

# SUPREME COURT OF INDIA

Bharagath Engineering

Vs.

R.Ranganayaki & Anr.

C.A.No.8623 of 2002

(Syed Shah Quadri and Arijit Pasayat, JJ.)

20.12.2002

## JUDGMENT

**Arijit Pasayat, J.**

1. Leave granted.

2. The challenge in this appeal is to a Division Bench judgments of the High Court at Madras. The point involved, though short, is interesting and relates to the question as to who can be treated as an 'insured person' under Section 2(14) of the Employees' State Insurance Act, 1948 in short, 'the Act'. A brief reference to the factual position, which is almost undisputed, would suffice. One Balakrishnan [hereinafter referred to as 'the deceased employee'] was employed by the appellant [hereinafter referred to as 'the employer'] on and from 20th May 1987. He lost his life in an accident which was claimed to be arising out of and in the course of his employment with the employer. Respondent No.1 [hereinafter referred to as 'the claimant'] filed an application for compensation before the Commissioner for Workmen's Compensation, Trichy, under Workmen's Compensation Act, 1923 hereinafter referred to as 'the Compensation Act'. [The employer questioned the maintainability of the proceeding on the ground that Section 53 of the Act clearly barred entertainment of such an application. The stand was accepted by the Deputy Commissioner of Labour and the Commissioner for Workmen Compensation, who held that the deceased employee was covered by the Act and was an 'insured person' as contemplated under Section 2(14) of the Act. The matter was carried in appeal before the High Court by the claimant which, by the impugned order, held that Section 53 of the Act had no application. Consequent upon recording a finding that the deceased employee cannot be treated to be an insured person. It was noticed by the High Court that the registration for the purpose of insurance was granted subsequent to the death of the employee. In fact, the application for registration was submitted after the death of the employee and at the time the registration was granted, the employee was dead. Registration with the Employees' State Insurance Corporation [in short 'the Corporation'] was considered to be the outcome of a contract between the employee and

the Corporation. It was, therefore, held that an employee could be covered by the benefits of the Act only when the registration is granted and not at an anterior point of time. Direction was given to the authorities under the Compensation Act to deal with the application.

3. In support of the appeal, learned counsel appearing for the appellant submitted that the High Court's approach was erroneous because the language of Section 2(14) of the Act makes it clear that even before an employee is registered for the purpose of insurance with the Corporation, the obligation of the employer to pay contribution is not wiped out. Reference was made to various provisions, more particularly to Rule 58(2)(b) of the Employees' State Insurance (Central) Rules, 1950 (in short the Rules) and Regulation (4) of the Employees' State Insurance (General) Regulations, 1950 [in short, 'the Regulations'.] Rule 58(2)(b) deals with a situation where 'employment injuries' are sustained before the commencement of the first benefit period. Merely because the contribution had not been paid by the time the employee died, that does not affect the liability of the Corporation. There is a statutory obligation to pay the contribution in respect of every employee once the factory or establishment is covered by the Act and the obligation to pay the contribution commences from the date of the application of the Act to such factory or establishment. With reference to Section 38 of the Act, it was submitted that there was a statutory requirement for insurance in relation to all employees. The scheme of the Act is conceptually different from other contracts of insurance and the relationship of the contractor and the contractee is not that of the employee and the Corporation, but that of the employer and the Corporation.

4. Learned counsel appearing for the Corporation submitted that Section 2(14) of the Act was wide enough to cover an employee who dies even before the registration with the Corporation. According to him, the benefit under the Act is more beneficial to the employee than the compensation that could be awarded under the Compensation Act. Learned counsel appearing for the claimant, on the other hand, submitted that only when the person is registered for the purpose of insurance with the Corporation, the Act has application and it is not that all the employees are automatically insured. What is contemplated under Section 38 of the Act, which is a statutory requirement, is to insure all the employees. Section 2(14) of the Act, which is the pivotal provision, reads as follows:

"'Insured person' means a person who is or was an employee in respect of whom contributions are or were payable under this Act and who is, by reason thereof, entitled to any of the benefits provided by this Act."

5. It is to be noted that the crucial expression in Section 2(14) of the Act is 'are or were payable'. It is the obligation of the employer to pay the contribution from the date the Act applies to the factory or the establishment. In *.5.7. v. Harrisson Malayalam Pvt. Ltd*<sup>1</sup>, the stand of the employer that employees are not traceable or that there is dispute about their whereabouts does not do away with the employer's obligation to pay the contribution. In *.5.7. Corporation v. Hotel Kalpaka International*<sup>2</sup>, it was held that the employer cannot be heard to contend that since he had not deducted the employee's contribution on the wages of



employer, by operation of Section 53 of the Act, proceedings under the Compensation Act were excluded statutorily. The High Court was not justified in holding otherwise. We find that the Corporation has filed an affidavit indicating that the benefits under the Act shall be extended to the persons entitled under the Act. The benefits shall be worked out by the Corporation and shall be extended to the eligible persons.

8. The civil appeal is, accordingly, allowed but in the circumstances, without any order as to costs.

Judgment Referred.

*1(1993) 4 S.C.C. 0361*

*2(1993) 2 SCC 0009*

*3(1998) 9 SCC 0074*