

The motor insurance portfolio, falls under the miscellaneous department of insurance companies. It generates a major portion of total non-life business of companies operating in India. It was a tariff business. With the nontariff regime introduced by IRDA now no tariff is applicable, but now companies can give discount on tariff rates.

The motor tariff has been revised from time to time keeping in view apart from other factors, the present market conditions, requirements of industry as a whole and insurance industry in particular and motor claims ratio. The current tariff has been revised with effect from 1st July 2002.

All the motor vehicles operating in India are the subject matter of insurance and for this purpose they are classified into three categories with further sub divisions according to the uses as under:

1. Private cars
2. Motor cycles and motor scooters
3. Commercial vehicles

Commercial vehicles have been further classified according to their uses as under

1. Goods carrying vehicles
 - a) Light motor vehicles
 - b) Medium motor vehicles
 - c) Heavy motor vehicles
2. Passenger carrying vehicles
 - a) Motorised rickshaws
 - b) Taxis
 - c) Buses
3. Miscellaneous vehicles
 - a) Ambulances
 - b) Cranes
 - c) Agricultural tractors
 - d) Prison vans etc.

There can only be two types of losses which could arise on the above mentioned vehicles i.e.

1. Loss or damage to the vehicle &
2. Third party liability

Types of policies

For all classes of vehicles, there are two types of policies available under motor tariff i.e.



- **Liability only policy**

This policy covers third party liability for bodily injury and / or death and property damage. Personal accident cover for owner driver has also been included in the new tariff. According to the latest circular from IRDAI, for a new two wheeler, compulsorily liability only package needs to be purchased for 5 years, and for 3 years in case of a four wheeler.



- **Package policy**

This policy covers own damage losses to the vehicles in addition to the liability only cover as above.



Motor Vehicle Act

Motor vehicle act 1939 stipulates that no vehicle can run on road without liability only policy. Limited compensation was provided towards bodily injury/death. The act was amended in 1988, which made the above liability unlimited.

For proper understanding, let it be known that insured is 1st party, insurance company is 2nd party & every-body else falls under 3rd party including the passengers of private or commercial vehicles and also the employees and or workers.

The liability, in case of employees, is as per the Workman's Compensation Act, 1923 & on payment of additional premium, it could be made wider. In such case the workmen has the option to claim either under WC Act or through MACT.

Under the WC Act the liability for death of the worker following accident is minimum Rs.80, 000/- & maximum Rs.4, 57, 080/- & for permanent total disablement it is Rs.90, 000/- & Rs.5, 48, 496/- respectively, where as it is unlimited under MACT.

As regards to the third party property damages, the statutory limit is Rs.6,000/- but under the new tariff w.e.f.1st July 2002 the insured has the option of increased TPPD limit of Rs.1 lakh for two wheelers & Rs.7.5 lakh for other vehicles.

The premium is in-built & if insured doesn't want the increased limit; discount (ranging from Rs.50/- to Rs.300/- depending upon the type of vehicle).

Rating

As explained earlier the motor vehicles are classified under three categories i.e. private cars, motorcycles and scooters and commercial vehicles. These vehicles are insured under two policies i.e. liability and or package policies.

For the purpose of rating there are four parameters for all the vehicles in case of package policies (liability premium being fixed according to class of vehicle) these parameters are:

1. Insured declared value;

It is the current dealer's ex. show-room price less applicable depreciation as per schedule.

2. Cubic capacity (or passenger carrying capacity/gross vehicle weight);

As per registration certificate issued by the concerned RTO to determine the same

3. Age of the vehicle;

As per registration certificate (RC) & policy period.

4. Geographical zones;

Depending upon the office of registration (of the concerned vehicle), whole of India is divided under two zones:

Private cars, Two wheelers & Commercial vehicles rateable under section 4, C.1 & C.4*

Zone A: Ahmedabad, Hyderabad, Bangalore , Pune , Delhi , Mumbai , Kolkata, Chennai.

Zone B : Rest of India

Commercial vehicles

Zone A : Delhi, Mumbai, Kolkata, Chennai

Zone B : All state capitals

Zone C : Rest of India

Claims-Own damage



Own Damage: Losses to the vehicle may be either partial or total loss.

