THE CHARADE OF JUST COMPENSATION: A CRITICAL REVIEW OF THE MOTOR VEHICLES ACT, 1988

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ABSTRACT

This essay critically analyzes the process of motor vehicle accident claims in India from a legal point of view. Even after statutory changes and judicial interventions, the victims still suffer from delays, low compensation, and systemic inconsistencies. The analysis identifies three main issues: whether or not the existing system offers just and equitable relief, how digital technologies can transform efficiency and transparency, and whether India should implement a more extensive social insurance scheme.

Keywords: Just Compensation; Motor Vehicle Accident Claims; No-Fault Liability; Legal Technology; Social Insurance Reform.

1. INTRODUCTION

Road accidents are not accidents but systemic failures of the transport and judicial system of a nation. India, with a world-leading rate of road accident fatalities, has a well-established statutory and judicial system to address the aftermath and the compensation given to the victims. The Motor Vehicles Act, 1988 (amended in 2019), and the series of Motor Accident Claims Tribunals (MACTs) are the pillars of this system. But its efficacy, equity, and sufficiency are debatable.

So, like, the Ministry of Road Transport and Highways (MoRTH) Report 2022[1] says that India had 4,61,312 road accidents in 2022, which led to 1,68,491 deaths and 4,43,366 injuries. That means there was almost one accident every minute and one death every three minutes. Even though there's this insurance thing under Chapter XI of the Motor Vehicles Act, a lot of vehicles are still uninsured or not fully insured, making life even tougher for the victims. These stats really show how important it is to check if the current claims system is actually doing its job

[1] Ministry of Road Transport and Highways (MoRTH) Report, *Road Accidents in India 2022.*

to protect life and dignity under Article 21[2].

Historically, Indian accident compensation has developed from a rigid fault-based liability system under common law to a more sophisticated system of no-fault liability under Section 140[3], structured formula of compensation under Section 163A[4], and compulsory third-party insurance under Section 146[5]. Judicial interventions have also expanded the scope of compensation by introducing principles of just, fair, and reasonable relief. Sarla Verma v. DTC (2009)[6] instituted standardized multiplier approaches, while National Insurance Co. Ltd. v. Pranay Sethi (2017)[7] established guidelines on future prospects and non-pecuniary damages. Despite these developments, claims are mired in procedural delays and whimsical awards, defeating the very purpose of social security.

So, they established these Motor Accident Claims Tribunals (MACTs) to speed things up, right? The answer to that is no. The pendency just keeps increasing. As per the IRDAI's 2022 report, it takes over four years, on average, to dispose of third-party motor insurance claims, and nearly half of the pending cases have been pending for over three years.[8] All this delay completely defeats the "immediate relief" intention of the no-fault principle, with victims waiting in a never-ending battle for the compensation owed to them.

The Motor Vehicles (Amendment) Act, 2019[9] had brought in reforms like increased penalties, obligatory insurance coverage for all road-users, hit-and-run compensation funds, and electronic monitoring features. The enforcement, however has otherwise been half-hearted, and the underlying cause of uniform, time-bound, and equitable compensation persists. The deployment of digital technology like e-MACT courts, web-based claim filing portals, Aadhaar-enabled accident reporting systems, and possible AI-driven damage estimation has been talked about but not implemented in full force.

So, this study is actually motivated by the fact that there's a huge disconnect between what the law is and what happens on the ground. The question here isn't simply whether victims are

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[2] INDIA CONST. art. 21.
[3] Motor Vehicles Act, 1988, § 140, No. 59, Acts of Parliament, 1988 (India).
[4] Motor Vehicles Act, 1988, § 163A, No. 59, Acts of Parliament, 1988 (India).
[5] Motor Vehicles Act, 1988, § 146, No. 59, Acts of Parliament, 1988 (India).
[6] Sarla Verma v. DTC, (2009) 6 SCC 121.
[7] National Insurance Co. Ltd. v. Pranay Sethi, AIR 2017 SUPREME COURT 5157.
[8] https://timesofindia.indiatimes.com/business/india-business/10-46-lakh-motor-accident-claims-worth-rs-80455-crore-pending-nationwide-rti/articleshow/110439138.cms (last visited May 6, 2026).
[9] Motor Vehicles (Amendment) Act, 2019, No. 32, Acts of Parliament, 2019 (India).

paid, but whether they're paid sufficiently, in a timely manner, and in a manner that actually reflects India's commitment to social justice. By exploring the laws, previous court rulings, and what other nations do, this paper is going to address three key issues: whether the compensation is sufficient enough, how technology can transform how claims are processed, and whether we can move towards a better social insurance model. Briefly, the introduction sets the stage for an honest examination of the scenario: India has an abundance of motor accident compensation legislation; it lacks an explicit and forward-looking system that prioritizes victims at the cost of procedure. Unless the system of law is altered, statutory entitlements and ground realities will keep diverging and trap accident victims in official limbo.

