VARDHARMA CHAMBERS

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This inaugural edition covers four significant developments across Indian and international insurance law. The Supreme Court has ordered a comprehensive overhaul of motor vehicle insurance, directing mandatory four-year cover for new cars and six-year cover for two-wheelers. In London, the Commercial Court upheld a war exclusion to defeat a €570 million pipeline sabotage claim. The California Supreme Court unanimously expanded insureds' rights to sue excess carriers before underlying layers are exhausted. And in Brussels, the EU's Digital Omnibus has given underwriters deploying AI models a 16-month reprieve — but not on transparency.

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SUPREME COURT OF INDIA · 4 AUGUST 2026

Supreme Court Orders Motor Insurance Overhaul: 4-Year and 6-Year Mandatory Cover, ANPR Enforcement

National Insurance Co. Ltd. v. Smt. Thungala Dhana Laxmi & Ors. | 2026 INSC 793 | C.A. No. 14369 of 2025 | Justices Sanjay Karol & Prashant Kumar Mishra

The Supreme Court, noting that approximately 16.54 crore out of 30.48 crore registered vehicles — 56 per cent of the fleet — are currently uninsured, issued a comprehensive set of directions and held that a comprehensive motor policy unequivocally covers vehicle occupants. Mandatory third-party insurance for new cars is extended to four years, and for new two-wheelers to six years. ANPR systems are to generate automatic e-challans for uninsured vehicles. IRDAI and MoRTH were directed to pilot a fuel-insurance linkage mechanism. Compliance affidavits were due 14 August 2026, with the matter listed on 18 August.

Key Takeaway: The extended mandatory cover periods shift the motor insurance market structurally. Insurers should factor in the longer coverage window and ANPR enforcement mechanism when pricing and assessing compliance risk.

ENGLISH COMMERCIAL COURT · 6 JULY 2026

War Exclusion Defeats €570 Million Nord Stream Pipeline Sabotage Claim

Nord Stream AG v. Lloyd's Insurance Company S.A. & Arch Insurance (EU) DAC | [2026] EWHC 1685 (Comm) | Dame Clare Moulder DBE

Nord Stream AG claimed approximately €570 million for rupture damage to its Baltic Sea pipelines caused by explosions in September 2022. After a six-week trial, Dame Clare Moulder DBE dismissed the claim entirely. The Court confirmed that an indirect cause need only be "significant" — noticeable or specifically accountable as a cause — to engage an exclusion worded "directly or indirectly occasioned by, happening through, or in consequence of war." Whether or not Russia was the saboteur, the damage was in consequence of the Russia-Ukraine war.

Key Takeaway: Broad indirect-causation war exclusions operate effectively even for assets far from any battlefield. Critical infrastructure operators should review whether their policies provide explicit war-risk cover for fixed assets.

CALIFORNIA SUPREME COURT · 27 JULY 2026

Insureds May Sue Excess Carriers Before Underlying Exhaustion

Fox Paine & Co., LLC v. Twin City Fire Insurance Co. | No. S287404 | Chief Justice Patricia Guerrero (unanimous)

Fox Paine held a $50 million management liability tower: $10 million primary and four successive $10 million excess layers. After the primary carrier paid out its limits to a different insured without notifying Fox, Fox sued the excess carriers for declaratory relief and bad faith. The trial court and Court of Appeal dismissed on non-exhaustion grounds. The California Supreme Court reversed unanimously: lack of exhaustion does not categorically bar coverage disputes involving excess policies. An insured may seek declaratory relief if loss is reasonably likely to reach the excess layer, and may plead bad faith pre-exhaustion where the insurer's specific conduct impaired recovery.

> **Key Takeaway:** The categorical exhaustion defence is gone in California. Excess insurers should assess exposure earlier and document claims handling carefully, since conduct during the primary layer can now ground a bad faith claim before their policies attach.

EU REGULATORY · IN FORCE 27 JULY 2026

EU AI Act: Underwriting AI Compliance Deferred to December 2027. Transparency Rules Apply Now.

Regulation (EU) 2026/1744, Digital Omnibus on AI | Published 24 July 2026 | In force 27 July 2026

The Digital Omnibus defers high-risk compliance under Annex III of the EU AI Act — which explicitly covers insurance underwriting tools, credit-scoring models, and actuarial systems — from 2 August 2026 to 2 December 2027. AI embedded in regulated products (Annex I) is deferred to 2 August 2028. The relief is real but narrow: Article 50 transparency obligations and Article 4 AI literacy duties remain on their original timeline and already apply. Only the heavy conformity work — risk management systems, technical documentation, human oversight controls, and registration — has been deferred.

> **Key Takeaway:** Insurers using AI in underwriting for the EU market have until December 2027 for conformity work. Transparency disclosures and AI literacy requirements are already in force. Treat the deferral as a runway to finish, not a reason to start.

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Vardharma Chambers · Insurance Law & Regulation
New Delhi · Golf Apartments, 11 & 11A, Golf Links, New Delhi 110003
roshni.khirbath@vchambers.in · vchambers.in
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