**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

(226)

**FAO No. 5431 of 2002(O&M)
Reserved on: 06.11.2025
Pronounced on: 12.11.2025**

Yash Pal Raj Kumar and another … Appellants

Versus

Union of India and others … Respondents

CORAM: HON'BLE MR. JUSTICE VIRINDER AGGARWAL

Present: Mr. R.K. Rana, Advocate
for appellants.

None for respondents.

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VIRINDER AGGARWAL, J.

1. The present appeal has been filed by the appellants-owners of the vehicle bearing registration No. PB-11-M-1951, assailing the award dated 20.07.2002 passed by the learned Motor Accident Claims Tribunal, Ambala, whereby compensation to the tune of ₹98,678.90/- was awarded to the claimant-Union of India for damage caused to its military vehicle in a motor accident, while restricting the liability of respondent No.4–National Insurance Company Limited to ₹6,000/- only.

BACKGROUND FACTS

2. The brief facts are that on 15.09.1999, a military vehicle bearing No. 88E-8993P, owned by the claimant-Union of India and being driven by L/Nk Tuka Ram, was proceeding from Rajasthan to Ambala. Near Gurdwara Shaeedhawala on the Grand Trunk Roadnear Rajpura, a TATA-709 Tempo

bearing registration No. PB-11-M-1951, driven by respondent No.1 Balvinder Singh, came from the opposite direction in a rash and negligent manner and collided with the military vehicle. As a result of the accident, the military vehicle suffered extensive damage and was downgraded from Class-I to Class-IV category. The claimant assessed the loss at ₹98,678.90/- and filed a claim petition under Section 166 of the Motor Vehicles Act, 1988 against the driver, owners, and insurer of the offending vehicle.

3. The respondents contested the claim. The insurer primarily took the plea that its liability was limited to ₹6,000/- as per the terms of the policy. The learned Tribunal, upon appreciation of evidence, held that the accident was caused due to rash and negligent driving of the offending vehicle by respondent No.1 and accordingly awarded a sum of ₹98,678.90/- as compensation to the claimant–Union of India along with interest at rate of 9% per annum. However, while fastening joint and several liability upon all respondents, the Tribunal restricted the liability of the insurance company to ₹6,000/- only, holding that the policy was one of limited liability.

<u>CONTENTIONS</u>

4. Learned counsel for the appellants contends that the learned Tribunal gravely erred in restricting the liability of the insurer to ₹6,000/-, ignoring the explicit endorsement in the policy (Annexure A-1) that the owner had paid an additional premium of ₹75/- for unlimited liability. It is urged that as per Section 147(2) of the Motor Vehicles Act, 1988, as applicable at the time of the accident, the policy of insurance was required to cover the entire liability incurred by the insured towards third parties. Once an additional premium was charged for “unlimited liability,” the insurer was bound to

indemnify the insured without limitation. It was further submitted that no independent surveyor was deputed to assess the damages caused to the vehicle nor is there any evidence which shows that repairs were actually carried out of the alleged vehicle. The report prepared by Naib Subedar A.P. Atri (PW-2) was argued to be of no relevance and insufficient to substantiate the claim of damage as projected by the claimant.

OBSERVATIONS AND FINDINGS

5. I have carefully heard the arguments advanced by the learned counsel representing the appellants and have thoroughly examined the entire paper book.

6. At the outset, the finding of rash and negligent driving by the driver of the offending vehicle is based on unimpeachable ocular testimony of PW-1 (Tuka Ram Yadav, driver of the military vehicle) corroborated by FIR Ex.P-1. Even though a private surveyor’s report could have further substantiated the quantum of damages, it would be true from the documentary evidence on record, particularly Ex.P-4, that vehicle No. 88E-8999P, having been damaged on 13.09.1999, remained off the road and was put back on 28.03.2000, indicating that it was under repair during the said period. The record also shows that the vehicle had been downgraded in class immediately after the accident and was subsequently upgraded after completion of repairs. Further, the army surveyor (Naib Subedar A.P. Atri PW-2) would not have any personal interest or motive in overstating the loss when the damages were payable only to the Union of India. Thus, in the absence of any documentary or testimonial evidence rebutting the claimant’s version, the negligence of the driver of the offending vehicle was rightly

held proved by the learned Tribunal, and the assessment of damages as presented before the learned Tribunal stands affirmed. However, the liability of the insurance company now falls for determination in this appeal. Learned Counsel for the appellant contended that it warrants inference by this Court as to whether, in view of the payment of additional premium for "unlimited liability," the insurer can restrict its obligation only to ₹6,000/- as held by the learned Tribunal.

