



IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH

FAO-2448-2025 (O&M)
With XOBJC-98-2025
Reserved on : 23.12.2025
Pronounced on: 12.01.2026
Uploaded on 13.01.2026

Whether only operative part of the judgment is pronounced
or the full judgment is pronounced: Operative part/full judgment

Reliance General Insurance Company Limited

..Appellant

Versus

Smt.Anita Sharma and others

..Respondents

CORAM: HON'BLE MS. JUSTICE MANDEEP PANNU

Present: **FAO-2448-2025**

Mr. D.K.Prajapati, Advocate
for the appellant-Insurance Company

Mr. E.K.Garg and Ms. Tavleen Kaur, Advocate for
Mr. Shiv Kumar, Advocate
For the respondents/claimants

Service of respondent No.4 dispensed with

Mr. Roshan Lal Saini, Advocate for respondent no.5

Cross Objections 98-2025

Mr. E.K.Garg and Ms. Tavleen Kaur, Advocate for
Mr. Shiv Kumar, Advocate
for the claimants/cross objectors

Mr. D.K.Prajapati, Advocate
for respondent-Insurance Company

MANDEEP PANNU, J.

1. By this common judgment, FAO No. 2448 of 2025 and
cross objections No.98 of 2025 shall stand disposed of.



2. The present appeal has been filed by the Insurance Company against the award dated 21.01.2025 passed by the Motor Accident Claims Tribunal, Faridabad (hereinafter referred to as 'Tribunal') challenging the finding of the Tribunal whereby Insurance Company has been directed to satisfy the award, with right to recover the same from the owner and driver of the offending vehicle, whereas cross objections have been filed by the claimants for enhancement of compensation.

3. Learned counsel for the Insurance Company submits that the Tribunal has rightly held that there was a violation of the terms and conditions of the insurance policy by the owner/insured, thereby exonerating the Insurance Company from its liability. However, in order to protect the interest of third parties, the Tribunal directed that the Insurance Company shall satisfy the award in favour of the claimants and thereafter, recover the same from the owner and driver of the offending vehicle, who were held jointly and severally liable to pay the compensation amount. He places reliance on **United India Insurance Company Limited through its Divisional Manager vs. Sujata Arora and others 2013(3) ACC 918.**

4. Per contra, learned counsel for the claimants and respondent No.5 (owner) submits that the award passed by the Tribunal, insofar as the direction to the Insurance Company to satisfy the award at the first instance and thereafter, recover the same from the driver and owner of the offending vehicle is concerned, does not



warrant any interference. It is contended that the Motor Vehicles Act is a beneficial legislation and that the principle of “pay and recover” ensures prompt relief to victims and prevents delay in the dispensation of justice. The said principle further advances victim-centric justice by prioritizing the immediate needs of accident victims over contractual disputes between the insurer and the insured.

5. This Court has considered the submissions made by the learned counsel for the parties.

6. The Tribunal has rightly returned a finding, on the basis of the evidence available on record, that the driver of the offending vehicle was not holding a valid and effective driving licence at the time of the accident. Significantly, no challenge has been laid by the owner or the driver in respect to the above findings of the Tribunal nor has any material been pointed out to dislodge the conclusion arrived at by the Tribunal in this regard. The said finding, therefore, has attained finality. The only question which survives for consideration in the present appeal is as to whether the Tribunal was justified in directing the Insurance Company to satisfy the award at the first instance while granting it recovery rights against the driver and owner of the offending vehicle.

7. The reliance placed by the appellant–insurance company upon the judgment of the Hon’ble Supreme Court in **United India Insurance Co. Ltd.’s case (supra)** is wholly misplaced and does not advance its case. A careful reading of the said decision shows that it



was rendered in a materially different factual and legal context. In that case, the Tribunal had categorically fastened liability exclusively upon the owner and driver of the offending vehicle, having recorded a clear finding that the vehicle was being driven by a person holding no valid driving licence, and consequently no liability whatsoever was fastened upon the insurance company. The High Court, while exercising appellate jurisdiction, reversed the said finding and directed the insurance company to pay the compensation, which order was set aside by the Hon'ble Supreme Court. It is thus evident that the issue before the Hon'ble Supreme Court was confined to the correctness of fastening liability upon the insurer in a situation where the Tribunal itself had completely exonerated the insurance company. The question of directing the insurer to satisfy the award at the first instance with liberty to recover the same from the owner and driver did not arise for consideration, nor was it examined or decided therein. Even otherwise, the said judgment does not lay down any proposition of law that, in cases of breach of policy condition relating to the driving licence, the Tribunal or the Court is denuded of its power to apply the principle of "pay and recover." The decision merely reiterates that in the presence of a proven and fundamental breach of policy conditions, the insurer may not be contractually liable to indemnify the insured. It nowhere holds that, despite such breach, recovery rights cannot be granted in favour of the insurance company after directing it to pay the compensation to third-party claimants. On the contrary, the power



of the Tribunal to mould relief so as to protect the interest of third-party victims while safeguarding the rights of the insurer by granting recovery rights has been consistently recognised in subsequent and authoritative pronouncements. In the present case, the Tribunal has not absolved the owner and driver of liability; rather, it has expressly held them to be ultimately liable and has only directed the insurance company to satisfy the award at the first instance with liberty to recover the same from them. Such a course is fully in consonance with the object of the Motor Vehicles Act and the settled legal position governing third-party claims. The judgment relied upon by the appellant, therefore, is clearly distinguishable on facts as well as on law and does not warrant any interference with the impugned award.

