



**CMA No. 2582 of 2021
and
CMP No.14789 of 2021**

C.V.KARTHIKEYAN, J.
and
K.RAJASEKAR, J.

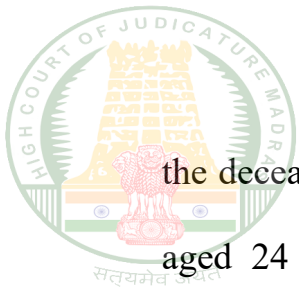
(Order of the Court was made by C.V.Karthikeyan, J.)

Today, this matter has been listed under the caption ‘for being mentioned’.

2.It is stated that in paragraph Nos.23 and 36, the last word has been wrongly typed as ‘insurer’ instead of ‘insured’. It is also stated that certain corrections are also required in paragraph Nos.38, 39 and 40.

3.The Registry is directed to issue a fresh order copy after correcting the word ‘insurer’ as ‘insured’ in paragraph Nos.23 and 36 and also by substituting paragraph Nos.38, 39 and 40 as follows:

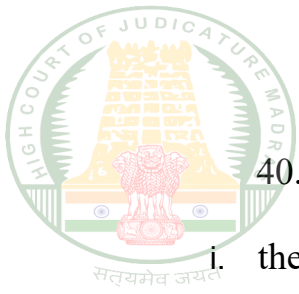
38. Applying the above, while the monthly income would be Rs.13,000 + 40% of Rs.13,000/- = Rs.18,200/-. Since there are three dependents including the father of the deceased (as there is no contrary evidence produced to show that the father was not dependent on the deceased), $\frac{1}{4}$ share of the income (Rs.4,550/-) is deducted towards his personal expenses. The total monthly income would thus be Rs.13,650/- (18,200 - Rs.4,550). The annual income of



the deceased would be Rs.13,650 x 12 = Rs.1,63,800/-. Since the deceased was aged 24 years at the time of accident, applying the appropriate multiplier, namely, 18, as per the decision of the Hon'ble Supreme Court in ***Sarla Verma and others vs. Delhi Transport Corporation and another*** reported in (2009) 6 SCC 121, 'Loss of Income' would be Rs.29,48,400/-.

39. In addition, the claimants are entitled to Rs.1,60,000/- (40,000 X 4), Rs.15,000/- and Rs.15,000/- towards Loss of Consortium, Funeral Expenses and Loss of Estate respectively. As per the decision in ***United India Insurance Co. Limited v. Satinder Kaur and Ors.*** reported in [MANU/SC/0500/2020 : (2021) 11 SCC 780], loss of love and affection is included in loss of consortium. Hence, the amount awarded under the head loss of love and affection is hereby removed. Thus, the claimants are entitled to a total compensation of Rs.31,38,400/- as shown in the following tabular column:

<i>S.No.</i>	<i>Head</i>	<i>Amount granted by this court Rs.</i>
1.	Loss of dependency	29,48,400/-
2.	Loss of consortium (Rs.40,000/- x 4)	1,60,000/-
3.	Funeral expenses	15,000/-
4.	Loss of Estate	15,000/-
Total		31,38,400/-



40. In the result,

- i. the Civil Miscellaneous Appeal is partly allowed.
- ii. The compensation of **Rs.40,00,000/-** awarded by the Tribunal is hereby reduced to **Rs.31,38,400 /-.**
- iii. The appellant Insurance Company is directed to deposit the reduced compensation of **Rs.31,38,400 /-** (Rupees Thirty One Lakhs Thirty Eight Thousand and Four Hundred only), less the amount already deposited, together with interest at 7.5% p.a. from the date of petition till the date of deposit to the credit of M.C.O.P.No.2244 of 2014 on the file of the Motor Accidents Claims Tribunal, (In the II Court of Small Causes) at Chennai, within a period of six (6) weeks from the date of receipt of this judgment and recover it from the insured / fifth respondent.
- iv. On such deposit being made by appellant Insurance Company, the respondents/claimants 1, 3 and 4 are permitted to withdraw their respective shares, as apportioned by Tribunal, along with accrued interest and costs, less the amount, if any already withdrawn by them, by filing necessary application before the Tribunal.
- v. The share of the minor respondent (second respondent) is directed to be deposited in any one of the Nationalised Bank till he attains majority.
- vi. The first respondent being the mother of the minor respondent is permitted to withdraw the accrued interest once in three months for the



welfare of the minor.

No costs. Connected miscellaneous petition is closed.

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(C.V.K.J.,) (K.R.S.J.,)
27.04.2026

To:

1. The Motor Accidents Claims Tribunal,
(In the II Court of Small Causes) at Chennai.
2. The Section Officer,
VR Section, Madras High Court,
Chennai.



