the financial consequences of individual accidents are distributed among a wider group.

This process has an important social benefit. Without insurance, a single accident could impose an overwhelming liability on a vehicle owner. At the same time, the victim could be unable to

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1. S. K. Verma and M. Afzal Wani, Legal Research and Methodology..
 2. Avtar Singh, Law of Insurance.
 - 3.K. S. N. Murthy and K. V. S. Sarma, Modern Law of Insurance in India.
 4. Motor Vehicles Act, 1988, section: 146–147.

Statista, 'Value of Motor Third-Party Insurance Gross Direct Premiums Written in India from Financial Year 2013 to 2024' (Statista, 4 July 2024), data sourced from General Insurance Council <<https://www.statista.com/statistics/1452841/india-motor-third-party-insurance-gross-direct-premiums/>> accessed 27 August 2026.

recover compensation if the owner were financially incapable. Insurance therefore protects both the insured and the third-party victim, although compulsory third-party insurance primarily serves the latter's protection.

5.3. Insurance and the Role of MACTs

Motor Accident Claims Tribunals provide the principal adjudicatory mechanism for accident compensation. Their specialized nature is intended to make the process more accessible than ordinary civil litigation.

MACT proceedings may involve several questions. These include whether an accident occurred, whether negligence is established where required, who was responsible, whether the vehicle was insured, whether the policy was valid, whether any statutory defence applies, and what amount of compensation is just and reasonable.

The tribunal must therefore balance legal proof with the welfare-oriented objective of accident compensation. The effectiveness of insurance ultimately depends on how efficiently the tribunal can convert the victim's legal claim into an enforceable award. In an effort to ease this burden, the Supreme Court has directed that motor accident claims capable of amicable settlement be referred to Lok Adalats, and has called upon insurers to furnish courts and tribunals with consolidated data on pending claims. Such measures suggest a judicial recognition that the effectiveness of MACTs depends as much on procedural facilitation as on the substantive law they apply.⁹

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5.4. Determination of Compensation

Compensation is one of the most important areas of motor accident jurisprudence. The objective is not simply to provide an arbitrary monetary amount but to determine a reasonable financial measure of the loss suffered. In death cases, loss of dependency is particularly important. Courts consider the income of the deceased, the number of dependants, personal expenses, future prospects, age, and the appropriate multiplier.

Sarla Verma v. Delhi Transport Corporation contributed significantly to the standardization of this process. The Supreme Court provided guidance on multiplier selection and deductions for personal expenses, thereby attempting to reduce inconsistency between awards. (Sarla Verma).

LiveLaw, 'Refer Motor Accident Claims Which Can Be Compromised To Lok Adalat: Supreme Court' (LiveLaw, 30 July 2022) <<https://www.livelaw.in/top-stories/refer-motor-accident-claims-which-can-be-compromised-to-lok-adalat-supreme-court-205247>> accessed 27 August 2026.

1. Avtar Singh, Law of Insurance.

2.K. S. N. Murthy and K. V. S. Sarma, Modern Law of Insurance in India.

3.Motor Vehicles Act, 1988, section: 146–147.

In injury cases, compensation may include medical expenses, loss of income during treatment, future loss of earning capacity, pain and suffering, loss of amenities, disability-related expenses, and future medical requirements.

Permanent disability requires special attention. Physical disability and functional disability are not always identical. A percentage of physical impairment may have a substantially different effect depending on the victim's occupation. For example, a disability affecting manual work may have a greater impact on a manual labourer's earning capacity than on a person performing sedentary work. This distinction is reinforced by research on the broader burden of road traffic injuries in India, which indicates that non-fatal injuries frequently result in long-term functional impairment and lost earning years that a straightforward medical disability percentage does not always capture. Compensation assessment that accounts for occupation-specific loss of earning capacity is therefore more consistent with the actual economic impact experienced by victims.¹¹

5.5. Insurer Liability

The insurer's liability is determined by the statutory framework, the insurance policy, and the circumstances of the accident. The law provides limited grounds upon which an insurer can resist liability in third-party claims. The decision in *National Insurance Co. Ltd. v. Swaran Singh* is particularly important. The Supreme Court considered the effect of driving licence violations and clarified the relationship between insurer defences and third-party protection. The decision reflects the principle that disputes between insurers and insured persons should not automatically deprive innocent third-party victims of compensation. (*Swaran Singh*).

