



INSURANCE

Supreme Court Clarifies Insurer Liability In Tractor-Trailer Accidents: Royal?Sundaram V. Honnamma

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Introduction

In a significant decision, the Supreme Court of India in *The Royal Sundaram Alliance Insurance Company Limited v. Smt. Honnamma & Ors*^[1] upheld the High Court's direction that the insurer must satisfy an enhanced compensation award following a fatal tractor-trailer accident. This judgment reinforces the principle that insurance cover extends to accidents caused by an insured prime mover, even if an attached trailer lacks separate insurance. It marks an important endorsement of the Motor Vehicles Act, 1988's welfare-oriented approach.

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Case Background

On February 29, 2012, Nagarajappa, employed as a laborer unloading soil from a tractor-trailer, suffered fatal injuries when the trailer overturned due to negligent driving by the tractor's driver. The victim's widow and two young daughters filed a claim before the Motor Accident Claims Tribunal (MACT), Harihar, seeking Rs. 10,00,000 in compensation. The MACT awarded Rs. 9,50,000 with 6% annual interest, holding the tractor owner and driver liable but absolving Royal Sundaram of liability on a finding that the trailer and its laborers were not covered under the policy.

High Court and Appeal

Dissatisfied, the claimants appealed (MFA No. 3659/2014) to the Karnataka High Court, which enhanced the award to Rs. 13,28,940, retaining the same interest rate, and held Royal Sundaram liable to pay. The Appellant insurer then sought special leave to challenge this direction, contending that Section 147 of the MV Act requires separate insurance for trailers and excludes laborers ("coolies") unless specifically insured under IMT 39.

Supreme Court's Key Observations

1. **Root-Cause Liability:** The Court observed that the accident occurred during operation of the insured tractor, which was the operative cause. The trailer's overturning was consequent to the tractor's motion and negligent driving, bringing the incident within the tractor's insurance cover.
2. **Statutory Interpretation:** Emphasizing the welfare-oriented language of the MV Act, the Court cited precedents *Ningamma v. United India Insurance*, *K. Ramya v. National Insurance* to hold that statutory third-party cover under Section 147(1)(b) applies to any liability arising from use of the insured vehicle, even if a trailer is attached. The court pointed out that practicality cannot be overshadowed by technicality.
3. **Distinguishing Contradictory Rulings:** While acknowledging decisions like *Dhondubai v. Gandigude* that denied insurer liability for uninsured trailers, the Court distinguished those on facts—there, the trailer was a stand-alone cause. Here, the tractor's negligent operation drove the sequence of events.
4. **Policy Terms and Recovery:** The insurance policy's "IMT 48" (trailers) and "IMT 39" (coolies) endorsements set nominal premium loadings. The Court held the insurer liable to pay the full enhanced award but granted liberty to recover the differential (beyond the policy limit or applicable statutory maximum) from the tractor owner (Respondent No. 4).

Author's Commentary

This ruling lucidly affirms that technical distinctions like separate trailer registration cannot thwart the core purpose of motor insurance: to ensure prompt compensation for accident victims. By identifying the tractor as the 'root cause', the Court upholds a pragmatic, non-technical approach aligned with social justice. It avoids penalizing victims or their families for policyholder

omissions, while preserving insurers' contractual rights through recovery from owners.

Broader Implications for Stakeholders

- For Claimants: The decision offers reassurance that insurers cannot evade liability through narrow construction when the insured vehicle sets events in motion.
- For Insurers and Owners: While insurers must honor awards causally linked to an insured vehicle, they retain a clear right to subrogate against owners for uncovered exposures, preserving commercial fairness.
- For the Judiciary: The judgment is a template for interpreting indemnity provisions purposively, favoring substantial justice over hyper-technicalities.

Conclusion

The Supreme Court's judgment in *Royal Sundaram v. Honnamma* strikes a balanced path ensuring victims' families receive due recompense while respecting insurers' contractual boundaries. Its emphasis on causal nexus and welfare orientation should guide future disputes in the motor accident claims arena.

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^[1] 2025 INSC 625