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CMA No. 2582 of 2021



C.V.KARTHIKEYAN, J.
and
K.RAJASEKAR, J.

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CMA No. 2582 of 2021
and
CMP No.14789 of 2021

27.04.2026



IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 02-04-2026

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CORAM

**THE HONOURABLE MR JUSTICE C.V. KARTHIKEYAN
AND
THE HONOURABLE MR.JUSTICE K.RAJASEKAR**

**CMA No. 2582 of 2021 and
CMP No.14789 of 2021**

M/s.Iffco Tokio General Insurance
Company Limited,
Customer Service Centre,
'Iffco Bhavan', IV Floor,
No.128, Habibullah Road,
T.Nagar, Chennai 600 017.

Appellant

Vs

1. Gowri

2.Minor Sk.Jyothish
Rep. by her Mother and next Friend
Gowri

3.Sakuntala

4.Raja @ Raji

5.Kumar

Respondents

PRAYER Civil Miscellaneous Appeal filed under Section 173 of the Motor Vehicles Act, 1988, seeking to set aside the Decree and Judgment dated 12.02.2020, passed in M.C.O.P.No.2244 of 2014 by the Motor Accidents Claims Tribunal, (In the II Court of Small Causes) at Chennai.



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CMA No. 2582 of 2021



For Appellant: Mr.J.Michael Visuvasam

For Respondents: Mrs.S.R.Suga
for R1 to R4
No appearance for R5

JUDGMENT

(Order of the Court was made by C.V.Karthikeyan,J.)

The 2nd respondent in MCOP No.2244 of 2014 aggrieved by the award, dated 12.02.2020 granted by the Motor Accident Claims Tribunal, II Court of Small Causes, Chennai, is the appellant herein.

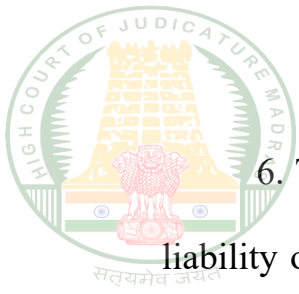
2. MCOP No.2244 of 2014 had been filed by the first – fourth Respondents herein seeking compensation for the death of one Karthik, who was aged 24 years in a motor accident on 18.02.2014 at about 01.00 p.m., near Tada Satyavedu Main Road in front of Colgate Company, the husband of the first respondent / father of the second respondent and son of the third and fourth respondents. It was stated that he was riding a new unregistered motorcycle from his company to his house and at that time, a Tipper Lorry driven by the driver of the fifth respondent herein bearing Registration No.AP 31 TA 1567 in a rash and negligent manner had dashed against the motor cycle. The deceased sustained head injury and died on spot. The fifth respondent herein is the owner of the Tipper Lorry. The appellant herein is the Insurer of the said Tipper Lorry.



3. Before the Tribunal, the appellant herein had resisted the claim petition on the ground that there was no policy of Insurance nor contract of the Insurance between the fifth respondent and the appellant herein. It had been contended that the Policy was issued on 16.12.2013 and a cheque was issued by the fifth respondent on the same day. On 06.01.2014, the cheque was dishonoured on the ground of insufficient funds. On 06.01.2014 this fact was intimated by the appellant herein to the Insured / 5th respondent. Further communication was also issued to the Road Transport office.

4. The appellant placed reliance on the postal receipts produced before the Tribunal, indicating forwarding and sending of the said communication through Registered post. However they could not file the acknowledgement cards or any other letter from the post office, indicating that the letters had been delivered to the addressee.

5. Before the Tribunal, the appellant herein had stated that since the cheque issued towards the premium had been dishonoured owing to insufficient funds, contract was never entered into between the appellant and the fifth respondent. It was also pointed out that the deceased was working as a Painter and appropriate compensation alone should be granted by the Tribunal.



6. The Tribunal by its Judgement dated 12.02.2020, while examining the liability of the appellant herein, had stated that the acknowledgement cards for Registered post sent regarding the dishonour of cheque by the bankers had not been filed. It had therefore been stated that the Tribunal cannot presume that the cancellation of the policy has been intimated to the Road Transport Office, Nellore. It was finally held that the appellant as an Insurer, was liable to pay compensation with right to recover the same from the fifth respondent herein.