The concept of "pay and recover" has also emerged in appropriate cases. Under this approach, the insurer may be directed to satisfy the award in favour of the third-party victim and then recover the amount from the insured where the law permits. This approach prioritizes immediate victim protection while preserving the insurer's legal remedy.

5.6. Procedural Difficulties

Although the statutory system is designed to facilitate compensation, the actual process can be lengthy. Victims may need to collect FIRs, charge sheets, registration certificates, driving licence details, insurance policy documents, medical records, disability certificates, salary

World Bank, *Traffic Crash Injuries and Disabilities: The Burden on Indian Society*, cited in Nileena Suresh, 'Road Accident Deaths' (Data For India, January 2025) <<https://www.dataforindia.com/road-accident-deaths/>> accessed 27 August 2026.

1. Avtar Singh, *Law of Insurance*.

2. K. S. N. Murthy and K. V. S. Sarma, *Modern Law of Insurance in India*.

3. Motor Vehicles Act, 1988, section: 146–147.

certificates, income records, and other evidence.

For a person suffering serious injuries, these requirements may create substantial difficulty. A person undergoing medical treatment may not be able to manage legal documentation. The dependants of a deceased victim may also lack knowledge regarding the required documents. Delays on the part of investigating authorities in preparing and forwarding these documents can compound the difficulty. In Punjab, for instance, only around eight to ten per cent of road accident cases involving death or grievous injury recorded in recent years were forwarded by the police to the Motor Accident Claims Tribunals within the stipulated time, leaving claims worth several hundred crore rupees pending for want of basic documentation. Such administrative bottlenecks illustrate that procedural difficulty is often rooted outside the tribunal system itself.¹³

5.7. Delay in Tribunal Proceedings

Delay is one of the most significant weaknesses of the compensation system. Repeated adjournments, difficulty in securing witnesses, delayed medical evidence, disputes regarding income, and heavy tribunal workloads can prolong proceedings. The scale of this delay has recently drawn direct judicial attention. In 2026, the Supreme Court observed, after reviewing a large sample of motor accident compensation cases, that claims before Tribunals were pending for an average of approximately six years, with appeals remaining before High Courts for a further eight years on average. The Court attributed much of this delay to claim petitions being filed without supporting documents, resulting in repeated adjournments for the production of evidence.¹⁴

The economic impact of delay is especially severe for low-income victims. A person who has lost earning capacity cannot easily wait for several years to receive compensation. Therefore, procedural efficiency is not merely an administrative issue; it is directly connected with substantive justice.

5.8. Uninsured Vehicles

The existence of uninsured vehicles creates a major vulnerability in the compensation system. Compulsory insurance can protect victims only when vehicles comply with the statutory

Rajmeet Singh, 'Rs 735-Crore Motor Accident Claims Pending in Punjab' The Tribune (Chandigarh, 14 October 2025) <<https://www.tribuneindia.com/news/punjab/rs-735-crore-motor-accident-claims-pending-in-punjab/amp>> accessed 27 August 2026.

