

Driving without Third-party Insurance Can Cost You More than Just Traffic Police Challan

Category: Business

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If you drive your vehicle on the road without third-party insurance, you risk far more than just repair bills for your own vehicle. In the event of an accident, you may also be held financially responsible for injuries, loss of life, or damage caused to another person, vehicle, or property—costs that can run into lakhs or even crores.

For any vehicle owner, an accident can bring unexpected expenses such as vehicle repairs, medical treatment, or both. These costs become significantly higher if you are uninsured, as the entire financial burden falls on you. The situation worsens if you do not even have third-party insurance. In such cases, any compensation payable to the affected third party—especially if the accident is your fault—must be paid out of your own pocket, often following lengthy legal proceedings.

There are two types of motor insurance policies. A comprehensive policy covers both your own vehicle damage and third-party liabilities. The other is third-party insurance, which specifically covers claims arising from injury, death, or property damage caused to others due to your vehicle. While comprehensive insurance is optional, third-party insurance is mandatory under Indian law before a vehicle can be driven on public roads.

Despite this legal requirement, a large number of vehicle owners continue to remain uninsured. As India observes Road Safety Week from 11 to 17 January, the Insurance Regulatory and Development Authority of India (IRDAI) has issued an advisory to all general insurance companies to intensify awareness and outreach efforts on motor insurance. The regulator has highlighted that lack of awareness remains a serious concern, with over 50% of vehicles on Indian roads still uninsured.

IRDAI has also emphasised that third-party insurance is not just a legal obligation but a crucial financial safeguard for vehicle owners. Understanding how third-party insurance works and why it should not be ignored can help motorists protect themselves from severe financial and legal consequences.

What is Third-Party Insurance?

As the name suggests, a third party refers to any person, vehicle, or property that suffers injury or damage in an accident involving your vehicle. In a third-party insurance policy, the agreement is between you (the first party) and the insurance company (the second party), under which the insurer compensates losses or claims made by the affected third party arising from the accident.

Explaining this further, **Niharika Singh, Executive Director – Marketing, IFFCO TOKIO General Insurance Company Limited**, said, “*A third party refers to anyone other than the vehicle owner or driver—such as pedestrians, occupants of another car, or riders of another two-wheeler.*”

She added that a third-party policy does not cover damage to the insured vehicle itself but focuses entirely on compensating the affected third party. It covers medical

expenses, compensation awarded by courts, and legal costs incurred in defending claims. Given India's high rate of road accidents, third-party insurance plays a crucial role in ensuring that accident victims receive timely financial support.

Why Is Third-Party Insurance Mandatory?

Third-Party Motor Insurance is a mandatory cover under the Motor Vehicles Act, 1988. It protects vehicle owners against legal and financial liabilities arising from injury, death, or property damage caused to a third party due to an accident involving the insured vehicle, Singh explained.

She further said, *"By making third-party insurance compulsory, the government aims to ensure financial protection for accident victims, promote responsible driving behaviour, and maintain accountability among vehicle owners."*

Singh also believes that third-party insurance serves a larger social purpose beyond individual protection. *"Road accidents often lead to severe injuries, loss of life, and long-term financial hardship for victims and their families. The law ensures that compensation is available regardless of the at-fault driver's financial capacity,"* she noted.

Driving without third-party insurance is a punishable offence and can attract hefty fines, imprisonment, and even vehicle seizure. More importantly, in the absence of insurance, the vehicle owner becomes personally liable for compensation, which can run into several lakhs—or even crores of rupees—in serious cases.

How Much Does Third-Party Insurance Cost for Two-Wheelers and

Four-Wheelers?

The base premiums for third-party motor insurance are standardised and regulated under the Motor Vehicles Act and the Motor Third Party Insurance Rules. These premiums are uniform across insurers for basic third-party cover, which is the minimum legal requirement to operate a vehicle on Indian roads.

Two-Wheeler Third-Party Insurance (Annual Premium):

- Up to 75 cc – approx. INR 538
- 75 cc to 150 cc – approx. INR 714
- 150 cc to 350 cc – approx. INR 1,366
- Above 350 cc – approx. INR 2,804

Four-Wheeler Third-Party Insurance (Annual Premium):

- Private car up to 1,000 cc – approx. INR 2,094
- 1,000 cc to 1,500 cc – approx. INR 3,416
- Above 1,500 cc – approx. INR 7,897

These are statutory base premiums for unlimited third-party liability, covering legal compensation for injury, death, or property damage caused to a third party by the insured vehicle. It is important to note that these represent the minimum mandatory cost for third-party cover.

Singh added, “*If a vehicle owner opts for a comprehensive policy that includes own-damage cover along with third-party protection, the overall premium will be higher, as it provides*

wider coverage beyond statutory requirements."

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