



CIVIL

Welfare Rules as a Shield, Not a Sword: The Supreme Court's Landmark Ruling in Sarla Devi v. Reliance General Insurance

The Supreme Court's Landmark Ruling in Sarla Devi v. Reliance General Insurance 2026 INSC 575 | Decided: May 26, 2026 In a significant pronouncement that reinforces the constitutional imperative of just and equitable compensation under the Motor Vehicles Act, 1988 (the Act), the Supreme Court of India in Sarla Devi & Ors. v. Reliance General [...]

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PUBLISHED 3 June 2026

In a significant pronouncement that reinforces the constitutional imperative of just and equitable compensation under the Motor Vehicles Act, 1988 (the Act), the Supreme Court of India in *Sarla Devi & Ors. v. Reliance General Insurance Company Limited & Ors.* (2026 INSC 575) has clarified the precise contours of deductibility of ex-gratia financial assistance from motor accident compensation. The three-Judge Bench, speaking through Justice Vijay Bishnoi, held that while the principle against double recovery is well-established, it cannot be mechanically applied so as to extinguish the independent compensatory entitlement of a dependent who is ineligible to receive the benefit being set off.

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Background and Factual Matrix

On July 23, 2012, Sachin Kumar, a 25-year-old constable in the Haryana Police drawing a gross monthly salary of Rs. 16,230/-, met with a fatal road accident when a rashly driven Trola crossed onto the wrong side of the Rohtak-Jhajjar Road and collided with his motorcycle. The deceased died on the spot. His widow, minor daughter, mother, and father filed a claim petition before the Motor Accident Claims Tribunal, Rohtak (Tribunal), claiming Rs. 40,00,000/- in compensation under Section 166 of the Act.

The Tribunal, applying the settled principles in *Sarla Verma v. Delhi Transport Corporation*, (2009) 6 SCC 121, assessed the total compensation at Rs. 37,30,680/-, excluding the father from the category of dependents as he was a retired pensioner drawing a pension. The insurer appealed, and the Punjab and Haryana High Court, while affirming the Tribunal's computational methodology, deducted Rs. 29,21,400/- representing financial assistance payable under the Haryana Compassionate Assistance to the Dependents of Deceased Government Employees Rules, 2006 (the 2006 Rules), thereby reducing the final compensation to a mere Rs. 7,70,400/-. This drastic reduction prompted the claimants to approach the Supreme Court.

Legal Issues

The Supreme Court identified three central questions for determination. First, whether financial assistance payable under the 2006 Rules is liable to be deducted from compensation assessed under the Act to prevent duality of recovery under the head of loss of income. Second, whether such deduction could legitimately affect the mother's entitlement, given that she is not an eligible recipient under the 2006 Rules. Third, what the correct final quantum of compensation ought to be in the circumstances.

Rival Submissions

Senior Counsel for the appellants argued that the 2006 Rules constitute welfare legislation designed to provide immediate socio-economic relief to bereaved families and cannot be weaponised by the insurer to reduce its statutory liability under the Act. It was submitted that the High Court's blind reliance on *Reliance General Insurance Co. Ltd. v. Shashi Sharma*, (2016) 9 SCC 627, without appreciating the distinct circumstances particularly the mother's ineligibility under the 2006 Rules, resulted in a grave miscarriage of justice, leaving a dependent parent entirely without recourse.

The insurer, per contra, contended that the quantum awarded under the head of loss of dependency was entirely covered by the financial assistance payable under the 2006 Rules for the very same loss of income, and that the High Court's approach was

consistent with settled precedent. It was further urged that the deceased had joined service under a non-pensionable regime, rendering certain documents relied upon by the appellants inapplicable.

The Court's Analysis and Ruling

Deductibility of Benefits Under the 2006 Rules

Affirming the ratio in *Shashi Sharma* (supra), the Court held that financial assistance equivalent to the last drawn salary, payable under Rule 5(1) of the 2006 Rules, represents compensation for the same head of loss of income claimed under the Act. Permitting dual recovery under this head would constitute unjust enrichment of the claimants and offend the principle against double compensation. The deduction of Rs. 29,21,400/- from the total award was, therefore, upheld in principle. However, the Court clarified that benefits such as future salary escalations, provident fund, life insurance, and family pension remain outside the scope of the 2006 Rules and are not deductible.

The Mother's Independent Entitlement

The decisive turn in the Court's reasoning concerned the mother's position. Rule 3 of the 2006 Rules ties eligibility to the Family Pension Scheme, 1964. Under Para 4(ii) and (iii) of the 1964 Scheme, parents of a deceased government employee qualify for assistance only when the employee is unmarried or leaves behind neither a widow nor a child. Since the deceased was survived by both a widow and a minor daughter, the mother fell entirely outside the class of eligible recipients under the 2006 Rules. This position was further fortified by the Punjab and Haryana High Court's ruling in *Ram Kala Devi v. State of Haryana*, 2025 SCC OnLine P&H 12159.

Applying the set-off against the mother's share, therefore, had the effect of leaving her devoid of compensation on both fronts: she received nothing under the 2006 Rules, and the deduction extinguished her one-third share of the dependency award under the Act. The Court held that this outcome amounted to illegal enrichment of the insurer at the cost of a grieving, dependent parent and was wholly inconsistent with the mandate of just compensation articulated in *State of Haryana v. Jasbir Kaur*, (2003) 7 SCC 484.

Final Award

The Supreme Court modified the High Court's award by ringfencing the mother's one-third share of the loss-of-dependency compensation. The Court directed that Rs. 11,30,600/- (being one-third of Rs. 33,91,800/-) be awarded exclusively to the mother and not subjected to any set-off under the 2006 Rules. Adding this sum to the Rs. 7,70,400/- already awarded by the High Court, the total compensation payable was fixed at Rs. 19,01,000/-, with interest as originally directed by the Tribunal, payable jointly and severally by the respondents within eight weeks. This judgment offers a nuanced and significant calibration of the anti-double-recovery principle in motor accident jurisprudence. It establishes that while government-mandated welfare benefits may be set off against compensation for the same loss, such set-off must be applied with precision: only as against those claimants who are actually entitled to receive the benefit in question. A dependent who falls outside the eligibility framework of the benefit cannot bear the burden of a deduction that was never available to her.

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