7. With respect to quantum of compensation to be paid, the Tribunal had granted a total sum of Rs.40,00,000/- in the following manner:

S.No.	Heads	Amount of Compensation Rs.
1	Loss of Dependency	36,45,000.00
2.	Loss of Consortium	40,000.00
3.	Loss of Love and Affection	1,50,000.00
4.	Parental Consortium	1,00,000.00
5.	Filial Consortium	50,000.00
6.	Funeral Expenses	15,000.00
	Total	40,00,000.00

8. This appeal has been filed challenging both the liability and quantum.



9. The learned counsel for the appellant first pointed out that the cheque which had been issued towards payment of premium by the fifth respondent herein, the owner of the Tipper Lorry, had been dishonoured for want of insufficient funds. The learned counsel pointed out that the responsibility in such cases on the part of the Insurance Company was to intimate this particular fact to the insured / fifth respondent and also to the concerned Regional Transport Office.

10. The learned counsel in this connection, produced the postal receipts for forwarding the communication through Registered Post and placed reliance on Section 27 of the General Clauses Act, 1897 which is as follows:

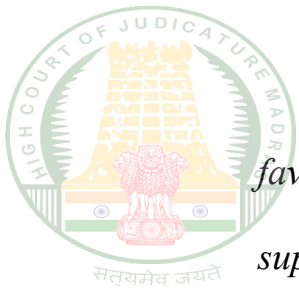
“27. Meaning of service by post:- Where any (Central Act) or Regulation made after the commencement of this Act authorizes or requires any document to be served by post, whether the expression “serve” or either of the expressions “give” or “send” or any other expression is used, then, unless, a different intention, appears the service shall be deemed to be effected by properly addressing, pre-paying and posting by registered post, a letter containing the document, and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.”



11. The learned counsel, interpreted such provision as stating that when there has been a posting by a Registered post, unless the contrary is proved, it would deem to have been effected at the time at which the letter would be delivered in ordinary course of post. It had been argued that the service shall be deemed to be effected by mere sending the intimation by Registered post.

12. The learned counsel in this connection placed reliance on a Full Bench Judgment of the Kerala High Court reported in **2019 (1) TN MAC 274 (FB) (Ker.)** in **Prasanna.B Vs.Kabeer and Anr.** wherein the Full Bench had examined the liability of the Insurer when a cheque issued towards premium was dishonoured. The Full Bench also examined the import of Section 27 of the General Clauses Act. The reasoning of the Full Bench was as follows:

“3. The surest way to prove that the Intimation has been sent by the Insurer about the cancellation of the Insurance coverage is to dispatch it by Registered Post with or without Postal Acknowledgment. The production of the receipt evidencing the dispatch by registered post raises a presumption in favour of the insurer that the intimation has been sent to the addressee for secured delivery. The fundamental difference between speed post and registered post is that the former is address specific and time bound whereas the latter is addressee specific. A presumption in



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favour of the sender for a properly addressed and prepaid post is supported in law too by Section 27 of the General Clauses Act, 1897 which is extracted hereunder:

“27. Meaning of service by post.- Where any Central Act or Regulation made after the commencement of this Act authorizes or requires any document to be served by post, whether the expression 'serve' or either of the expression 'give' or 'send' or any other expression is used, then, unless a different intention appears, the service shall be deemed to be effected by properly addressing, pre-paying and posting by registered post, a letter containing the document, and unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.”

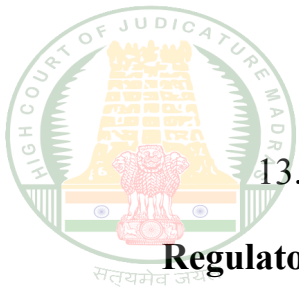
It would suffice if the insurer establishes prima facie that the letter about the cancellation of insurance coverage sent under Certificate of Posting or by registered post would have been delivered in the ordinary course.

4.A period of one week from the date of dispatch can safely be adopted as the time necessary to serve the letter in the ordinary course after which the intimation is presumed to have been served



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on the addressee. The period is so fixed in the absence of any provision to the contrary for the limited purpose of the cases of this nature to avoid disputes as to the date of receipt of the intimation. The insured in some cases may try to evade the service of notice and the letter would be returned with postal remarks like 'addressee left', 'house locked', 'insufficient address' etc. The burden is on the addressee to rebut the presumption by conclusive evidence that he did not really receive the letter and it is not a case of deliberate avoidance. The burden is not on the insurer to establish conclusively that the intimation of cancellation of insurance coverage was in fact served on the insured or the registering authority. The judgment in M.A.C.A.No.2471/2015 to the effect that it is the obligation of the insurer to establish the service of the intimation on the addressee is hereby overruled. Needless to say that no liability can be fastened on the insurer for any compensation payable in respect of an accident that occurs after the service of the intimation aforesaid. The reference is answered accordingly. The appeal shall be listed for hearing before the Division Bench as per roster.”



