

## **Quadrant II –Notes**

**Paper Code: LWI0319 Module**

**Name: Scope and nature of motor insurance**

**Module No: 32**

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Motor Insurance is one of the important branches of insurances. It comes into existence when person seeking insurance in regards to his motor vehicle, only those people can take this insurance, who are the owners of motor vehicles. The definition of motor vehicles is provided under Motor Vehicles Act. It is a contract with insurer to indemnify him against loss or damage to the vehicle or against the third parties in respect of a death or bodily injury. It is the indemnity, It is the compensation which has been paid to the insured in case if there is any accident involving his motor vehicle, which has resulted in the injury to the third party.

It is governed by general law of contract. It includes all the essentials of a valid contract. in addition to the general laws, it has special features which are common to all insurances. These special features are. Utmost good faith that is both the parties to the contract shall observe utmost good faith, contract of indemnity, contract of subrogation, Insurable interest has to be observed, insurable interest is one of the important features.

Law governing motor insurance, the Indian Insurance Act, 1938 that dealt with the regulation and control of insurance business and not with regulating the relationship between the insurer and the insured except in the few matters of life insurance contract. General Insurance Business Nationalization Act, 1972. Indian Courts relied on the general principles of law of contract, decisions of Courts of England, opinion of eminent jurist while dealing with motor insurance contract. Motor vehicles Act. 1988 makes insurance of motor vehicles compulsory.

Compensation to the insured person or the injured person is possible because of this insurance. Compensation has to be paid by the person who has caused a loss and if he has insured his vehicle, then compensation shall be paid by the insurer with whom he has taken the insurance. If vehicle is not insured, the vehicle owner has to pay compensation.

Motor insurance and accident insurance are different from each other. They are attended with different legal incidences. Person may take a policy covering risk of death or accidental injury of another person. A policy covering his third-party liability for death

or personal injury if he is the owner of motor vehicle. it is always advisable to have the third-party liability insurance covered.

The proposal being the insured and the other person being the subject matter. subject matter is the other person i.e., third party he must have insurable interest in the other person. the injured person is entitled to claim compensation from vehicle owner and vehicle owner have to pay compensation to the injured party. it is not a contract of indemnity as a sum insured is predetermined one in motor insurance policy. Compensation amount is not predetermined some but It is assessed by the Court in case of claim arises on death or injury.