8. Having considered the matter, this Court finds no illegality or perversity in the approach adopted by the Tribunal. It is by now well-settled that in a claim arising out of a motor vehicle accident involving third-party victims, the insurer cannot be completely absolved of its statutory liability merely on account of breach of a policy condition relating to the driving licence. The object of the Motor Vehicles Act, 1988 is to ensure expeditious and effective compensation to victims of road accidents, and such object would stand frustrated if the claimants are compelled to pursue recovery from the driver or owner of the vehicle, who may not be in a position to satisfy the award. The breach of a policy condition, such as the driver not holding a valid driving licence, undoubtedly entitles the



insurance company to avoid its contractual liability vis-à-vis the insured; however, such breach does not efface the statutory obligation cast upon the insurer towards third-party claimants.

9. In this backdrop, the course adopted by the Tribunal in directing the insurance company to pay the awarded compensation to the claimants at the first instance, with liberty to recover the same from the driver and owner of the offending vehicle, strikes a just balance between the rights of the insurer and the need to protect innocent third parties. The grant of recovery rights adequately safeguards the interest of the insurance company, while at the same time ensuring that the claimants are not left remediless or subjected to prolonged execution proceedings. The contention raised by the appellant that it should not have been fastened with even initial liability is, therefore, contrary to the settled legal position and cannot be accepted.

10. Accordingly, this Court finds that the direction issued by the Tribunal granting recovery rights to the insurance company is legally sound, well-reasoned and in consonance with the object and scheme of the Motor Vehicles Act. No ground is made out for interference in appeal. The appeal, being devoid of merit, is dismissed.

11. The claimants have filed cross-objections seeking enhancement of compensation. Learned counsel for the claimants submits that the Tribunal has rightly assessed the income of the



deceased, granted future prospects at rate of 25% and also applied appropriate multiplier, however, it has failed to award appropriate compensation under Heads 'Loss of Consortium', 'Loss of Estate' and 'Funeral expenses'. He places reliance upon judgment passed by the Hon'ble Supreme Court in **National Insurance Company Ltd. Vs. Pranay Sethi & Others (2017) 16 SCC 680.**

12. Per contra, learned counsel for Insurance Company and owner submits that compensation awarded by the Tribunal is excessive as it has wrongly assessed the income of the deceased by taking average of Gross Total Incomes reflected in the Income Tax Returns for the years 2017-18, 2018-19 and 2019-20 instead of taking average of Income obtained after making deductions under Chapter VI-A.

13. After hearing learned counsel for the parties, this Court does not find any merit in the contention of the learned counsel for the Insurance Company. In view of settled law, only tax has to be deducted from the gross income of the deceased for assessing his income, which in the present case, as reflected by Ex. P4, Ex.P5 and Ex.P6 (Income Tax Returns for years 2017-18, 2018-19 and 2019-20) is nil, therefore, the Tribunal has rightly assessed the income of the deceased by taking average of gross total income as reflected in the last three Income Tax Returns, which comes to Rs.3,00,000/-. However, in view of **Pranay Sethi's case (supra)**, the claimants are held entitled to Rs.48,000/- each towards 'Loss of Consortium' and



Rs.18,000/- each under Heads ‘Loss of Estate’ and ‘Funeral Expenses’.

14. Accordingly, the compensation is re-assessed as under:-

Sr. No	Heads	Compensation awarded
1.	Annual income	3,00,000/-
2.	Future prospects @ 25% i.e 25% of 3,00,000 = 75,000/-	3,75,000/- [300000+75000]
3.	Annual Loss of dependency after deducting personal expenses @ 1/4 th 375000/4 = 93,750	2,81,250/- [375000-93750]
4.	Multiplier @ 13 i.e 281250x13 =36,56,250	36,56,250/-
5.	Loss of Estate	18,000/-
6.	Funeral Expenses	18,000/-
7.	Loss of Consortium @ 48,000/- each claimant i.e 48000x4 =1,92,000/-	1,92,000/-
	Total	38,84,250/-

15. The claimants shall be entitled to difference in amount of compensation alongwith interest at the rate of 7.5% per annum from the date of filing of the claim petition till its realization. Hence, the cross objections stand partly allowed.

16. Accordingly, FAO-2448-2025 stands dismissed whereas cross objections are partly allowed.

17. All the pending miscellaneous applications, if any, are also disposed of.

12.01.2026
rekha

Whether speaking/reasoned
Whether reportable

Yes/No
Yes/No

(MANDEEP PANNU)
JUDGE