13. The learned counsel also placed reliance on the **Insurance Regulatory and Development Authority (Manner of Receipt of Premium)**

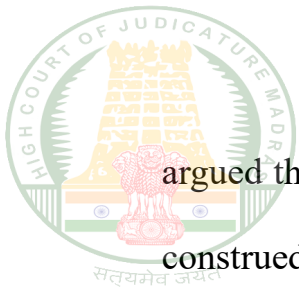
Regulations, 2002 which came into effect on and from 16.10.2002 wherein with respect to commencement of risk. It had been provided as follows:

“4. Commencement of risk- In all cases of risks covered by the policies issued by an insurer, the attachment of risk to an insurer will be in consonance with the terms of section 64-VB of the Act and except in the cases where the premium has been paid in cash, in all other cases the insurer shall be on risk only after the receipt of the premium by the insurer:

Provided that in the case of a policy of general insurance that where the remittance made by the proposer or the policy holder is not realised by the insurer, the policy shall be treated as void ab initio:

Provided further that in the case of a policy of life insurance, the continuance of the risk or otherwise shall depend on the terms and conditions of the policy already entered into.”

14. Pointing out that the said provisions, the learned counsel argued that when the remittance made by the proposer or Policy holder, is not realised which in effect would mean that when the cheque issued had been dishonoured, the policy shall be treated as *void ab initio*. The learned counsel therefore

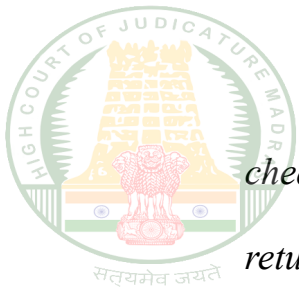


argued that the policy which had been issued by the appellant herein, should be construed as *void ab initio*, which would in effect mean it has no effect from the date of its creation and therefore, the appellant herein would not be liable for any claim based on the said policy.

15. Placing his arguments on the above grounds relating to liability, the learned counsel urged that this Court should hold that the appellant herein was not liable to pay compensation for the death of Karthik who died in the motor accident and on behalf of whose death, the claim petition had been preferred by his legal representatives including his father.

16. The learned counsel for the appellant also placed reliance on the Judgment of the Hon'ble Supreme Court, in ***United India Insurance Company Limited Vs. Laxmamma and Ors.*** reported in ***(2012) 5 Supreme Court Cases 234*** wherein, it had been held that the statutory liability of the Insurer to indemnify third parties, always subsists except when the insurer satisfies the Court that the policy of insurance was cancelled and intimation of such cancellation had reached the insured before the accident. The legal position had been reduced as follows:

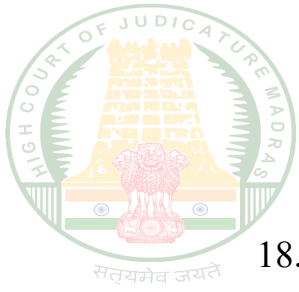
“26. In our view, the legal position is this: where the policy of insurance is issued by an authorised insurer on receipt of



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cheque towards the payment of premium and such a cheque is returned dishonoured, the liability of the authorised insurer to indemnify the third parties in respect of the liability which that policy covered subsists and it has to satisfy the award of compensation by reason of the provisions of Sections 147(5) and 149(1) of the MV Act unless the policy of insurance is cancelled by the authorised insurer and intimation of such cancellation has reached the insured before the accident. In other words, where the policy of insurance is issued by an authorised insurer to cover a vehicle on receipt of the cheque paid towards premium and the cheque gets dishonoured and before the accident of the vehicle occurs, such insurance company cancels the policy of insurance and sends intimation thereof to the owner, the insurance company's liability to indemnify the third parties which that policy covered ceases and the insurance company is not liable to satisfy awards of compensation in respect thereof.”

17. In that particular case, however factually it was noted that the intimation was delivered after the date of accident.

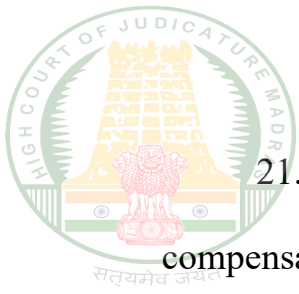


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18. The learned counsel pointed out that in the instant case, the intimation was forwarded on 06.01.2014 much prior to the date of accident on 18.02.2014 and therefore claimed that the appellant herein having satisfied the condition of cancellation of the policy and intimation of the policy prior to the date of the accident both to the insured / fifth respondent and also to the Road Transport officer, Nellore, it should be absolved of all liability to pay compensation as claimed by the first – fourth Respondents herein.

19. It is also pointed out by the learned counsel that the fifth respondent herein who is the owner of the Tipper Lorry had taken a conscious decision not to participate in the judicial proceedings and remained exparte before the Tribunal and even before this Court.