2. REVIEW OF LITERATURE

Kumar P. Ramji (2023)[10] in his paper examined the legal and procedural mechanisms of motor accident claims in Chennai. His study found claimants are frequently subjected to high advocate fees, delays, and low levels of awareness of legislative reforms such as the Motor Vehicles Amendment Act of 2019. Therefore, despite new regulations such as having to submit a First Accident Report (FAR) within 48 hours, Ramji discovered that things still remain in disarray. This research is very important because it highlights the gap between what the law stipulates regarding receiving fast and equitable assistance and what really happens to accident victims in a system that is just overwhelmed.

Thus, Singh and Azzariti (2022)[11] closely analyze what exactly insurance claim adjusters do under the Motor Vehicle Insurance Act of 1988. From their paper, it can be seen that these claim adjusters, who are supposed to be the go-betweens of the insurers and the claimants, delay matters and make the entire settlement process very confusing.

The authors also refer to the dilemma of add-on insurance policies promoted as all-encompassing covers and often having inherent exclusions that are burdensome to policyholders in claims. Significantly, they reveal how regulatory supervision by the Insurance Regulatory and Development Authority of India (IRDAI) continues to be insufficient to

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[10] Kumar P. Ramji, *An Empirical Analysis of Legal and Procedural Dynamics in Motor Accident Compensation Claims and Awareness and Implementation of the Motor Vehicle Amendment Act, 2019 in Chennai*, 6 INT'l J.L. MGMT. & HUMAN. 1534, 1534-1568 (2023).

[11] Jayshree Singh & Salvatore Tolone Azzariti, *Claim Adjusters' Enforcement and Claimant's Liability: A Study of Car Insurance Cover and Policy in Perspective of the Motor Vehicle Insurance Act in India*, 5 INT'l J.L. MGMT. & HUMAN. 632, 632-650 (2022).

safeguard claimants from insurer control. This book brings out the structural power imbalance of the claims process, where economically and legally vulnerable victims are usually placed against shrewd insurance companies.

Through case law like National Insurance Co. v. Baljit Kaur[12] and S. Iyyapan v. United India Insurance, the research illustrates how courts have attempted to extend insurer liability so that third-party coverage is assured. K. Srimadhivadhanah (2023)[13] in his paper identifies the limits of this exercise while the victim is compensated, the loss of the insured driver himself is still not covered unless a comprehensive policy is taken out, which is still out of the reach of many. This doctrinal analysis brings out the tension between legislative compulsions and real availability of justice, particularly in a nation where huge numbers of vehicles still keep moving without valid insurance.

Sanjana Mahesh's 2022 paper[14] explores the larger canvas of insurance law, providing us with a fair idea of how insurance regulation operates in India. While not solely concerned with motor accident claims, her study places motor vehicle insurance within a fragmented regulatory framework of law and regulation comprising the Insurance Act of 1938 and the IRDAI Act of 1999. Mahesh demonstrates how liberalization and privatization have opened up the industry but brought inconsistency to consumer protections that render victims of accidents at the mercy of insurer discretion. Her study is significant in placing motor accident compensation not as an isolated issue but as part of the full picture of insurance regulation.

Lastly, Aditi Sahu (2023)[15] contends in her paper that although autonomous vehicles might lower accidents, they introduce fresh uncertainties in apportioning liability. If an accident were to be blamed on the owner, the manufacturer, or the software company, the present Act, written years ago when AI driven vehicles were merely a dream, gives no straightforward answers. Although autonomous vehicles are unknown in India, this work is important in bringing up an awareness issue regarding the unsuitability of conventional regimes of liability in the context of emerging technologies. So, if you look at all these studies collectively, a few things stand

[12] National Insurance Co. v. Baljit Kaur, 2004 AIR SCW 212.

[13] K. Srimadhivadhanah, *Insurance of Motor Vehicles against Third Party Risks*, 2 LEGAL LOCK J. 87, 87-98 (2023).

[14] Sanjana Mahesh, *Analytical Study of Insurance Law Regulations in India*, 4 INDIAN J.L. & LEGAL RSCH. 1, 1-15 (2022).

[15] Aditi Sahu, *An Analytical Study on the Legal Liability Caused by Autonomous Vehicles with Reference to the Motor Vehicles Act of 1988*, 5 INDIAN J.L. & LEGAL RSCH. 1, 1-10(2023).

out.