Partial loss: The insured will submit a detailed estimate of repairs from the workshop of his choice along with claim form. The insurance company appoints an independent surveyor or an in-house surveyor (if the loss is less than INR. 20,000), who would assess the loss and submit his report. The company will process the report, settle the loss and make payments on completion of formalities.

Total loss: Losses could be due to accident, fire or theft.

In case of accidents (including fire) where the vehicle is beyond the scope of economical repairs or where the liability exceeds 75% of the IDV, the claims are settled on total loss basis. The liability under such cases is the IDV of the vehicle. The insurance company would take the possession of the damaged vehicle for sale through auction (after getting it transferred in its name from the RTO concerned) & settle the claim, after completion of usual formalities.

For theft cases, there are certain additional formalities than that of accidental cases. The insured must lodge an F.I.R. and has to obtain untraced report from the police. Insured also needs to write to RTO and police station that having taken the claim from the insurance company, the vehicle should not be transferred without their permission & insurance company may be informed if the vehicle is traced out later.

The new tariff has provided compulsory excess on all vehicles. This excess has to be deducted before making the payment.

Third party claims



These claims are being dealt by advocates in the MACT. The tribunal awards the compensation based on the facts of the case & the insurance company deposits the award in the court. If the liability is not in dispute, these cases could be compromised in conciliation or Lok-Adalat.

Civil court has no jurisdiction in motor third party claims and there is no time limit to file case under the MACT (Motor Accident Claim Tribunal).

However, Sec.140 of the MV Act provides compensation to the victim under No-Fault Liability, which is Rs.50,000/- for death & Rs.25, 000/- for if injury caused results into

Permanent Total Disablement. M.A.C.T however has to pass an order for compensation. This award under no fault liability cannot be recovered but would be adjusted against the final award.

Hit & Run Sec. 163 of MV Act provides if some vehicle hit some person resulting death then Rs. 25000/- & in case of grievous injury Rs. 12500/- are payable under Solatium Fund.

Personal accident claim of owner driver



Claims under compulsory personal accident cover shall be applicable under both liability only and package policies. The owner of insured vehicle holding an 'effective' driving license is termed as owner-driver for the purposes of this section.

Cover is provided to the owner-driver whilst driving the vehicle including mounting into/ dismounting from or traveling in the insured vehicle as a co-driver.

The maximum liability under this cover is Rs.15 lakhs for two wheelers, four wheelers & other vehicles.

Cover

100% of CSI for death,

100% of CSI for loss of two limbs or sight of both eyes, or one limb and sight of one eye.

50% of CSI for loss of one limb or sight of one eye

100% of CSI for permanent total disablement from injuries other than named above

DEPRECIATION FOR ARRIVING AT IDV

Upto 6 months	5%
6 months - 1 year	15%
1 year - 2 years	20%
2 years - 3 years	30%
3 years - 4 years	40%
4 years - 5 years	50%
> 5 years & obsolete	On consent

SHORT PERIOD PREMIUM SCALE

Upto 1 month	20%
1 month - 2 months	30%
2 month - 3 months	40%
3 month - 4 months	50%
4 month - 5 months	60%
5 month - 6 months	70%
6 month - 7 months	80%
7 month - 8 months	90%
Exceeding 8 months	100%

DEP. FOR PARTIAL LOSS CLAIMS

Upto 6 months	Nil
6 months - 1 year	5%
1 year - 2 years	10%
2 years - 3 years	15%
3 years - 4 years	25%
4 years - 5 years	35%
5 years - 10 years	40%
Exceeding 10 years	50%
Rubber/ nylon/ Plastic	50%
Fibre glass	30%
Glass	Nil

N C B - ALL VEHICLES 1st claim

1st claim free year	20%
2 claim free year	25%
3 claim free year	35%
4 claim free year	45%
5 claim free year	50%

COMPULSORY EXCESS

2 wheelers		Rs.50
Pvt car/ Taxi/ 3w < 1500cc		Rs.500
Pvt car/ Taxi/ 3W > 1500cc		Rs.1000
GCV	PCV	Excess
< 7500 KG<	17 PASS	Rs. 500
7500-16500	17 - 36 PASS	Rs. 1000
>16500 KG	>16500 KG > 36 PASS	Rs. 1500

COMPULSORY PA FOR OWNER DRIVER

VEHICLE	CSI	PREMIUM
2 wheeler	1 lakh	Rs. 50
Pvt cars	2 lakh	Rs. 100
Comm.	2 lakh	Rs. 100
N/A in case of Firm / Company or if No licence		

TP PD COVER (IN-BUILT)

2 wheeler	1 lakh
All others	7.5 lakhs

RESTRICTED TP PD COVER (DISC.)