20. The learned counsel for the respondents however argued that the claimants were third parties to the policy of insurance and had a reasonable and legitimate expectation that when the policy had been issued and the death occurred owing to the accident caused by the vehicle which had been insured, the legal representatives would stand compensated by the insurer.



21. The learned counsel argued that alternatively the insurer can pay the compensation and recover it from the insured. The learned counsel stated that that this particular line of reasoning had also been adhered to by Courts of law.

22. In this connection, the learned counsel had placed reliance on the decision of the Division Bench of this Court in ***The New India Assurance Company Limited Vs. Azhagusumathi*** reported in ***(2015) 1 TN MAC 179 (DB)***, wherein the Division Bench had held as follows:

*“14. As per **Section 27** of General Clauses Act, 1897 which deals with topic 'Meaning of service by post' says that where any Central Act or regulation authorizes or requires a document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by properly addressing', prepaying and posting it by registered post, a letter containing the document, and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in ordinary course of post. The Section, thus, raises the presumption of due service or proper service if the document sought to be served is sent by properly addressing, prepaying and posting by registered post to the addressee and such presumption is raised irrespective of whether any*



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acknowledgment due is received from the addressee or not. Of course, the said presumption is rebuttable. But in the present case Exs.B4, B6 and B7 would show that the letter intimating about the dishonour of cheque followed by cancellation of policy has been sent to the address of the owner given in the policy by registered post, of course, without any acknowledgement due. The said letter having been sent properly addressing and posting it by registered post, it would raise a presumption that the service been effected on the addressee to whom the communication was sent. Therefore, the appellant having intimated the notice of cancellation by registered post to the owner and the RTO, the service of notice of cancellation can be treated as sufficient and the insurance company can take advantage that it has duly intimated to the owner of the offending vehicle and the authorities concerned regarding cancellation of policy due to the dishonour of cheque. Hence, the insurer cannot be held liable to indemnify the owner and it is absolved from liability. The reasoning given and the finding recorded by the Tribunal in this regard is erroneous. Both the questions are answered accordingly. However, the claim of third party cannot be defeated for the



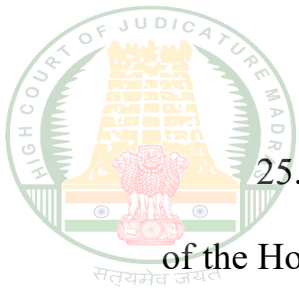
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self created predicament of the insurer in issuing the policy without actually receiving the premium. Hence, the insurance company shall pay the compensation to the claimants which it may realise from the owner of the offending vehicle.”

23. Placing reliance on the observation that the claim of a third party cannot be defeated for the self created predicament of the insurer in issuing the policy, the learned counsel argued that the appellant herein should pay the compensation and should recover it from the Insurer.

24. Reference was also made to the Judgment of the Hon’ble Supreme Court in ***Deddappa and Ors. Vs. Branch Manager, National Insurance Co. Ltd.***, reported in ***(2008) 2 Supreme Court Cases 595***, wherein, it had been held as follows:

“24. We are not oblivious of the distinction between the statutory liability of the Insurance Company vis-a-vis a third party in the context of Sections 147 and 149 of the Act and its liabilities in other cases. But the same liabilities arising under a contract of insurance would have to be met if the contract is valid. If the contract of insurance has been cancelled and all concerned have been intimated thereabout, we are of the opinion, the insurance company would not be liable to satisfy the claim.”

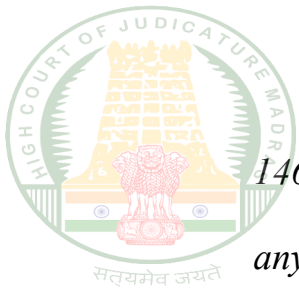


25. The learned counsel for the respondents also pointed out the Judgment of the Hon'ble Supreme Court reported in ***(1998)1 Supreme Court Cases 371*** in ***Oriental Insurance Co. Ltd., Vs. Inderjit Kaur and Ors.*** wherein also, the cheque issued towards the premium had been dishonoured and the insurer had informed the insured that the cheque had been dishonoured and that the insurer would not be at risk, but still it had been held that the Insurer though was entitled to avoid the policy, was however liable for third party risks as the public interest served by an Insurance policy must prevail over the Insurers' interest.

26. In this connection, the following paragraphs of the said Judgment are extracted for better appreciation:

“6. We find it is difficult to conclude that the judgment in the case of United India Insurance Co. Ltd. v. Ayeb Mohd. [(1991) 2 ACJ 650] decides a principle of law because no notice had been issued on the special leave petition. At the same time, the opinion is expressed in the judgment that the High Court was in error in holding, in the absence of steps to cancel the cover note, the risk would subsist.