First, it's not that India lacks laws, that we have plenty, the issue is getting the laws to work. Even with changes such as the 2019 Amendment that are meant to simplify things for claims and better protect victims, the weak enforcement guarantees that people hardly ever get to see their rights actually materialize into anything beneficial. Second, there is this massive power imbalance between claimants and insurance companies, and it gets worse with the unscrupulous behaviour of claim adjusters and the absence of regulatory oversight. Third, while third party insurance is considered a critical social law, it kind of falls short in that so many cars are uninsured and the coverage is not very comprehensive. Lastly, the studies reveal that while some experts are finally looking at how technology is implicated such as with digitizing claims and upcoming things like autonomous vehicles there's still no definite plan for how to integrate these changes into the claims process.

Therefore, the literature reviewed provides a decisive basis: India's motor accident compensation system is characterized by progressive legislation and sound case law, but tainted by systemic lethargy, unequal processes, and technological disconnect. This research expands upon those insights by inquiring whether compensation is actually sufficient, whether electronic reforms can revolutionize adjudication of claims, and whether India must consider shifting towards a social insurance model that more accurately represents the collective social costs of road accidents.

3. OBJECTIVE

The objective of this paper is to ascertain the following-

1. To probe if the manner in which compensation is provided under the Motor Vehicles Act is fair and sufficient to help the victims of the accident.

2. To study the level of digital technologies used to increase efficiency and transparency of motor accident claims and legal protection needed.

3. To examine the possibility of moving away from India's system of partial no-fault liability towards a more extensive social insurance system based on lessons from comparative international experience.

4. METHODS

This research adheres to a doctrinal research methodology, primarily dealing with the Motor Vehicles Act, 1988 till the 2019 amendment, applicable rules, and judicial precedents that have shaped motor accident compensation law in India. The important Supreme Court and High Court rulings such as Sarla Verma v. DTC and Pranay Sethi v. National Insurance Co. Ltd. are, in the end, what forms the legal argument.

The study also relies on secondary data from Ministry of Road Transport and Highways (MoRTH) reports, Insurance Regulatory and Development Authority of India (IRDAI) reports. These reports provide statistical information on road accidents, claim settlement timelines, pendency rates, and insurance penetration.

Lastly, the research is conducted with an interdisciplinary approach, combining public policy, economic, and technology insights. This enables new issues like the employment of AI based assessment tools and e-court platforms to be investigated with constitutional and ethical protection in mind.

5. DISCUSSION

1) Social Justice and Fair Pay

The promise at the heart of the Motor Vehicles Act is that victims of accidents are entitled to just, fair, and reasonable compensation. But the asking question is: does the system deliver on this constitutional promise, or has the system become a charade of formulaic calculation that seldom comes close to estimating human loss?

The development of India's compensation law displays a gradual shift away from an entirely fault based system to a partial no fault regime. Under the old common law system, fault by the driver had to be established by claimants, which was time consuming and hard to establish. The Motor Vehicles Act, 1988 provided Section 140[16] i.e. no fault liability and Section 163A[17] i.e. formula based scheme for compensation to bypass these obstacles. In this paper, these progressive victims no longer have to establish fault in some cases, and tribunals can fall back on formulaic guidelines to determine damages. In reality, though, these provisions have been

[16] Motor Vehicles Act, 1988, § 140, No. 59, Acts of Parliament, 1988 (India).
[17] Motor Vehicles Act, 1988, § 163A, No. 59, Acts of Parliament, 1988 (India).

criticized for providing too little, too late.

Let's consider section 163A[18] for an example. The compensation is computed on a formula-based system incorporating the victim's age and earnings. But the income limits in the Second Schedule were irretrievably out of date, based on the time when the economy and wage patterns were vastly different. Direct judicial efforts, like in Sarla Verma v. DTC (2009) when the Supreme Court rationalized the multiplier system, have not been able to solve the fundamental issue: formula-based systems are prone to undercompensating victims in a nation with vast income and cost-of-living differentials. The alleged efficiency of the formula winds up trading individualized justice.

So, in National Insurance Co. Ltd vs Pranay Sethi (2017)[19], the Supreme Court attempted to rectify some of the problems by introducing "future prospects" and codifying non-pecuniary damages (such as loss of consortium) in a more standardized way. It was a welcome move, but the tribunals are still required to adhere to reasonably strict guidelines. The actual problem isn't that the judges aren't going to assist; the problem is simply that even the highest courts are sort of stymied by a law that wasn't drafted to fit India's changing social and economic realities.