LiveLaw, "Average Pendency Of 6 Yrs In MACTs': Supreme Court Issues Directions To Expedite Motor Accident Compensation Claims' (LiveLaw, 11 June 2026) <<https://www.livelaw.in/supreme-court/supreme-court-issues-directions-to-expedite-motor-accident-compensation-claims-537516>> accessed 27 August 2026.

requirement. Effective enforcement of insurance requirements is therefore essential. Digital verification of insurance status, integration of vehicle registration databases with insurance records, and automated enforcement mechanisms could help reduce the number of uninsured vehicles. The extent of this problem should not be underestimated. Data compiled by the Insurance Information Bureau of India indicate that close to fifty-seven per cent of vehicles on Indian roads remained uninsured as of March 2019, with the proportion of uninsured two-wheelers considerably higher still. Because two-wheelers make up the majority of India's registered vehicle fleet, gaps in their insurance coverage disproportionately affect the pool of victims left without a ready source of compensation.¹⁵

5.9. Technology and Digital Claims

Technology can significantly improve motor insurance administration. Digital submission of documents, electronic verification of policies, online accident reporting, digital medical records, and automated communication between insurers and tribunals could reduce procedural delays. A significant step in this direction is Bima Sugam, a unified digital insurance marketplace established under the IRDAI (Bima Sugam: Insurance Electronic Marketplace) Regulations, 2024 and operated by the Bima Sugam India Federation, which is being rolled out in phases from 2026 beginning with motor insurance. By enabling policy comparison, purchase and, eventually, claims servicing on a single regulator-backed platform, the initiative could make it considerably easier for accident victims and tribunals to verify insurance status without relying on individual insurers or intermediaries.¹⁶

Digital tools may also assist in identifying fraudulent claims and duplicate documentation. However, technology must not create new barriers for victims who lack digital literacy or internet access. Any digital system should therefore be supported by physical assistance centres and accessible human support.

5.10. Regulatory Development

IRDAI has an important role in strengthening policyholder protection and improving insurance administration. The 2024 regulatory framework includes specific regulations relating to protection of policyholder interests and motor third-party obligations. (IRDAI). The practical effect of this regulatory attention is beginning to show in complaint data. According to the

Drishti IAS, 'Vehicle Insurance in India' (Drishti IAS) <https://drishtiias.com/daily-news-analysis/vehicle-insurance-in-india/print_manually> accessed 27 August 2026.

'Bima Sugam To Launch In September, Aiming To Lower Insurance Costs' Whalesbook (30 June 2026) <<https://www.whalesbook.com/news/English/bankingfinance/Bima-Sugam-To-Launch-In-September-Aiming-To-Lower-Insurance-Costs/6a4378adfb97bcde4ce6b6e9>> accessed 27 August 2026.

insurance regulator, the share of complaints relating to the motor segment out of total policyholder complaints fell from approximately twenty-six per cent in the financial year 2023-24 to under twenty-five per cent in 2024-25, following the introduction of board-approved claim-settlement policies and stricter disclosure requirements for surveyors and loss assessors. While modest, this decline suggests that regulatory intervention can have a measurable effect on the policyholder experience.¹⁷ These reforms indicate a broader shift towards transparency, accountability, and better regulatory supervision. However, regulatory rules must be effectively implemented at the operational level to produce meaningful improvements in claim settlement.

5.11. Judicial Development

The judiciary has progressively developed a victim-oriented approach. In *Sarla Verma*, the Court sought greater consistency in compensation calculation. In *Magma General Insurance Co. Ltd. v. Nanu Ram*, the Court recognized different categories of consortium, reflecting the broader understanding of loss suffered by family members. (*Magma General Insurance*).

Judicial developments demonstrate that compensation law cannot be reduced to simple mathematical calculations. The purpose is to provide “just compensation” that reflects the actual economic and relational consequences of an accident.

5.12. Social Welfare Dimension

Motor insurance is therefore more than a commercial contract. Compulsory third-party insurance reflects a social welfare principle because it distributes accident-related financial risk throughout the insured population. This is particularly important in a country where many accident victims may have limited financial resources. Insurance provides a mechanism through which compensation can be obtained without requiring the victim to rely entirely on the personal wealth of the wrongdoer.

5.13. Overall Research Discussion

The research indicates that the legal framework is comparatively comprehensive, but implementation remains uneven. The major gap lies between legal entitlement and practical access.