7. Chapter 11 of the Motor Vehicles Act, 1988, provides for the insurance of motor vehicles against third-party risks. Section



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146 thereunder states that no person shall use or cause or allow any other person to use a motor vehicle in a public place unless there is in force in relation to the use of the vehicle a policy of insurance that complies with the requirements of the chapter. Section 147 sets out the requirements of policies and the limits of liability. A policy of insurance, by reason of this provision, must be a policy which is issued by a person who is an authorised insurer. Sub-section (5) reads thus:

“147. (5) Notwithstanding anything contained in any law for the time being in force, an insurer issuing a policy of insurance under this section shall be liable to indemnify the person or classes of persons specified in the policy in respect of any liability which the policy purports to cover in the case of that person or those classes of persons.”

8. Section 149 refers to the duty of insurers to satisfy judgments and awards against persons insured in respect of third-party risks. Sub-section (1) thereof reads thus:

“149. (1) If, after a certificate of insurance has been issued under sub-section (3) of Section 147 in favour of the person by whom a policy has been effected, judgment



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or award in respect of any such liability as is required to be covered by a policy under clause (b) of sub-section (1) of Section 147 (being a liability covered by the terms of the policy) or under the provisions of Section 163-A is obtained against any person insured by the policy, then, notwithstanding that the insurer may be entitled to avoid or cancel or may have avoided or cancelled the policy, the insurer shall, subject to the provisions of this section, pay to the person entitled to the benefit of the decree any sum not exceeding the sum assured payable thereunder, as if he were the judgment-debtor, in respect of the liability, together with any amount payable in respect of costs and any sum payable in respect of interest on that sum by virtue of any enactment relating to interest on judgments.”

9. We have, therefore, this position. Despite the bar created by Section 64-VB of the Insurance Act, the appellant, an authorised insurer, issued a policy of insurance to cover the bus without receiving the premium therefor. By reason of the provisions of Sections 147(5) and 149(1) of the Motor Vehicles Act, the appellant became liable to indemnify third parties in



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respect of the liability which that policy covered and to satisfy awards of compensation in respect thereof notwithstanding its entitlement (upon which we do not express any opinion) to avoid or cancel the policy for the reason that the cheque issued in payment of the premium thereon had not been honoured.

10. The policy of insurance that the appellant issued was a representation upon which the authorities and third parties were entitled to act. The appellant was not absolved of its obligations to third parties under the policy because it did not receive the premium. Its remedies in this behalf lay against the insured.

11. We may note in this connection the following passage in the case of Montreal Street Rly. Co. v. Normandin [AIR 1917 PC 142] :

“When the provisions of a statute relate to the performance of a public duty and the case is such that to hold null and void acts done in neglect of this duty would work serious general inconvenience or injustice to persons who have no control over those entrusted with the duty and at the same time would not promote the main object of the legislature, it has been the practice to hold such provisions to be directory only, the neglect of



them, though punishable, not affecting the validity of the acts done.”

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12. It must also be noted that it was the appellant itself who was responsible for its predicament. It had issued the policy of insurance upon receipt only of a cheque towards the premium in contravention of the provisions of Section 64-VB of the Insurance Act. The public interest that a policy of insurance serves must, clearly, prevail over the interest of the appellant.

13. We are of the view, in the circumstances, that the observations in the case of United India Insurance Co. Ltd. v. Ayeb Mohd. [(1991) 2 ACJ 650] do not lay down good law.

14. The appeal is dismissed. The respondents not having appeared, there shall be no order as to costs.

27. It must also be pointed out that this Judgment was rendered by a Larger Bench of the Hon'ble Supreme Court.

28. It must be pointed out that though the Larger Bench decision in ***Inderjit Kaur*** had been diluted by subsequent Judgments, the Courts had refused to accept such dilution and had upheld and followed the view held in ***Inderjit Kaur and Ors.*** referred supra.



29. We have carefully considered the arguments advanced by the learned counsels and perused the records.

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30. The following facts are not in dispute:

(1) the appellant had issued the Policy of Insurance on 16.12.2013 for the Tipper Lorry bearing Registration No.AP 31 TA 1567 which was owned by the fifth respondent herein.

(2) the fifth respondent had issued a cheque towards the payment of premium on the same day / 16.12.2013.

(3) the cheque was returned by the bankers of the appellant on the ground of insufficient funds on 06.01.2014;

(4) the appellant had intimated this fact to the insured by Registered post with acknowledgement due on 06.01.2014;

(5) The appellant herein had also intimated this fact to the Road Transport Office at Nellore by Registered post with acknowledgement due on 06.01.2014.

(6) The accident for which the claim was made on the basis of the policy which had been issued, occurred on 18.02.2014.

