



INSURANCE

A Breach Too Far: Court Exonerates Insurer After Agricultural Tractor Used for Wedding Procession

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On a late May evening in 2004, two men walking along a quiet road in Satna district found themselves in the path of a speeding tractor. What followed was not just a tragic accident, but a legal battle that would traverse over two decades, raising critical questions about insurance liability, vehicle misuse, and the boundaries of compensation. The case, culminating in a significant judgment by the Madhya Pradesh High Court on 24 September 2025, offers a stark reminder of the legal consequences of violating insurance policy terms.

The incident occurred on 29 May 2004, around 9:00 PM, when Shivram Chaudhary and Sukhlal Chaudhary were walking from Satna towards Lohroua village. A tractor, bearing registration number MP19A6092 and driven by Virendra Singh, allegedly collided with them in a reckless manner. Shivram sustained a fracture in his hand, while Sukhlal suffered a fractured collarbone and other injuries. Both men filed separate motor accident claims before the 3rd Additional Motor Accidents Claims Tribunal in Satna.

In its award dated 20 August 2007, the tribunal held that Shivram was entitled to ₹30,000 and Sukhlal to ₹10,000 as compensation. The New India Insurance Company Ltd., which had insured the tractor, was directed to pay these amounts but with the liberty to recover the same from the vehicle's owner and driver. This conditional liability often termed "pay and recover" became the focal point of subsequent legal challenges.

Three appeals arose from this award. Shivram Chaudhary, feeling aggrieved by the inadequacy of the compensation, filed Miscellaneous Appeal No. 448 of 2008 seeking enhancement. Meanwhile, the insurance company, disputing its liability altogether, filed two separate appeals Nos. 4747 and 4873 of 2007 challenging the tribunal's decision to hold it responsible even on a "pay and recover" basis. All three appeals were clubbed and heard together by the Madhya Pradesh High Court at Jabalpur, presided over by Justice Himanshu Joshi.

The insurance company's primary contention was that the tractor had been insured strictly for agricultural purposes. However, at the time of the accident, it was being used to ferry wedding guests with the claimants themselves riding as passengers. This, the insurer argued, constituted a fundamental breach of the policy terms. It further submitted that the driver lacked a valid license on the date of the incident. Crucially, the First Information Report (FIR) lodged by Shivram Chaudhary himself mentioned that the tractor was carrying Baratis, a fact later acknowledged by the tribunal.

The claimants, through their counsel, countered that the compensation awarded was grossly insufficient. Shivram, a 50-year-old man, had suffered significant physical and financial setbacks. His injuries had impaired his ability to earn, and the tribunal had failed to assess the long-term impact on his livelihood. The meagre award, they argued, did not reflect the pain, suffering, and economic loss endured by him and his family.

The owner and driver of the tractor, meanwhile, distanced themselves from responsibility. They denied that the vehicle was involved in the accident at all, suggesting that it had been falsely implicated. They also contended that, in any event, the insurance company should bear the financial burden since the vehicle was insured.

In its judgment, the High Court carefully examined the evidence and the legal principles involved. It noted that the tribunal had already accepted that the tractor was being used to transport Baratis at the time of the accident. This was not a minor or technical deviation but a clear instance of the vehicle being used for a purpose entirely unrelated to its insured use. The court emphasized that insurance policies are not mere formalities; they are solemn contracts that define the scope of risk assumed by the insurer. When a vehicle is used in a manner that fundamentally alters that risk, the insurer cannot be compelled to cover the resulting loss.

To reinforce its reasoning, the court cited the Supreme Court's rulings in *Oriental Insurance Co. Ltd. v. Premalata Shukla and Balu Krishna Chavan v. Reliance General Insurance Co.*, both of which held that insurers are not liable when vehicles are used in violation of core policy conditions, especially when such use involves carrying unauthorized passengers. The court also referred to its own earlier decision in *United India Insurance Co. v. Poonamchand*, where a similar principle was applied.

The court further observed that directing the insurer to "pay and recover" in such cases would undermine the very purpose of conditional coverage. The doctrine of "pay and recover" is typically invoked to ensure that victims receive timely compensation while preserving the insurer's right to reclaim the amount from the wrongdoer. However, this remedy is not available when the breach of policy terms is fundamental and deliberate. In such cases, the burden must shift entirely to the owner and driver of the vehicle.

While the court exonerated the insurance company, it also acknowledged the claimant's plea for enhanced compensation. After reviewing the medical records and considering the nature and duration of Shivram's injuries, the court concluded that the original award of ₹30,000 was inadequate. It accordingly enhanced the compensation to ₹50,000, noting that this amount better reflected the physical pain, medical expenses, and long-term impact on the claimant's life. The enhanced sum would also carry interest as originally awarded.

In its final order, the court directed the owner and driver of the tractor to jointly and severally deposit the compensation amount including the enhanced portion within 30 days. Failure to comply would expose them to execution proceedings. The insurance company was relieved of all liability, and any amount it had previously deposited was to be refunded. If Shivram had already withdrawn any sum from the insurer's deposit, the company was granted the right to recover it from the owner and driver.

This judgment is a cautionary tale for vehicle owners and drivers who may be tempted to overlook the fine print of their insurance policies. It reiterates that insurance coverage is not a blanket guarantee but a conditional promise that must be honoured within the boundaries of the law. The court's refusal to extend the "pay and recover" mechanism in cases of gross policy violation shows the need for responsible vehicle use. At the same time, the enhancement of compensation for the victim reflects the judiciary's enduring commitment to ensuring that injured parties are not left without redress even if the final financial responsibility must lie with those who breached the trust placed in them. For further details write to contact@indialaw.in

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