



CONSUMER

Route Permit Technicality Cannot Defeat Motor Insurance Claim

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In *Sukhvir Singh v. United India Insurance Co. Ltd.*¹, the District Consumer Disputes Redressal Commission-II, U.T. Chandigarh, delivered a significant ruling on the interplay between motor vehicle permits and insurance liability. The Commission held that absence of a specific route permit for the Union Territory of Chandigarh could not be treated as a fundamental breach justifying repudiation of an insurance claim.

The decision reinforces a consistent judicial approach: *technical or regulatory infractions unrelated to the cause of accident cannot be invoked by insurers to defeat legitimate claims.*

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Factual Background

The complainant, owner of a truck bearing registration No. PB-65AN-0251, had insured the vehicle with United India Insurance Co. Ltd. for the period 18.08.2018 to 17.08.2019 with an IDV of ₹26,00,000.

On 09.07.2019, the truck met with an accident near Sector 25/38 (West), Chandigarh, resulting in substantial damage. The repair bill amounted to ₹3,07,790. The driver was holding a valid driving licence at the time of the accident.

Upon intimation, the insurer appointed a surveyor who assessed the loss. However, the claim was repudiated on 01.07.2020 on the sole ground that the vehicle did not possess a valid route permit to ply within Chandigarh, as its permit was issued for the State of Punjab.

The Insurer's Defence

The insurer contended:

- The vehicle was being plied in Chandigarh without a valid route permit.
- Such use violated the terms of the insurance policy and Section 66 of the Motor Vehicles Act.
- Therefore, repudiation was justified.
- Alternatively, liability, if any, was restricted to ₹2,31,854 as per survey assessment.

The case thus turned on a narrow but significant legal issue: ***Does absence of a specific route permit for the accident location amount to a fundamental breach disentitling the insured from claim?***

Key Legal Question: Fundamental Breach or Technical Irregularity?

The Commission made an important distinction: There is a difference between not having a route permit at all and having a route permit but not the relevant one for a specific territory.

In the present case:

- The vehicle did possess a valid route permit for Punjab.
- The accident occurred in Chandigarh.
- There was no allegation that the vehicle was being used for a prohibited purpose.

- The absence of a Chandigarh-specific permit had no causal nexus with the accident.

This distinction proved decisive.

Judicial Precedents Relied Upon

The Commission relied on established jurisprudence:

1. National Insurance Co. Ltd. v. Paramjit Kaur & Ors. (P&H High Court, 2016)

The High Court held that operating a vehicle outside its permit area does not automatically constitute a policy violation unless it is shown that the vehicle was used for a purpose not permitted.

2. United India Insurance Co. Ltd. v. Singhla Engineers & Contractors Pvt. Ltd.²(NCDRC, 2020)

The National Commission held that:

- There is a “huge distinction” between complete absence of permit and territorial irregularity.
- If the accident is unrelated to the permit condition, repudiation is unjustified.
- Such lapse amounts at best to a technical irregularity, not a fundamental breach.

3. Evidentiary Clarification

The complainant also placed on record testimony from the RTA Clerk, Patiala, stating that vehicles with Punjab permits are permitted to ply in Chandigarh, being the capital of Punjab. This further weakened the insurer's defence.

Commission's Observations on Insurance Conduct

The Commission made noteworthy remarks regarding insurer practices, citing the Supreme Court decision in *Dharmendra Goel v. Oriental Insurance Co. Ltd.*³ (2008), which criticized the “take it or leave it” approach of insurers when settling claims.

The Commission emphasized:

- Insurance is meant to cover unforeseen events.
- The accident was unforeseen and unrelated to permit status.
- No mala fide intent was attributed to the complainant.
- The repudiation was arbitrary and amounted to deficiency in service.

Final Directions

The complaint was **partly allowed**, and the insurer was directed to:

1. Pay ₹3,07,790 (repair cost).
2. Pay interest at 9% per annum from 01.07.2020 (date of repudiation) till realization.
3. Pay ₹25,000 towards compensation and litigation costs.
4. Comply within 60 days.

Legal Significance of the Ruling

This decision strengthens consumer jurisprudence in three important ways:

- 1. Reinforcement of Causal Nexus Principle:** An insurer must establish that the alleged policy violation had a direct connection with the accident. Mere regulatory infraction is insufficient.
- 2. Distinction Between Technical and Fundamental Breach:** Courts and consumer fora are increasingly unwilling to treat procedural lapses as fundamental breaches unless they alter the risk profile or contribute to the loss.
- 3. Curtailing Hyper-Technical Repudiations:** The ruling discourages insurers from relying on hyper-technical grounds that defeat the very purpose of insurance contracts.

Broader Implications

The decision aligns with the pro-consumer approach under the Consumer Protection Act.

For transport operators, the ruling provides reassurance that: Minor permit irregularities, absent mala fide intent or causal linkage, will not automatically nullify insurance protection.

For insurers, it reiterates:

- Repudiation must be reasonable, proportionate, and legally sustainable.
- Technical violations unconnected to risk cannot be weaponized to deny indemnification.

Conclusion

The Chandigarh District Commission’s ruling in *Sukhvir Singh v. United India Insurance Co. Ltd.* reaffirms a settled yet often contested principle: insurance contracts are contracts of indemnity, not traps of forfeiture.

Where the accident is genuine, the driver is licensed, the vehicle is insured, and the alleged breach is merely territorial and unrelated to the cause of loss, repudiation cannot stand.

In an era where insurers frequently invoke technical breaches to avoid liability, this decision reinforces that consumer protection law prioritizes fairness over formality.

For more details, write to us at: contact@indialaw.in

1. CONSUMER COMPLAINT NO. DC/AB1/44/CC/20/2021 [??](#)
2. II (2020) CPJ 184 (NC) [??](#)
3. (2008) CPJ 63 (SC) [??](#)

Related Practice Areas

Consumer Dispute