31. During the course of trial, the appellant had produced the postal receipts towards the posting of the intimation and about the cancellation of the policy *[notice to the fifth respondent herein (Ex.R3), to the Road Transport*



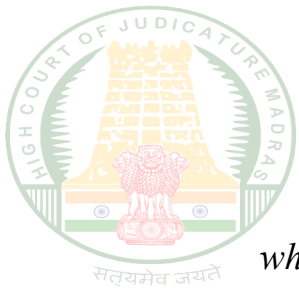
Office, Nellore (Ex.R4), to the Financier, Larsen & Toubro Limited (Ex.R5)]. It is thus evident that the fifth respondent had issued a cheque which was returned on the ground of insufficient funds.

32. In the **Insurance Regulatory and Development Authority (Manner of Receipt of Premium) Regulations, 2002**, it had been provided that when the remittance made by the proposer, in this case by the fifth respondent, had not been realized by the appellant owing to, in this case, the cheque being returned for want of sufficient funds, the policy shall be treated as *void ab initio*.

33. However, we would also have to refer to Section 64 (V) (b) of the Insurance Act, which is as follows:

“64VB. No risk to be assumed unless premium is received in advance:-

(1)No insurer shall assume any risk in India in respect of any insurance business on which premium is not ordinarily payable outside India unless and until the premium payable is received by him or is guaranteed to be paid by such person in such manner and within such time as may be prescribed or unless and until deposit of such amount as may be prescribed, is made in advance in the prescribed manner.



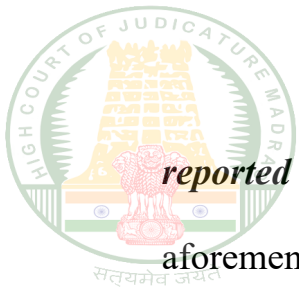
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(2) For the purposes of this section, in the case of risks for which premium can be ascertained in advance, the risk may be assumed not earlier than the date on which the premium has been paid in cash or by cheque to the insurer.

Explanation.--Where the premium is tendered by postal money order or cheque sent by post, the risk may be assumed on the date on which the money order is booked or the cheque is posted, as the case may be.

34. The provision of the Central legislation prevails over every other regulation or circular issued. The Act very clearly provides that no policy shall be issued unless the premium is received.

35. In the instant case, the policy had actually been issued. Later, as a fact, since the cheque had been dishonoured, the appellant has cancelled it but there is no proof for delivery of the said intimation. The appellant falls back to Section 27 of the General Clauses Act. However, the Larger Bench of the Hon'ble Supreme Court in ***Inderjit Kaur and Ors.*** referred supra had held that third party risks are a public interest served by an Insurance Policy and must prevail over the insurers' interest. This Judgment was rendered because of conflicting Judgments in ***United India Insurance Co. Ltd., Vs. Ayeb Mohd.***



reported in (1991) 2 ACJ 650. It was finally held that the ratio laid in the aforementioned Judgment (***Ayeb Mohd.***) did not laid down good law. This particular Judgment of ***Inderjit Kaur*** has been subsequently referred in **(2012) 5 Supreme Court Cases 234, (*Laxmamma and ors.*** case referred supra) wherein after examining subsequent Judgments (after ***Inderjit Kaur*** referred supra), particularly ***Deddappa and ors.*** referred supra, the Hon'ble Supreme Court had again reiterated the position of law as laid down in ***Inderjit Kaur***. The position of law which the Supreme Court again reiterated in ***Laxmamma*** case in paragraph 24 is as under:

“24. We find it hard to accept the submission of the learned counsel for the insurer that the three-Judge Bench decision in Inderjit Kaur has been diluted by the subsequent decisions in Seema Malhotra and Deddappa. Seema Malhotra and Deddappa turned on the facts obtaining therein.”

36. The one fact which plays on our mind is that no document had been produced to prove intimation of the communication on either the Insured or on the Road Transport Office, Nellore. It is also necessary that the Policy should have been cancelled by the appellant herein. However, we are bound by the deduction laid down by the Larger Bench of the Hon'ble Supreme Court in ***Inderjit Kaur*** (referred supra) wherein they had stated very clearly that



honouring third party risks prevails over interest of the insurer. The ratio laid down therein that the compensation amount should be paid and thereafter recovered, subserves justice, and we would therefore follow that particular reasoning and direct the appellant herein to pay the compensation amount and recover it from the insurer.

37. With respect to the quantum of compensation awarded, a perusal of the Award of the Tribunal, it is seen that the future prospects of the deceased had been taken as 50%, which is on the higher side. In the light of the judgment of the Hon'ble Supreme Court in *National Insurance Co. vs Pranay Sethi and others* reported in **2017 (2) TNMAC 601** we are inclined to fix the future prospects of the deceased at 40% and the notional income of the deceased is also reduced from Rs.15,000/- to Rs.13,000/- p.m. as the deceased was working as a Painter.