2 wheeler Discount	Rs. 50
Pvt car Discount	Rs. 100
3 wheeler/ taxi Discount	Rs. 150
Commercial Discount	Rs. 200

RESTRICTIVE COVER FOR FIRE & OR THEFT

Act + fire only	Act only + 25 % of OD
Act + theft only	Act only + 30 % of OD
Act + fire + theft	Act only + 50 % of OD

Valid for 90 days-general & 365 days-military persons

GEOGRAPHICAL ZONE

PRIVATE CARS , TWO WHEELERS & COMMERCIAL VEHICLES RATEABLE UNDER SEC 4.C.1 AND C.4	
ZONE A	AHMEDABAD, HYDERABAD, BANGALORE, PUNE, DELHI, MUMBAI, KOLKATA, CHENNAI
ZONE B	REST OF INDIA
COMMERCIAL VEHICLES EXCLUDING RATEABLE UNDER SEC 4.C.1 AND C.4	
ZONE A	DELHI, MUMBAI, KOLKATA, CHENNAI
ZONE B	ALL STATE CAPITALS
ZONE C	REST OF INDIA
DISCOUNTS	
25% ON VINTAGE CARS, 33 1/3% ON VEH. CONFINED TO OWN PREMISES/ SITE ON O/D PREMIUM.	
50 % ON O/D PREMIUM FOR BLIND, HANDICAPPED, MENTALLY CHALLENGED VEHICLE.	
2.5% MAX RS.500 ON O/D PREMIUM FOR ANTI THEFT DEVICE APPROVED BY ARAI	
AAUI 5% MAX. RS.50 IN 2 WHEELER RS.200 IN CAR ON OWN DAMAGE PREMIUM	
EXTRAS/ ADD-ON COVERS	
FIBRE GLASS FUEL TANK RS100 FOR COMM.VEH. & RS 50 FOR OTHERS VEHICLES ON O/D PREMIUM.	
PA COVER RS.50 FOR PRIVATE CAR, RS.60 FOR COMMERCIAL VEHICLE & RS.70 FOR PILLION RIDER.	
LPG/ CNG EXTRA FITTED @ 4% ON O/D PREMIUM & RS.60 FOR LIABILITY ONLY PREMIUM.	
ELECTRICAL/ ELECTRONIC FITTINGS OTHER THAN IN-BUILT @ 4 % ON O/D PREMIUM	
60% ON O/D PREMIUM FOR DRIVING SCHOOL VEHICLES RECOGNISED BY RTO.	

Claim procedure

1. Intimation of claim

1.1. What Does policy speak on claim intimation?

The Policy condition mentions that ***“Notice shall be given in writing to the Company immediately upon the occurrence of any accidental loss or damage in the event of any claim”***

1.2. Why A claim need to be intimated to the insurance company immediately?

From Insurer to insurer the time-period to report varies. Most of the policy providers have a window of 24 hours to 48 hours from the time of the accident to file a claim. Hence It's always better to call up the insurer immediately and intimate the accidental event.

Mainly The early intimation will support the surveyor and insurer to authenticate the facts of the accident.

1.3. Exceptions

At the same time if we refer IRDAI Circular : Ref. No: IRDA/NL/CIR/MISC/149/06/2017 A delayed claim will be paid where the delay is proven to be for reasons beyond the control of the policyholder. For Instance The insured policy holder himself has sustained injuries and hospitalized due to the impact of the accident.

Tip : Even before taking the vehicle to the garage, intimating the Renewbuy helps. This will help in some support like towing, pick-up, cashless garages etc, if it is offered by the insurer.

2. Appointment of surveyor

2.1. Let's understand who is surveyor First

A surveyor is professionally competent person / Entity for assessing the loss/damage suffered without any bias or prejudice and by a professional/expert in the field.

