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ORIENTAL INSURANCE CO. LTD.

v.

SUNITA RATHI AND ORS.

DECEMBER 4, 1997

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[J.S. VERMA, CJ, S.P. BHARUCHA AND A.P. MISRA, JJ.]

C

Insurance—Accident of vehicle—Insurance obtained on same day—Express mention of effective date and time of commencement of insurance in the policy—Time of policy specified at 2.55 P.M.—Accident occurred prior to that time i.e. at 2.20 P.M.—Held in such a case liability is that of the owner and not of the insurer.

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A motor vehicle was involved in an accident which took place on 10th December, 1991 at 2.20 P.M. Thereafter on the same day at 2.55 P.M. the vehicle owner obtained insurance policy which expressly stated that the effective date and time of commencement of the insurance for the purpose of the Act was 10th December 1991 at 2.55 P.M. On the question of insurer's liability the High Court held that the owner of vehicle was not liable and that the insurer alone was liable. The Insurance Company made payment to the claimant in satisfaction of entire claim of the latter but preferred appeal before this Court for getting a decision on the question of its liability in such a situation.

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Allowing the appeal, this Court

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HELD : The conclusion reached by the High Court is clearly erroneous. The liability of the insurer arises only when the liability of the insured has been upheld for the purpose of indemnifying the insured under the contract of insurance. The High Court, without assigning any reason, has simply assumed that the owner of the vehicle was not liable and that insurer alone was liable in the present case. There is, thus a basic fallacy in the conclusion reached by the High Court on this point. The insurer cannot be held liable on the basis of the insurance policy in the present case, and therefore, the liability has to be of the owner of the vehicle. However, in the circumstances of the case, the amount already paid by the insurer to the claimants is not required to be refunded by claimants to the

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insurer. [202-C-G]

New India Assurance Co. Ltd. v. Ram Dayal & Ors., [1990] 2 SCR 570, explained and held inapplicable. A

M/s. National Insurance Co. Ltd. v. Smt. Jikubhai Nathuji Dabhi & Ors., (1996) 8 SCALE 695, relied on.

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 8504 of 1997. B

From the Judgment and Order dated 3.7.96 of the Allahabad High Court in F.A. No. 477 of 1996.

Jitender Sharma and B.K. Pal for the Appellant. C

Ashok K. Mahajan (NP) for the Respondents.

The Judgment of the Court was delivered by

VERMA, CJ. This appeal by the insurer involves for decision only a short point relating to its liability under the policy of insurance issued subsequent to the accident even though it was issued some time later on the same day. The Tribunal as well as the High Court have held against the insurer placing reliance on the two-Judge Bench decision of this Court in *New India Assurance Co. Ltd. v. Ram Dayal & Ors.*, [1990] 2 SCR 570. The question is whether that decision has been correctly applied in the facts of the present case. D E

The motor accident occurred on 10th December, 1991 at 2.20 PM. It was only thereafter the same day at 2.55 PM. that the insurance policy and the cover note were obtained by the insured, owner of the motor vehicle involved in the accident. There is express mention in the cover note that the effective date and time of commencement of the insurance for the purpose of the Act was 10th December, 1991 at 2.55 PM. The applicability of the decision in *Ram Dayal's* case (supra) has to be considered on these facts. In our opinion the decision in *Ram Dayal's* case (supra) is distinguishable and has no application to the facts of this case. The facts of that decision show that the time of issuance of the Policy was not mentioned therein and the question, therefore, was of presumption when the date alone was mentioned and not the time at which the insurance was to become effective on that date. In such a situation, it was held in *Ram Dayal's* case (supra) that in the absence of any specific time being men- F G H

A tioned, the logical inference to draw was that insurance became effective from the previous mid-night and, therefore, for an accident which took place on the date of the policy, the insurer became liable. There is no such difficulty in the present case in view of the clear finding based on undisputed facts that the accident occurred at 2.20 PM and the cover note was obtained only thereafter at 2.55 PM in which it was expressly mentioned that the effective date and time of commencement of the insurance for the purpose of the Act was 10.12.1991 at 2.55 PM. The reliance on *Ram Dayal's* case (supra) by the Tribunal and the High Court was, therefore, mis-placed, we find that in a similar situation, the same view which we have taken, was also the view in *M/s. National Insurance Co. Ltd. v. Smt. Jikubhai Nathuji Dabhi & Ors.*, (1996) 8 SCALE 695, wherein *Ram Dayal's* case (supra) was distinguished on the same basis.

D It follows that the insurer cannot be held liable on the basis of the above policy in the present case and, therefore, the liability has to be of the owner of the vehicle. However, we find the High Court, without assigning any reason, has simply assumed that the owner of the vehicle was not liable and that the insurer alone was liable in the present case. This conclusion, reached by the High Court, is clearly erroneous. The liability of the insurer arises only when the liability of the insured has been upheld for the purpose of indemnifying the insured under the contract of insurance. There is, thus, a basic fallacy in the conclusion reached by the High Court on this point.

F The question now is of the final order to make in the present case. We find that the insurer has made the payment to the claimants in the present case in satisfaction of the entire claim and it has been fairly stated by the insurer that this appeal was filed only for getting a decision on this point pertaining to its liability in such a situation. In the circumstances of the case, we deem it fit to say that the amount already paid by the insurer to the claimants is not required to be refunded by the claimants to the insurer.

G For the aforesaid reasons, the appeal is allowed. The judgment of the High Court and Tribunal are set aside. However, as indicated earlier, the claimants are not required to refund the amount already paid to them by the insurer.

T.N.A.

Appeal allowed.