UNIT – 3

Life & Motor Insurance

Life Insurance • LIC Act • Motor Vehicles Act 1988 • Claims Tribunal

Insurance Law

SYNOPSIS

Unit Overview

This unit examines life insurance contracts, the statutory framework under the LIC Act 1956 and GIBNA 1972, health insurance, and the detailed provisions of the Motor Vehicles Act 1988 governing third-party and no-fault liability, claims tribunals and legal aspects of motor insurance.

LEARNING OBJECTIVES

What You Will Learn

01 Life Insurance

Nature, kinds, formation and claims under life policies

02 LIC & GIBNA

Overview of nationalisation statutes

03 Health Insurance

Key features and regulatory aspects

04 Motor Act

Sections 140-176 – nature and scope

05 No-Fault Liability

Absolute liability under the MV Act

06 Claims Tribunal

Structure, powers and procedure

Nature and Scope

Life insurance is a contract to pay a fixed sum on the death of the life assured or on survival to a specified age. It is not a contract of indemnity.

Kinds	Term, whole life, endowment, money-back, ULIP, annuity
Formation	Proposal, medical examination, acceptance, premium, policy document
Event Insured	Death or survival; sometimes critical illness riders
Persons Entitled	Nominee, assignee, legal heirs according to nomination and succession law

LIFE CLAIMS

Settlement and Payment

Amount Recoverable	Sum assured + bonuses – outstanding premiums or loans
Settlement	Proof of death/age, discharge form, identity verification
Nomination	Section 39 Insurance Act – nominee receives the money but may hold it for legal heirs
Assignment	Section 38 – absolute or conditional assignment of the policy

STATUTES

LIC Act 1956 & GIBNA 1972

Life insurance was nationalised in 1956 creating LIC. General insurance was nationalised in 1972. Both exclusive privileges ended after IRDA Act 1999.

LIC Act 1956

Created monopoly of life business; still governs LIC structure and functions

GIBNA 1972

Nationalised general insurance; created GIC and four subsidiaries (now independent)

MOTOR VEHICLES ACT

Third-Party Insurance – Sections 140-176

Compulsory third-party insurance protects victims of motor accidents. The Act creates both fault and no-fault liability regimes.

Compulsory Cover	Section 146 – no vehicle can be used in a public place without third-party insurance
No-Fault Liability	Section 140 – fixed compensation for death or permanent disablement without proving fault
Section 163A	Structured formula compensation on the basis of income and age
Claims Tribunal	Section 165 – Motor Accident Claims Tribunals for speedy adjudication

NO-FAULT

Absolute / No-Fault Liability

Section 140	Owner/insurer liable for fixed sum on death or permanent disablement
No Need to Prove	Fault, negligence or wrongful act need not be proved
Interim Nature	Can be claimed in addition to fault-based claim under Section 166
Recent Case Law	Borrower of vehicle cannot claim under no-fault as he steps into owner’s shoes

CLAIMS TRIBUNAL

Legal Aspects of Motor Claims

Jurisdiction	Territorial jurisdiction based on accident, residence or insurer’s office
Procedure	Summary procedure; can take evidence on affidavit
Compensation	Just compensation – medical, loss of income, pain, future prospects
Insurer’s Defences	Limited – breach of policy conditions, non-coverage, fraud

LANDMARK CASES

Key Motor & Life Judgments

National Insurance v. Swaran Singh	Insurer still liable to third party even if driver had no licence; can recover from insured
Mukund Dewangan	Even light motor vehicle licence holders can drive transport vehicles of certain weight
Sarla Verma	Standardisation of multiplier method for compensation calculation
LIC related cases	Nomination vs succession – nominee receives but may not be absolute owner

HEALTH INSURANCE

Health and Medical Insurance

Nature	Indemnity for medical expenses; cashless or reimbursement
Regulation	IRDAI Health Insurance Regulations – standardisation, portability, claim settlement
Key Issues	Pre-existing disease waiting periods, exclusions, moral hazard
Consumer Protection	High volume of complaints before Ombudsman and Consumer Forums

SALIENT FEATURES

Key Features of Life & Motor Cover

Life

Fixed benefit, long-term, investment + protection element

Motor TP

Compulsory, social welfare legislation, strict liability elements

No-Fault

Quick relief without proof of negligence

Tribunal

Specialised forum for accident victims

ESSENTIALS

Core Points

Life Contract	Not indemnity; fixed sum on death or survival
Nomination	Receives money but title may still be with legal heirs
Compulsory TP	Social legislation protecting accident victims
No-Fault	Fixed compensation without proving fault
Tribunal	Speedy, summary, victim-oriented adjudication
Insurer Liability	Wide towards third parties; limited defences

DEEP DIVE

Social Objective of Motor Insurance

The Motor Vehicles Act converts private insurance into a social security mechanism for road accident victims. Compulsory insurance and no-fault liability reflect the legislature's intent to ensure compensation regardless of the victim's ability to prove fault.

KEY HIGHLIGHTS

Main Points

Life	Fixed benefit, nomination, assignment, LIC structure
Motor	Compulsory third-party, no-fault, structured formula
Tribunal	Section 165 – specialised claims adjudication
Cases	Swaran Singh, Sarla Verma, Mukund Dewangan
Health	Indemnity, cashless, IRDAI regulation
Social Aim	Compensation to victims as primary goal

COMPARISON

Life vs Motor Third-Party

Nature	Life – fixed benefit; Motor TP – liability cover
Beneficiary	Nominee / heirs; third-party victim
Proof	Death / survival; accident + injury
Forum	Ordinary courts / ombudsman; Claims Tribunal
Social Role	Family protection; road safety compensation

PRACTICAL ISSUES

Common Disputes

Life	Suppression of material medical facts, suicide clause, nomination fights
Motor	Driving without licence, vehicle used for hire, delay in intimation
Quantum	Future prospects, multiplier, medical expenses
Insurer Recovery	Right to recover from insured after paying third party

REGULATORY

IRDAI Oversight

Product Filing	File-and-use for life and health products
Claim Settlement	Timelines and penalties for delay
Solvency	Continuous monitoring of insurers writing motor and health
Consumer	Ombudsman and grievance redressal system

SUMMARY POINTS

Must-Remember Points

- Life insurance is a fixed-benefit contract governed by the Insurance Act and LIC Act.
- Motor third-party insurance is compulsory social legislation under the MV Act 1988.
- No-fault liability (s.140) and structured formula (s.163A) provide quick relief.
- Motor Accident Claims Tribunals ensure speedy adjudication.
- Landmark cases have expanded insurer liability towards third-party victims.
- Health insurance is a growing indemnity product under IRDAI regulation.

SUMMARY

Key Takeaways

1. Life insurance protects families through fixed benefits and nomination rules.
2. Motor insurance is primarily a social welfare mechanism for accident victims.
3. No-fault and structured compensation reduce the burden of proving negligence.
4. Claims Tribunals are the specialised forum for motor accident claims.
5. Understanding the interplay of Insurance Act, MV Act and case law is essential.

Next Unit: Fire, Agriculture, Public Liability and Micro Insurance.