IN THE SUPREME COURT OF INDIA

APPELLATE JURISDICTION / LANDMARK PRECEDENT

National Insurance Co. Ltd. v. Pranay Sethi

Registry Status : REPORTED PRECEDENT -- OFFICIAL RECORD

1. EXECUTIVE SUMMARY & KEY HIGHLIGHTS

A unanimous five-Judge Constitution Bench of the Supreme Court resolved conflicting decisions between Sarla Verma (2009), Reshma Kumari (2013), and Rajesh (2013), establishing binding nationwide standardization for motor accident death claims under Section 166 of the Motor Vehicles Act, 1988. The Court harmonized the percentage additions for future prospects across permanent employees, fixed-wage earners, and self-employed individuals, finalized the standard multiplier table, approved uniform personal living expense deductions, and capped conventional heads (loss of estate, loss of consortium, and funeral expenses) with a mandatory 10% upward revision every three years.

* Future Prospects for Fixed Wage / Self-Employed:Standardized addition of 40% if the deceased was below 40 years, 25% if aged 40 to 50 years, 10% if aged 50 to 60 years, and nil addition above 60 years.
* Future Prospects for Permanent Salaried Employment:Standardized addition of 50% if the deceased was below 40 years, 30% if aged 40 to 50 years, 15% if aged 50 to 60 years, and nil addition above 60 years.
* Standardized Conventional Heads:Exhaustively capped at Loss of Estate (Rs. 15,000), Spousal Consortium (Rs. 40,000), and Funeral Expenses (Rs. 15,000), with a triennial 10% automatic escalation.
* Affirmation of Sarla Verma Multiplier Scale:Unanimously held that the multiplier matrix from Sarla Verma v. DTC (18 to 5 scale) is mandatory law and admits no judicial discretion or deviation.
* Deduction for Personal Living Expenses:Confirmed 50% (1/2) deduction for bachelors, 1/3rd deduction for 2 to 3 dependent family members, 1/4th deduction for 4 to 6 dependents, and 1/5th for more than 6 dependents.
* Actual Tax-Deducted Income as Multiplicand Base:Ruled that multiplicand calculation must strictly begin with gross income minus statutory income tax paid or payable by the deceased.

2. FACTUAL MATRIX & IMPUGNED PROCEEDINGS

The deceased, Pranay Sethi, tragically died in a catastrophic motor accident on 27.11.2001 when his two-wheeler was struck by a rashly and negligently driven truck insured with the appellant, National Insurance Company Limited.

The Motor Accident Claims Tribunal (MACT) awarded compensation by incorporating prospective income and substantial sums under conventional non-pecuniary heads. The High Court affirmed the award with certain modifications.

On appeal before the Supreme Court, a two-Judge Bench observed irreconcilable judicial divergence: the three-Judge Bench in Reshma Kumari (2013) had restricted future prospects strictly to permanent jobs following Sarla Verma (2009), whereas another three-Judge Bench in Rajesh v. Rajbir Singh (2013) extended future prospects to self-employed and fixed-wage earners and awarded inflated non-pecuniary sums without textual justification.

Recognizing that differing bench strengths and divergent opinions were creating nationwide uncertainty and arbitrary awards across various MACTs, the matter was referred to a five-Judge Constitution Bench to authoritatively settle the jurisprudence of just compensation under Section 168 of the Motor Vehicles Act, 1988.

3. RATIO DECIDENDI (VERBATIM COURTROOM HOLDING)

Operative Conclusions of the Constitution Bench (Paragraph 59):

In view of the aforesaid analysis, we proceed to record our conclusions:

* Reference Discipline:The two-Judge Bench in Santosh Devi should have been well advised to refer the matter to a larger Bench as it was taking an incongruous view of Sarla Verma. The three-Judge Bench in Rajesh did not deliver a binding precedent on future prospects for self-employed persons contrary to Reshma Kumari.
* Deduction of Statutory Tax:While determining the income, an addition in a case where the deceased had a permanent job should be made to the actual salary minus the tax component.
* Future Prospects for Permanent Salaried Persons:An addition of50%of actual salary -- the actual salary should be read as actual salary less tax -- should be made if the deceased had a permanent job and was below the age of 40 years. The addition should be30%where the deceased was between the age of 40 to 50 years, and15%where the deceased was between the age of 50 to 60 years. No addition should be made where the deceased was above 60 years.
* Future Prospects for Self-Employed / Fixed Salaries:In case the deceased was self-employed or on a fixed salary, an addition of40%of the established income should be the warrant where the deceased was below the age of 40 years. An addition of25%where the deceased was between the age of 40 to 50 years, and10%where the deceased was between the age of 50 to 60 years should be regarded as the necessary addition. No addition should be awarded where the deceased was above 60 years of age.
* Multiplier Table:The selection of multiplier should be as per the table formulated inSarla Verma v. DTC (2009) 6 SCC 121, read with paragraph 42 of the judgment.
* Conventional Heads Standardization:The reasonable figures on conventional heads, namely, Loss of Estate, Loss of Consortium, and Funeral Expenses, should beRs. 15,000,Rs. 40,000, andRs. 15,000respectively. The aforesaid amounts should be enhanced at the rate of10% every three years.

4. OBITER DICTA & JUDICIAL OBSERVATIONS

The Constitution Bench articulated foundational tenets concerning the constitutional and statutory mandate of 'just compensation' under Section 168 of the Motor Vehicles Act, 1988:

The Court observed that justice cannot be dependent upon the individual philosophy, empathy, or frugality of a particular presiding officer. A system of compensation that fluctuates wildly from tribunal to tribunal on identical factual parameters breeds public cynicism and administrative chaos. Predictability and consistency are core constituents of the rule of law enshrined in Article 14 of the Constitution.