Then there are the issues of delays. MACTs were set up as specialized courts to deliver speedy justice, but pendency figures indicate otherwise. The average duration for settlement of third-party motor insurance claims is more than four years, and nearly half of the cases are pending for more than three years, according to the IRDAI Annual Report 2022[20]. To a family that loses its breadwinner, having to wait years for compensation is not "just, fair, or reasonable"–it is barbaric. Procedural delays, adjournments, and insurer tactics of slowing down cases in appeals all contribute to this erosion of justice.

This is compounded by uninsured and underinsured cars. Compulsory third-party insurance under Section 146 is not implemented. MoRTH's Road Accident Report 2023 revealed that nearly 30% of vehicles involved in accidents were uninsured at the time of collision. For the victim, this means seeking compensation from a driver who typically does not have the funds to compensate, or seeking the hit-and-run compensation schemes that offer a negligible fixed

[18] *Id.*
[19] Pranay Sethi, supra no.8, at 680.
[20] Insurance Regulatory and Development Authority of India, Annual Report 2021-22.

sum.

And what about social justice? Courts have interpreted Article 21[21] of the Constitution to encompass the right to life in dignity. Compensation for accidents is not, therefore, a statutory right; it is part of India's constitutional commitment to the protection of life. Yet, as the Law Commission of India[22] observed, compensation awards in motor accident claims are often ad hoc and inconsistent between jurisdictions. Victims in one state may receive twice the value paid to victims in another state for the same injuries, undermining equality before law under Article 14[23]. It is time to face the elephant in the room: is compensation in India social security, or merely damages in the law of torts? Courts have oscillated between these worldviews, sometimes emphasizing the social welfare role of the MV Act and sometimes perceiving claims as adversarial litigation. This confusion is such that the compensation system is neither protectionist to the extent (like social insurance models elsewhere) nor purely deterrent (like tort systems). Instead, it is stuck in a confused middle ground, pleasing neither victims nor insurers.

2) **Technology and Institutional Reform in Motor Vehicle Claims**

India boasts of digital transformation Aadhaar, UPI, DigiLocker but the motor accident claims process continues to operate like in the 1980s. MACT office files gather dust, FIRs are typed out, and claimants have to go running between insurer and lawyer and tribunal. The vision of Digital India has hardly impacted this industry.

One of the most significant reforms came with the Supreme Court’s directions in Jai Prakash v. National Insurance Co. Ltd. (2010), where the Court mandated preparation of a First Accident Report (FAR) within 48 hours and its electronic transmission to the tribunal and insurer. This was supposed to reduce disputes on facts and expedite claims. Yet, Ramji’s 2023 empirical study showed that in practice, FARs are irregularly filed and often incomplete. Police indifference, poor training, and ineffectual inter-departmental coordination render what could have been a revolutionary step ineffective. Technology is there, but the human system cannot yet come to terms with it.

[21] INDIA CONST. art. 21.
[22] Report No. 249, 2014.
[23] INDIA CONST. art. 14.

Indian tribunals could apply AI systems to pre-estimate payment of bodily injury compensation by connecting medical histories, age, income, and multiplier formulas. This would significantly reduce the time taken by tribunals to spend on fact-finding. But here is the danger. The algorithms are just as biased as their training data. In a nation with questionable data integrity and enormous economic disparity, AI might readily copy systemic biases, undervaluing damages to lower-income victims. Absent strong statutory protections, technological efficiency might cost justice.

One other little-discussed area is blockchain-based insurance verification. Uninsured vehicles are one of the largest obstacles to victims. MoRTH's 2023 report had mentioned that approximately 30% of insured vehicles involved in accidents were uninsured at the time. Blockchain would make it possible to create a central, tamper-evident database of insurance policies, available to police and tribunals immediately. It would avoid fake policies, lapsed coverage, and litigation over insurer responsibility. But India's insurance market is still fragmented, and consolidation among dozens of insurers would ask IRDAI to demonstrate a degree of regulatory coordination it has never done before.

We also need to discuss Good Samaritan protection and online reporting. The 2019 Amendment acknowledged Good Samaritans who render assistance to accident victims, yet police harassment still keeps bystanders away. A mobile application through which Good Samaritans can report accidents digitally, with GPS tagging automatically and anonymized identities, could facilitate citizen engagement without compromising fast FAR generation. There is, however, no such national initiative. This lack once again reveals the complacency of policymakers who are willing to proclaim reforms but not implement them.