Press Information Bureau, 'IRDAI Strengthens Regulatory Framework for Motor Insurance Claim Settlement' (Government of India, 16 December 2025)
<<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2204758®=1&lang=1>> accessed 27 August 2026.

The success of motor insurance should therefore be measured not only by the existence of compulsory insurance policies but also by:

- 5.13.1. Whether victims can identify the insurer quickly.¹⁸
- 5.13.2. Whether claims can be filed without unnecessary technical difficulties.¹⁹
- 5.13.3. Whether compensation is determined consistently.
- 5.13.4. Whether awards are paid promptly.
- 5.13.5. Whether victims receive adequate legal assistance.
- 5.13.6. Whether uninsured vehicles are effectively controlled.
- 5.13.7. Whether digital technology improves rather than restricts access.
- 5.13.8. Whether compensation adequately reflects actual economic loss.

6.RESULTS OR FINDINGS

The study produces the following major findings:

6.1 Insurance Strengthens Victim Protection

Compulsory third-party insurance significantly improves the possibility of compensation for accident victims. It reduces dependence on the personal financial capacity of the vehicle owner and distributes accident-related risk through the insurance system.

6.2 Insurance Has Both Private and Social Functions

Motor insurance protects vehicle owners against financial liability, but compulsory third-party insurance also serves a broader social purpose. The protection of innocent road users is a central justification for compulsory insurance.

1.Avtar Singh, Law of Insurance.

2. K. S. N. Murthy and K. V. S. Sarma, Modern Law of Insurance in India.

1. Avtar Singh, Law of Insurance.

2. K. S. N. Murthy and K. V. S. Sarma, Modern Law of Insurance in India.

3. Motor Vehicles Act, 1988, section: 146–147.

4.National Insurance Co. Ltd. v. Swaran Singh, (2004) 3 SCC 297.

6.3 MACTs Are Essential but Delay Remains a Problem

Motor Accident Claims Tribunals provide specialized mechanisms for determining accident compensation. However, delays caused by heavy caseloads, repeated adjournments, evidence collection, and disputes continue to affect their effectiveness.

6.4 Judicial Decisions Have Strengthened Compensation Law

Supreme Court decisions have contributed significantly to victim-oriented jurisprudence. Swaran Singh strengthened third-party protection in the context of insurer defences. Sarla Verma promoted consistency in compensation calculations. Later decisions developed principles relating to conventional heads and consortium.

6.5 Compensation Assessment Requires Individualized Analysis

The amount of compensation cannot always be determined through a simple formula. Age, occupation, income, dependency, disability, future prospects, medical requirements, and family circumstances may all influence the appropriate award.

6.6 Lack of Awareness Affects Victims

Many accident victims and families may not fully understand their rights, available compensation, required documents, or tribunal procedures. This can result in incomplete claims or dependence on intermediaries.

6.7 Documentation Creates Practical Difficulties

Police records, medical records, disability certificates, income evidence, and insurance documents are important but can be difficult to obtain, especially for economically weaker victims.

6.8 Insurance Disputes Can Cause Delay

Disputes concerning driving licences, permits, policy validity, unauthorized use, and other policy conditions can prolong claim proceedings. The legal system attempts to protect third-party victims while preserving legitimate insurer rights.

6.9 Uninsured Vehicles Reduce the Effectiveness of Compulsory Insurance

The statutory requirement of insurance is effective only when compliance is properly enforced. Uninsured vehicles create serious difficulties for accident victims and undermine the objective of compulsory third-party protection.

6.10 Digital Technology Has Significant Potential

Digital policy verification, electronic document submission, online claim tracking, integrated accident databases, and electronic communication between institutions could reduce administrative delays.

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6.11 Regulatory Reforms Are Increasing Policyholder Protection

IRDAI's 2024 regulations demonstrate continued regulatory attention to policyholder protection, insurer operations, and motor third-party obligations.