7. Once the insured has paid an additional premium to cover unlimited liability, the insurer cannot evade its statutory or contractual responsibility arising therefrom. The payment and acceptance of such premium constitute an express contractual undertaking by the insurer to indemnify the insured to the full extent of the liability incurred. Consequently, the insurer's obligation is not confined to the statutory minimum but extends to the entire amount adjudged payable under the award. The law is well settled that once an additional premium is paid for unlimited liability, the insurer cannot escape its statutory and contractual obligation. The coordinate benches of this Court in ***Satya Bagga v. Subash Singh, 1999(1) RCR(Civil) 638 and Nirbhai Roadways Pvt. Ltd. v. Gurvinder Singh Bindra 2006(45) RCR(Civil) 574, United India Insurance Co. Ltd. v. Rajiv Yadav 2023 NCPHHC 164732*** has held that where an additional premium has been paid for unlimited liability, the insurer cannot subsequently claim that its liability is limited under the standard-form clause.

8. The insurance policy (Annexure A-1 / Ex.R-1) issued by National Insurance Company Limited, dated **29.10.1998** contains the following **Schedule of Premium** (relevant portion reproduced):

(B) LIABILITY TO PUBLIC RISK	
Particulars	**Amount (₹)**
Basic Premium	₹2,779.00
Legal liability to passengers	₹1,20.00
Extension of liability – Unlimited	₹75.00
Total	**₹2,974.00**

9. Therefore, it is proved on record that the insured paid an **additional premium of Rs.75/-** specifically for **"Extension of liability - Unlimited"**. Once such additional premium has been accepted by the insurer, the liability of the insurance company cannot be confined to ₹6,000/-. The insurer, by accepting the premium for unlimited liability, voluntarily extended its coverage beyond the statutory minimum limit of ₹6000. Thus, the learned Tribunal completely overlooked this vital column in the insurance policy and erroneously restricted the liability to the statutory minimum of **₹6,000/-** applicable only when no extra premium is paid for enhanced/unlimited cover. In the instant case, the insurer has neither disputed the existence of the endorsement nor the payment of ₹75/- as additional premium. Therefore, the finding of the learned Tribunal that the liability of the insurance company is limited to ₹6,000/- is clearly erroneous and contrary to both statutory provisions and settled judicial interpretation.

10. In view of the above discussion, this Court finds that the insurance policy (Annexure A-1) clearly demonstrates payment of an **additional premium of ₹75/- for unlimited third-party liability**. The learned Tribunal's finding restricting the insurer's liability to ₹6,000/- is therefore

unsustainable in law. The insurer-respondent No.2 (National Insurance Company Limited) is consequently liable to indemnify the insured for the **entire amount of compensation** awarded to the claimant–Union of India.

11. Accordingly, the appeal is **allowed**. The impugned award dated 20.07.2002 passed by the learned Motor Accident Claims Tribunal, Ambala, is **modified** to the extent that the liability of the insurer–respondent No.2, National Insurance Company Limited, shall be **unlimited**. The insurer is directed to pay the **entire compensation amount of ₹98,678.90/-** along with interest at rate of 7% per annum from the date of filing of the claim petition till realization. Amount, if already deposited, shall be duly adjusted towards the satisfaction of the award.

12. Since the main appeal stands decided, any miscellaneous application(s), if any, also stands disposed of.

(VIRINDER AGGARWAL)
JUDGE

12.11.2025
Saurav Pathania

(i)	*Whether speaking/reasoned*	:	*Yes/No*
(ii)	Whether reportable	:	Yes/No