Most importantly, technology cannot be analyzed independent of institutional reform. Even if e-filing, AI-assessment, and blockchain databases are implemented, the system will not work if tribunals continue to be understaffed and insurers keep taking advantage of legal loopholes. The Law Commission of India report[24] made it very clear that unless MACTs are occupied with sufficient judges, support staff, and computerized processes, statutory reforms will be dead letters.

To sum up, technology can potentially revolutionize the claims process in three ways which

[24] Report No. 272, 2017.

could be by speeding up filings of FARs and e-MACT, by making assessments more streamlined (AI-based tools), and by making insurance coverage data more secure (blockchain). But its dangers are also evident: duplicating biases, constructing cyber exclusion for illiterate victims and internet denials, and increasing the power imbalance between insurers and claimants. If technology is not combined with robust regulatory control, victim-focused protections, and institutional change, the digital revolution in motor accident claims will be more lip service than substance.

The take away is simple: India needs enforceable digital mandates supported by institutional responsibility, not additional apps. Otherwise, motor accident victims will still wait years to get paid only this time, they'll be gazing at a glowing computer monitor rather than a dusty file.

3) **Possible Reforms?**

The existing system has a structural flaw. While on the one hand the law acknowledges that the establishment of negligence is onerous and therefore embraces no-fault liability, most serious cases continue to necessitate claimants to prove fault in order to receive greater compensation. As the Law Commission candidly noted in its 190th Report (2007), "The balance between social justice and financial liability has tilted neither towards victims nor insurers, resulting in systemic dissatisfaction."

The constitutional dimension cannot be ignored. Article 21, safeguarding the right to life, has been read to include access to prompt medical care and compensation for unjust loss. A system that forces widows and children to fight insurers for a decade to receive damages can be argued to be unconstitutional in spirit, if not in law. The Supreme Court in Rajesh v. Rajbir Singh (2013) observed that "just compensation" was a statutory right, and not alms. If that principle is taken seriously, a victim-focused insurance fund becomes less a matter of policy choice and more of constitutional obligation.

The Motor Vehicles Amendment Act, 2019 took a small step in the right direction with the mandatory insurance of a select category of road users through the Motor Vehicle Accident Fund. But the scheme is skeletal, underfunded, and symbolic. To be an actual social insurance model, the funding will need to be universal-either through a fuel levy, road tax, or compulsory insurer contribution. The economic case is compelling: road accidents cost India up to 3% of GDP per year (World Bank, 2021). Spending even a portion of that in a centralized accident compensation fund could keep lakhs of families out of poverty every year.[25]

To be exact, a social insurance model is not the answer to everything. It is vulnerable to moral hazard-drivers becoming careless if they are assured of compensation regardless of who is at fault. This can be offset by strict enforcement of traffic laws, hefty penalties, and criminal penalties for gross misconduct (drunken or irresponsible driving, for instance). What it does not do is the callousness of the present system, wherein it takes years to prove negligence and wherein insurers utilize procedural technicalities. So, should India shift to a social insurance system? If the objective is efficiency, equity, and constitutional justice, then the response is affirmative. The existing hybrid system is in tatters-it pays too little and deters too little too. A social insurance system, even on a phased basis, could provide a humane option: treating indemnity for accidents not as adversarial litigation but as a social guarantee. The longer India holds on to its archaic fault-based system, the more accident victims will pay the price of institutional delay.

6. CONCLUSION

The analysis of India's motor vehicle claims mechanism reveals an uncomfortable truth. The system appears progressive on paper but fails in practice. Statutory innovations like structured formulas, no-fault liability, and specialized tribunals promised swift and fair relief. Yet delays, under-compensation, and inconsistent awards continue to shake victims' trust in the law.

The first objective, assessing the adequacy of compensation, showed that victims receive bureaucratic calculations instead of real justice. Tribunals are constrained by outdated schedules, and insurers take advantage of every loophole. The second objective, evaluating the role of technology, exposed another paradox. Digital tools, AI assessments, and blockchain verification could make claims processing faster and more transparent. However, institutional resistance, uneven adoption, and the risk of bias mean that technology has mostly increased inefficiencies rather than resolved them. It is noteworthy that without enforceable mandates and accountability, e-MACT will stay a slogan instead of becoming reality. The third objective, considering a social insurance model, raises an uncomfortable but necessary debate.

In India, the economic burden of road accidents already supports the need for a pooled social

[25] https://www.thehindu.com/news/national/india-losing-3-of-gdp-annually-due-to-road-accidents-gadkari/article69372892.ece (last visited May 6, 2026).

fund. The barrier is not cost but political will. In short, the current system cannot deliver "just compensation." If constitutional values of dignity and equality are to hold any weight, India must move beyond adjusting formulas and adopt a victim centered social insurance framework.