

Dishonor of Cheque - Cancellation of Insurance Policy – Effect.

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Section 147 M.V. Act lays down the requirements of the polices and the limits of liability in respect of passengers and persons other than passengers in relation to passenger and goods vehicles.

Where the policy of insurance is issued by an authorized insurer to cover a vehicle on receipt of the cheque gets dishonored and before the accident of the vehicle occurs, such insurance company cancels the policy and sends intimation thereof to the owner, company's liability to indemnify the third parties ceases .

United India Insurance Co. Ltd. v. Laxmamma, AIR 2012 SC (2817).

- Cheque issued for premium was dishonored and policy was canceled much prior to occurrence of incident. Intimation of cancellation was given by the insurance company to the owner of the vehicle. Held, insurer was not liable to pay compensation to the claimants, owner was liable to pay compensation.

Oriental Insurance Co. Ltd. Tumkur v. Drakshayanamma, AIR 2011 Kar. 159: AIR 2008 SC 767, relied on.

In nutshell, if the contract of insurance has been canceled and all the concerned have been intimated thereabout, the insurance company would not be liable to satisfy the claim.

THANKS