2.2. Regulations Governing Surveyor Operating Procedures

Regulation 12 of the IRDAI (Insurance Surveyors and Loss Accessors) Regulations, 2015 mandates appointment of Surveyors and Loss Assessors either by Insurance or Insurer to assess loss under a policy of Insurance in respect of

(a) Motor Insurance – above Rs. 50,000/-

(b) other than Motor Insurance above Rs. 1,00,000/-.

2.3. Qualifications to become a surveyor

Further the required qualification to become surveyor has also laid down in **Annexure-I of schedule I of Regulation 12 of the IRDAI (Insurance Surveyors and Loss Accessors) Regulations, 2015**. A surveyor & Loss Assessor shall assess losses of only those departments which are specified in his/her license.

2.4. Appointment of a surveyor when a claim is reported

IRDA stipulates the time limit for appointment of surveyors, which is **72 hours from date of intimation of claim to insurers**

3. Assessment of loss & Survey Report

The Loss Assessment varies from the type of claims we face

1. Collision :

2. Partial Theft & Total Theft

After vehicle meets with a collision damage and assessment done in two modes

1. spot/preliminary survey
2. final survey.

3.1. The duties of the Assessor / Surveyor will be as follows

- Take photographs, assess estimate and inform assessed estimates to the customer & Insurer.
- After the completion of the Repairs, carry out re-inspection.
- The insured then makes payment to the workshop/ garage as per assessed
- Lastly, the insured submits the original bill, proof of Payment and cash receipt (derived from the garage) to Assessor / surveyor
- Survey report is prepared and sent to the insurer for settlement along with all the documents.

3.2. Duty & Responsibility of the customer / Policy Holder

IRDA also casts responsibility on the policyholder to co-operate with the surveyor and provide him with all the information/ documents to enable him to assess the loss.

3.2.1. Documents required for the claim

- Claim form duly signed by the insured with the stamp
- Copy of the insurance certificate.
- Copy of the RC book.
- Estimate of the damages from the repairer.
- DL of the person driving the vehicle at the time of the accident.
- FIR report if any
- Spot survey report if any
- Fitness/permit/load challan if required

Delay, if any, in the submission of the report by the surveyor should be communicated to the insurer and insured.

In case of Theft

An Investigator is appointed to verify the facts.

4. Discharge voucher

4.1. What Is a Discharge Voucher?

A Discharge Voucher gives the reimbursing party a full and final discharge of the claimant's claim. A discharge voucher or settlement intimation voucher is a signed form the insurer takes from the insured. Such a voucher is taken at the time of claim settlement. The form states the amount that will be payable to the customer and he/she has to acknowledge the amount by signing the form. If this form is not taken by the insurer, though the claim would be paid, it would remain open in the books of the insurer.

In other words, a suitably worded Discharge Voucher would have the effect of barring / preventing the same claimant to return at a later date to claim on the same matter.

4.2. Execution of discharge voucher

General Insurance companies always insist on a receipt from the insured; Hence The insurers ensure that a Full satisfaction note / Discharge voucher is collected towards settlement of claim. At the time of settling claims, policyholders have to sign the voucher. In many cases, insurance companies refuse to pay a claim if policyholders do not sign the voucher.

4.3. IRDAI's clarification On Discharge Voucher

Policy Holder if they are not happy with the claim amount can pursue the case even if discharge voucher has been signed.

If customers feel something is wrong or if they are not satisfied with the claim amount, they can raise a complaint even if they have signed the voucher. In most cases, once customers sign the discharge voucher, they don't come back for additional claims. But that has to be done within three years of settling the claim. After three years, the policyholder cannot ask for additional claims because **"DULY SIGNED RECEIPT IS NOT SURRENDER OF RIGHTS"**

5. Claim Payment

The claims payment varies in two ways;

5.1. Cashless Claims

Payments that need to be borne by Insurer will be made directly to the garage on completion of the repairs. The Liability Order / DO will specify the balance amount that has to be paid by policy holder as per policy terms and conditions.

If the vehicle is under hypothecation then NOC from Financier is mandatory; If hypothecation is closed the closure letter.

5.2. Reimbursement Claim

After perusal of all bills and documents the Insurer directly pays the indemnity claim amount to the customers Bank Account directly. Please note that insurer will only initiate NEFT transfers to the Insured.