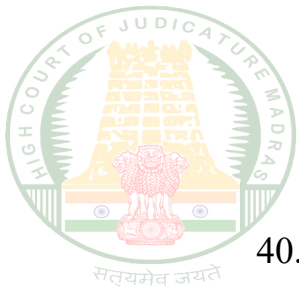
38. Applying the above, while the monthly income would be Rs.13,000 + 40% of Rs.13,000/- = Rs.18,200/-. Since there are three dependents including the father of the deceased (as there is no contrary evidence produced to show that the father was not dependent on the deceased), $\frac{1}{4}$ share of the income is deducted towards his personal expenses. The total monthly income would thus be Rs.4,550/-. The annual income of the deceased would be Rs.4,550 x 12 =



Rs.54,600/-. Since the deceased was aged 24 years at the time of accident, applying the appropriate multiplier, namely, 18, as per the decision of the Hon'ble Supreme Court in *Sarla Verma and others vs. Delhi Transport Corporation and another* reported in (2009) 6 SCC 121, 'Loss of Income' would be Rs.9,82,800/-.

39. In addition, the claimants are entitled to Rs.1,60,000/- (40,000 X 4), Rs.1,50,000/-, Rs.15,000/- and Rs.15,000/- towards Loss of Consortium, Loss of love and affection, Loss of Estate and Funeral Expenses respectively, as per the decision in *National Insurance Co. vs Pranay Sethi and others* (cited supra). Thus, the claimants are entitled to a total compensation of Rs.13,22,800/- (9,82,800 + 1,60,000 + 1,50,000 + 15,000 + 15000 = 13,22,800) as shown in the following tabular column:

<i>S.No.</i>	<i>Head</i>	<i>Amount granted by this court Rs.</i>
1.	Loss of dependency	9,82,800 /-
2.	Loss of consortium (Rs.40,000/- x 4)	1,60,000/-
3.	Loss of Love and affection	1,50,000/-
4.	Funeral expenses	15,000/-
5.	Loss of Estate	15,000/-
Total		13,22,800/-



40. In the result,

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- i. the Civil Miscellaneous Appeal is partly allowed.
 - ii. The compensation of **Rs.40,00,000/-** awarded by the Tribunal is hereby reduced to **Rs.13,22,800/-**.
 - iii. The appellant Insurance Company is directed to deposit the reduced compensation of **Rs.13,22,800 /-** (Rupees Thirteen Lakhs Twenty Two Thousand Eight Hundred only), less the amount already deposited, together with interest at 7.5% p.a. from the date of petition till the date of deposit to the credit of M.C.O.P.No.2244 of 2014 on the file of the Motor Accidents Claims Tribunal, (In the II Court of Small Causes) at Chennai, within a period of six (6) weeks from the date of receipt of this judgment and recover it from the insurer / fifth respondent.
 - iv. On such deposit being made by appellant Insurance Company, the respondents/claimants 1, 3 and 4 are permitted to withdraw their respective shares, as apportioned by Tribunal, along with accrued interest and costs, less the amount, if any already withdrawn by them, by filing necessary application before the Tribunal.
 - v. The share of the minor respondent (second respondent) is directed to be deposited in any one of the Nationalised Bank till he attains majority.



vi. The first respondent being the mother of the minor respondent is permitted to withdraw the accrued interest once in three months for the welfare of the minor.

No costs. Connected miscellaneous petition is closed.

(C.V.K,J.)

(K.R.S,J.)

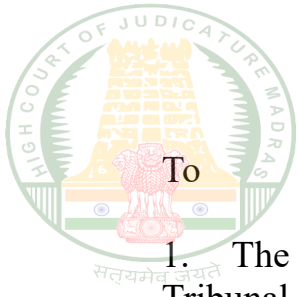
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Index: Yes/No

Speaking/Non-speaking order

Neutral Citation: Yes/No



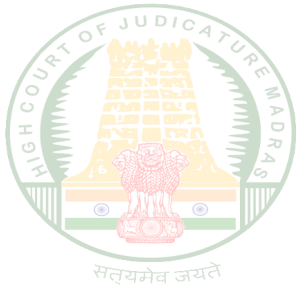
CMA No. 2582 of 2021



To

1. The Motor Accidents Claims Tribunal, (In the II Court of Small Causes) at Chennai

2. The Section Officer, VR Section, Madras High Court, Chennai.



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CMA No. 2582 of 2021



**C.V.KARTHIKEYAN J.
AND
K.RAJASEKAR J.**

vum

**CMA No. 2582 of 2021 &
CMP No.14789 of 2021**

02-04-2026