6.12 Compensation Delays Cause Economic Hardship

The consequences of delay are particularly severe for victims suffering permanent disability or families that have lost an earning member. Compensation is most valuable when it is available at the time when the financial need is greatest. The scale of what is at stake nationally is considerable: government estimates attribute productivity losses running into billions of dollars each year to premature deaths and disabilities arising from road accidents, with the loss concentrated among individuals in their most economically productive years. Delayed compensation therefore represents not only an individual hardship but also a diffuse but real drag on household and national economic security.²¹

6.13 Legal Rights Require Administrative Support

The existence of statutory rights alone cannot ensure justice. Effective implementation requires coordination among police authorities, hospitals, transport departments, insurers, lawyers, tribunals, and legal aid institutions.

1. National Insurance Co. Ltd. v. Swaran Singh, (2004) 3 SCC 297.

2. Government reports relating to Motor Accident Claims Tribunals.

3. Relevant Law Commission / judicial administration reports.

ETV Bharat, 'India's 3 Per Cent Annual GDP Loss To Road Accidents Portrays A Grim Picture' (ETV Bharat, 24 April 2025) <<https://www.etvbharat.com/en/!bharat/indias-3-per-cent-annual-gdp-loss-to-road-accidents-portrays-a-grim-picture-enn25042404392>> accessed 27 August 2026.

6.14 Victim-Centric Reform Is Necessary

The overall finding is that India's motor accident compensation system has a strong statutory and judicial foundation but requires further administrative, technological, and procedural reform to ensure speedy, adequate, and accessible compensation.

7. RECOMMENDATIONS / SUGGESTIONS

The following recommendations are proposed to improve the motor insurance and motor accident compensation system in India.

7.1. Time-Bound Claim Processing

Statutory or regulatory timelines should be effectively implemented for accident investigation, document verification, claim processing, tribunal proceedings, and payment of compensation.

7.2. Digital Integration

Police departments, hospitals, transport authorities, insurers, and MACTs should be connected through secure digital platforms. Accident information should be capable of being electronically transferred between institutions.

7.3. Digital Insurance Verification

Insurance status should be capable of immediate verification through vehicle registration and insurance databases. This would help victims and tribunals identify the relevant insurer quickly.

7.4. Victim Assistance Centres

Dedicated accident victim assistance centres should be established at major hospitals and MACTs. These centres could help victims obtain documents, understand procedures, identify insurers, and access legal aid. Such centres could usefully be linked with the existing network of legal services institutions. The National Legal Services Authority and its State and District counterparts are already mandated under the Legal Services Authorities Act, 1987 to provide free legal representation, drafting assistance, and case-related support to eligible persons, including accident victims who cannot afford private counsel, and this existing infrastructure could be extended more systematically to motor accident claimants.²²

National Legal Services Authority, 'Legal Aid' (NALSA) <<https://nalsa.gov.in/legal-aid/>> accessed 27

7.5. Public Awareness

Government departments, insurers, educational institutions, and civil society organizations should conduct awareness programmes explaining compulsory insurance²³, accident claim procedures, documentation, and victim rights.

7.6. Simplification of Documentation

The number of documents required from victims should be minimized where information can be obtained directly from government databases. Authorities should avoid requiring victims to repeatedly submit documents already available with public institutions.

7.7. Periodic Review of Compensation

Compensation amounts and conventional heads should be reviewed periodically to reflect inflation, medical expenses, rehabilitation costs, and changes in living standards.

7.9. Improved Disability Assessment

Standardized guidelines should be developed for determining functional disability and future loss of earning capacity. The assessment should consider the victim's occupation and actual ability to work rather than relying only on medical disability percentages.

7.10. Fraud Prevention

Insurance companies and government authorities should use appropriate technological tools to identify fraudulent or exaggerated claims. However, anti-fraud mechanisms should not create unreasonable barriers for genuine victims.

7.11. Periodic Review of Motor Insurance Law

The statutory framework should be periodically reviewed to ensure that it remains responsive to technological developments, new forms of mobility, changing economic conditions, and the needs of accident victims.

