

ITEM NO.12

COURT NO.12

SECTION XII

S U P R E M E C O U R T O F I N D I A
RECORD OF PROCEEDINGS

PETITION FOR SPECIAL LEAVE TO APPEAL (C) NO. 1003/2022

[Arising out of impugned final judgment and order dated 21-04-2021 in CMA No. 2985/2011 passed by the High Court of Judicature at Madras]

NATIONAL INSURANCE COMPANY LIMITED

PETITIONER(S)

VERSUS

K. SARAVANAN & ORS.

RESPONDENT(S)

Date : 02-04-2026 This petition was called for hearing today.

CORAM :

HON'BLE MR. JUSTICE AHSANUDDIN AMANULLAH
HON'BLE MR. JUSTICE R. MAHADEVAN

For Petitioner(s) :Mr. Manu Luv Shahalia, Adv.
Ms. Manjeet Chawla, AOR
Ms. Usha Pant Kukreti, Adv.
Ms. Jyoti, Adv.

For Respondent(s) :Mr. Goutham Shivshankar, AOR

Mr. G. Balaji, AOR
Ms. Arzu Paul, Adv.
Mr. Shiv Kumar, Adv.
Ms. Vaishnavi, Adv.

Mr. Vipin Sanghi, Sr. Adv.
Mr. Amit Anand Tiwari, Sr. A.A.G.
Mr. Sabarish Subramanian, AOR
Mr. Veshal Tyagi, Adv.
Mr. Muthu Mayan R, Adv.
Mr. Vishnu Unnikrishnan, Adv.

O R D E R

Heard learned counsel for the parties.

2. Pursuant to our order dated 25.03.2026, Mr. G.Venkataraman, Director General of Police (DGP), Tamil Nadu, is present and has filed an additional affidavit in which permission is sought from this Court to withdraw certain portions of the earlier affidavit, specifically paragraphs no. 13 and 14 thereof.

3. We have interacted with the DGP, Tamil Nadu. We are satisfied that he is now apprised of the reasons for which his presence was required, as, in our opinion, there was some lack of clarity at the level of the local police station, particularly among the investigating officers dealing with cases such as the present one, with regard to the scope of investigation, especially relating to documents indicating whether the vehicle involved in the accident had a valid insurance cover. He has informed the Court that now there is a system in place whereby details regarding insurance coverage are readily accessible through a centralized portal. It has further been submitted that the concerned police officers, particularly, the investigating officers of such cases would be duly sensitized and clear directions would also

be issued throughout the State to ensure that such facts are ascertained at the earliest stage of investigation.

4. At this juncture, we noticed that there is a categorical stand in the first affidavit of the DGP, Tamil Nadu, that the Insurance Company has, till date, not made any complaint with regard to the forged/fabricated insurance policy produced before the police. Upon a query put to learned counsel for the petitioner-Insurance Company, this fact has not been disputed. However, learned counsel submits that he has advised his client to make such a complaint hereafter.

5. We pause here and observe that such a stand taken by the Insurance Company reflects a lack of responsibility and a high degree of casualness on its part. An Insurance Company, which is liable to satisfy claims arising out of motor vehicle accidents under policies issued by it, is under a corresponding obligation to act with due diligence. Once it comes to its knowledge, and it is satisfied, that a policy is forged/fabricated and cannot be acted upon to fasten liability upon it, it is incumbent upon the Insurance Company to inform the appropriate authorities, namely, the police, as the creation and use of such documents constitute an offence. The failure to do so may also give rise to an inference of possible

connivance between the parties. Be that as it may, we are of the considered view that the time has come for this Court to adopt stringent measures to ensure that Insurance Companies discharge their obligations with due vigilance, particularly as they deal with public funds contributed by policyholders at large.

6. For the reasons aforesaid, we direct that a fresh case shall be registered on the basis of the facts of the present case. The array of accused shall include the Officers of the Insurance Company, who were aware of the fraud including those posted at the relevant period(s) in the concerned local branch from which the policy is purported to have been issued/renewed as well as other persons, including the owner of the vehicle and any other person(s) found responsible for the creation of the forged/fabricated policy.

7. As indicated above, since this is to be treated as a fresh case, the DGP, Tamil Nadu, shall constitute a Special Investigation Team (SIT) to investigate the matter and ensure that it is taken to its logical conclusion expeditiously, in accordance with law and with due seriousness.

8. We are inclined to refer to a judgment of this Court in the case of the same petitioner, i.e., the National

Insurance Company Limited, passed in Civil Appeal Nos. 15016-15017 of 2024, titled "National Insurance Company Limited Vs. Maya Devi and Others", dated 02.09.2024, to which one of us (Ahsanuddin Amanullah, J.) was a party, especially paragraph no.13 thereof, which reads as under:

"13. The Insurance Company has not been able to prove that it had not received the money/premium prior to the accident and the only stand taken was that the insurance was fraudulently obtained. The law is very clear - fraud vitiates everything, but merely alleging fraud does not amount to proving it. For, it has to be proven in accordance with law by adducing evidence etcetera, the onus of which would also lie on the person alleging fraud. Long ago, 5 learned Judges in Bishnudeo Narain v Seogeni Rai, 1951 SCR 458, had laid down:

'... Now if there is one rule which is better established than any other, it is that in cases of fraud, undue influence and coercion, the parties pleading it must set forth full particulars and the case can only be decided on the particulars as laid. There can be no departure from them in evidence. General allegations are insufficient even to amount to an averment of fraud of which any court ought to take notice however strong the language in which they are couched may be, and the same applies to undue influence and coercion. See Order 6 Rule 4, Civil Procedure Code.'
(emphasis supplied)"

9. The facts in the aforesaid case were similar, wherein the Insurance Company had alleged that the policy was fraudulently obtained.

10. Be that as it may, we say no further at this stage, as

the matter shall now be investigated in accordance with law.

11. Suffice it to note that in the aforesaid judgment, this Court ultimately held that the Insurance Company had failed to discharge its burden of proving fraud and therefore, could not evade liability on the ground of alleged fraud.

12. We indicate that the DGP, Tamil Nadu, shall ensure that the exercise directed herein achieves the intended purpose.

13. The personal appearance of the DGP, Tamil Nadu, stands dispensed with, for the present.

14. Coming to the issue at hand, we direct that the petitioner-Insurance Company shall deposit the entire amount, as per the order of the High Court, within four weeks from today, directly with Respondent No.1. However, Respondent No.2 shall be liable for such payment, and the petitioner shall be at liberty to recover the same from Respondent No.2, who has entered appearance in the present proceedings, but had chosen not to appear before the MACT as well as the High Court.

15. After the order was dictated, learned counsel for Respondent No.2 submitted that Respondent No. 2 was only running the vehicle at the time of the accident, and that

the actual owner is someone else. We are of the considered opinion that as the vehicle was under the control of Respondent No.2 at the relevant time, it shall be liable for the payment.

16. We place on record our appreciation for the fairness and clarity with which the DGP, Tamil Nadu, has assisted the Court, which has enabled us to initiate a corrective process in an issue that appears to be widespread across the country.

17. A status report be submitted by the State of Tamil Nadu on the next date.

18. List on 28.04.2026 at 2.30 p.m. as part heard.

(POOJA SHARMA)
AR-CUM-PS

(ANJALI PANWAR)
ASSISTANT REGISTRAR