The Bench acknowledged that economic growth, price inflation, and progressive devaluation of currency impact all working individuals. To deny future prospects to an industrious carpenter, shopkeeper, advocate, or doctor simply because they do not hold a permanent bureaucratic or corporate post with incremental pay scales is completely divorced from commercial and social realities in India.

The Court sternly highlighted judicial discipline, cautioning smaller benches against subtly ignoring, bypassing, or distinguishing larger bench judgments. When a three-Judge Bench in Reshma Kumari had affirmed Sarla Verma, it was impermissible for another three-Judge Bench in Rajesh to take a divergent route without seeking a reference to a Constitution Bench.

5. POINTS OF LAW FRAMED & ANSWERED

Legal Issue Framed	Supreme Court's Holding
Whether future prospects can be awarded to victims who are self-employed or on fixed wages without proof of permanent increments?	Yes. The Constitution Bench settled that self-employed persons and fixed-wage earners are entitled to standardized future prospects: 40% (<40 yrs), 25% (40-50 yrs), and 10% (50-60 yrs).
Whether conventional heads under Section 168 MV Act can be awarded at the arbitrary discretion of tribunals?	No. The conventional heads are exhaustively fixed at Loss of Estate (Rs. 15,000), Consortium (Rs. 40,000), and Funeral Expenses (Rs. 15,000), subject to an automatic 10% escalation every three years.
Which multiplier matrix governs fatal motor accident compensation in India?	The multiplier table formulated in Sarla Verma v. DTC (2009) 6 SCC 121 is the sole, conclusive, and binding standard across all tribunals and courts in India.

How should the multiplicand be computed from gross salary slips?	Multiplicand calculation must start with actual gross salary minus statutory income tax paid or payable. Non-beneficial personal travel allowances are excluded, and future prospects are added thereafter.

6. STATUTORY FRAMEWORK & MODERN LEGISLATIVE ALIGNMENT

Precedent Reference / Former Statute	Modern Act (BNSS / BNS / BSA / CPA)	Doctrinal & Procedural Analysis
Section 166, Motor Vehicles Act, 1988	Section 166, MV Act (as amended by 2019 Act)	Empowers legal representatives of accident victims to apply for compensation; 2019 Amendment introduced a 6-month statutory limitation period under Section 166(3).
Section 168, Motor Vehicles Act, 1988	Section 168, MV Act (2019 Act)	Mandates determination of "just compensation"; Pranay Sethi establishes the mathematical framework eliminating subjective arbitrariness from this inquiry.
Section 163A & Second Schedule, MV Act, 1988	Section 164, Motor Vehicles (Amendment) Act, 2019	Old structured formula replaced by modern no-fault liability: fixed statutory compensation of Rs. 5,00,000 in death and Rs. 2,50,000 in grievous hurt.
Section 114, Indian Evidence Act, 1872	Section 119, Bharatiya Sakshya Adhiniyam, 2023 (BSA)	Presumption of ordinary human conduct and career progression used by courts to justify prospective wage increments in fatal injury torts.

7. SUBSEQUENT JUDICIAL TREATMENT & LINEAGE

* Magma General Insurance Co. Ltd. v. Nanu Ram (2018) 18 SCC 130:Extended the concept of "Consortium" under Pranay Sethi beyond spousal consortium to include parental consortium (for surviving minor children) and filial consortium (for surviving parents) at Rs. 40,000 each.
* United India Insurance Co. Ltd. v. Satinder Kaur @ Satwinder Kaur (2021) 11 SCC 780:Held that tribunals cannot award duplicate compensation under "loss of love and affection" once consortium is granted under Pranay Sethi guidelines.
* Janabai v. ICICI Lombard General Insurance Co. (2022) 10 SCC 512:Enforced the mandatory 10% triennial inflation escalation on conventional heads, raising Loss of Estate to Rs. 16,500, Consortium to Rs. 44,000, and Funeral to Rs. 16,500.
* Meena Pawaia v. Ashby Anand (2023) 14 SCC 774:Reasserted that tribunals cannot deviate from the strict age tiers and percentage caps mandated by the Constitution Bench in Pranay Sethi.

8. PRACTICAL LITIGATION PLAYBOOK & STRATEGIC CHECKLIST

* Establish Exact Age Through Matriculation / Aadhaar:File certified birth certificates, passport copies, or school leaving certificates to accurately position the deceased in the correct age tier (<40, 40-50, or 50-60).
* Plead and Prove Stable Established Income:Produce authentic Income Tax Returns (ITRs), GST registration, bank account statements, or audited profit-and-loss accounts for self-employed decedents.
* Claim Triple Consortium Under Magma General:Plead spousal, filial, and parental consortium separately for all qualifying legal heirs under the Pranay Sethi baseline.
* Demand Mandatory 10% Triennial Indexation:Calculate conventional heads with compounded 10% enhancements for every three-year cycle elapsed since October 2017.
* Enforce Strict Tax Deductions on Base Multiplicand:Ensure that the tribunal deducts income tax payable before applying future prospects to the gross annual income.

* Resist Overlapping Conventional Claims:Oppose separate claims for "loss of company", "loss of guidance", or "loss of affection", demonstrating they are subsumed within the consortium head.
* Challenge Unsupported Self-Employment Incomes:If the claimant produces unverified cash receipts without statutory filings, cross-examine on Minimum Wages Act baselines.
* Verify Dependency Matrix for Personal Expenses:Ensure that independent adult brothers, married sisters, or gainfully employed fathers are excluded from the dependency count to mandate a higher personal expense deduction.