8. CONCLUSIONS

Motor insurance is an essential component of India's motor accident compensation system. The compulsory third-party insurance framework recognizes that road accidents can cause serious harm to persons who may have no contractual relationship with the vehicle owner or

August 2026.

1. Relevant Law Commission / judicial administration reports.

1. Relevant IRDAI regulations/guidelines on digital insurance services.

insurer. By transferring and distributing accident-related financial risk, insurance provides an important mechanism for protecting victims and their families. The Motor Vehicles Act, 1988 provides a substantial statutory foundation for this system. Its provisions concerning compulsory insurance, insurer obligations, compensation, and Motor Accident Claims Tribunals create a legal structure through which accident victims can seek financial relief. The current statutory framework also contains provisions concerning hit-and-run accidents, no-fault compensation, interim relief, and the Motor Vehicle Accident Fund. (India Code). Judicial decisions have significantly strengthened the victim-oriented character of motor accident compensation law. The Supreme Court's decisions have developed principles relating to insurer liability, driving licence violations, calculation of loss of dependency, future prospects, and consortium. Swaran Singh demonstrates the importance of protecting third-party victims in disputes concerning policy conditions, while Sarla Verma promotes consistency in compensation calculation. (Swaran Singh; Sarla Verma).

However, the research establishes that the existence of statutory rights does not automatically guarantee effective compensation. Delays in tribunal proceedings, difficulties in obtaining evidence, lack of awareness, disputes concerning insurance coverage, uninsured vehicles, inadequate legal assistance, and delayed payment continue to affect victims. The economic and social consequences of delayed compensation can be particularly serious. An injured person may lose earning capacity at the same time that medical expenses increase. In fatal accident cases, dependants may lose their principal source of income. Therefore, compensation must be understood as a mechanism of immediate and long-term social protection rather than merely as a legal award. Technology provides an important opportunity for reform. Electronic policy verification, digital accident reporting, online document submission, integrated government databases, electronic claim tracking, and digital communication between institutions can reduce administrative delays. Nevertheless, technological reforms must be designed inclusively so that persons without digital access are not excluded.

Recent developments illustrate this trajectory in practice. The Cashless Treatment of Road Accident Victims Scheme, 2025, notified by the Ministry of Road Transport and Highways, now guarantees accident victims cashless medical treatment of up to rupees one and a half lakh during the critical golden hour, regardless of whether the victim holds an insurance policy, with payments made from the Motor Vehicle Accident Fund. This scheme demonstrates how insurance-linked welfare mechanisms can be extended beyond the traditional third-party compensation model to address the immediate, life-saving needs of accident victims.²⁴

Ministry of Road Transport and Highways, cited in 'Cashless Treatment Scheme for Road Accident Victims' (Civildaily, 9 June 2025) <<https://www.civildaily.com/news/cashless-treatment-scheme-for-road-accident-victims/>> accessed 27 August 2026.

Regulatory developments also demonstrate continuing efforts to improve policyholder protection. IRDAI's 2024 regulations relating to policyholder interests and motor third-party obligations provide an important regulatory foundation for improving insurance administration. The study therefore concludes that the Indian motor insurance system has developed from a primarily contractual arrangement into an important social welfare mechanism. Its effectiveness should not be measured merely by the number of insurance policies issued but by the extent to which genuine accident victims receive prompt, adequate, and fair compensation. A successful future system requires cooperation between the legislature, judiciary, insurance industry, police authorities, hospitals, transport departments, legal aid institutions, and Motor Accident Claims Tribunals. Stronger enforcement of compulsory insurance, simplified procedures, improved legal aid, better tribunal administration, digital integration, transparent claim processing, and periodic review of compensation standards are necessary.

Ultimately, the objective of motor accident compensation should be to ensure that a victim does not become economically helpless merely because of an accident. A victim-centred, accessible, transparent, and technologically supported insurance system can significantly strengthen social justice and make the legal promise of compensation a practical reality.

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