

Changes underway to make vehicle insurance mandatory

ISLAMABAD: The insurance sector has yet to submit its proposals and plan to the Securities and Exchange Commission of Pakistan (SECP) for implementation of third party insurance on all vehicles. The amendments in Motor Vehicle Act 1939 proposed increasing the compensation from Rs20,000 to Rs500,000, to the victims in-case of death in traffic accident.

The SECP on Wednesday held a consultative session regarding amendments in the Motor Vehicles Act, 1939. Under the proposed amendment, all commercial, private, and carriage vehicles would be bound to obtain risk insurance.

The meeting was attended by representatives from the Ministry of Commerce, and the Insurance Association of Pakistan to upgrade the dated law.

Although provincial and motorway officials were supposed to attend the meeting as they are responsible for its implementation within their areas of jurisdiction. However, only representatives from Balochistan were present at the meeting.

The new proposal also suggests that traffic/motorway police can impound a vehicle and impose a penalty up to Rs100,000 in case a vehicle does not have any certificate of insurance.

Whereas, severe punishment with imprisonment of one year, or fine up to Rs1 million, or both and seizure of the vehicle has been proposed if the driver has a bogus, fake or fabricated insurance policy. It was agreed that only insurance agencies registered with the SECP would be allowed to issue third party insurance for vehicles.

“The existing act has largely failed due to its non-enforcement by the provincial excise and taxation departments as well as the transport authorities,” an official of the SECP said. As a result, the vehicle owners purchase bogus insurance entities at cheaper rates from the roadside vendors, just to fulfill the legal requirement.

The SECP is expected to finalise the draft law and forward it to the Ministry of Finance for forwarding it to parliament.

The Newspaper's Staff Reporter