

# Madras HC puts order on bumper-to-bumper cover for new vehicles on hold

Updated at September 1, 2021 20:20 IST

The Madras High Court on Wednesday has put its order mandating bumper-to-bumper cover for new vehicles sold from September 1 in abeyance for the time being. It has adjourned the matter to September 13 when it will hear the General Insurance Council (GI Council), which had moved the court last week, seeking some clarifications on the order.

The council has asked the court to grant the insurance companies 90 days' time to effect changes in the computer system after due approval from the insurance regulator.

Sources aware of the development said, "The GI Council wants to clarify what the court means by bumper-to-bumper. It wants to know if the court was referring to package policies--own damage and motor third party--when it said bumper-to-bumper cover."

It is important to note that motor third-party insurance is mandatory in the country after the Supreme Court's ruling. So if the Madras High Court is referring to comprehensive cover, then own damage cover may also become mandatory.

In its order, the high court had said that whenever a new vehicle is sold after 1.9.2021, it is mandatory for coverage of bumper-to-bumper insurance every year, in addition to covering the driver, passengers, and owner of the vehicle, for a period of five years.

The council is seeking clarification that if such policies for five years have to be sold in one go or if they have to be sold every year for five years. Also, they have sought clarification on which class of vehicles it will be made mandatory for, the source quoted above said.

The high court has issued notices to GI Council and the insurance regulator and will hear them on September 13. The court noted that both the insurance regulator and the GI Council are important parties in the case hence they have been impleaded in the matter.

The insurance industry is in no way opposing the Madras High Court. Because, if the judgment is followed in letter and spirit, it would be a huge positive for the insurers, who are anyway bleeding when it comes to the motor portfolio.

While third-party motor insurance is mandatory, own damage is optional. And, despite third-party motor insurance being mandatory, approximately 40 per cent of the vehicles are insured, according to industry estimates.

Insurers did welcome the judgment of the Madras High Court but they had said the best way to move forward would be by holding consultations with the insurance regulator.

The source quoted above said if the GI Council will ask substantial time from the court to implement its order as the agents have to be trained and products have to be tweaked.

While insurers have welcomed the move of the Madras High Court, the auto dealers have said it will further hurt the pandemic-battered auto industry. If the court's directive is implemented in letter and spirit, it will most likely increase the acquisition cost of new cars, just ahead of the festive season.

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Resource: Business Standard, 01 September 2021

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Prima facie, it will lead to an increase in the insurance outgo for car owners (depending on its price) by a minimum Rs 50,000 for car and a minimum of Rs 7,000 for two-wheeler owners, an expert had said.