



Ref: IRDA/NL/MTP/2018-19/EXDRF

7th March 2018

**Exposure Draft on Revision in Premium Rates for Motor TP Insurance
Covers for the Financial Year 2018-19**

By virtue of powers vested in the Authority under Section 14 (2) (i) of the IRDA Act, 1999, the Authority has been notifying the premium rates applicable to Motor Third Party(TP) Liability Insurance, every year starting from 2011.

For the financial year 2018-19, the Third Party Insurance premium rates for various categories of vehicles have been arrived at as follows:

I. Data Source and Data Used:

1. The data provided by the Insurance Information Bureau of India (IIBI) has been used for arriving at the Motor TP premium rates.
2. The claims paid data in respect of each of the accident years starting from the year 2011-12 up to 2016-17 has been considered, taking into account the combination of 'Class Code' and 'Vehicle CC/PCC/GVW' Code.
3. Gross Written Premiums for the FYs 2011-12 to 2016-17 have been considered.

II. Basic Methodology

1. The ultimate claim costs for each accident year have been estimated using the actuarial technique of Basic Chain Ladder Method applied to cumulative paid claims data.
2. Based on the analysis of paid claims data, cumulative paid claims triangles for valid combinations of class codes and CC/PCC/GVW codes have been populated for AYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17.

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3. The main characteristic of the technique is that ultimate claims for each accident year are estimated from the recorded paid values till date, thereby assuming that the future development of payment and movement of paid claims would be similar to the pattern of payment and movement of paid claims during prior years.
4. The selection of age-to-age-factors (ATAFs) has been done after considering various averages of ATAFs like simple average, weighted average, average of last 3 years etc.
5. It is observed that the ATAFs for the most developed periods available are significantly higher than 1.00. This is in line with the fact that motor third party insurance is a long-tail line of business and complete run-off occurs after a significant period of time.
6. The oldest accident year has 6 years of development, which is generally not sufficient to fully run-off the paid claims for that accident year. Hence, ATAFs for a further 6 years of development have been projected by considering movement of expected future ATAFs on the lines of the past available years of development. A multiplication of these estimated ATAFs is considered as 'tail factor'. A tail factor would project the paid claims from the latest development period to the ultimate.
7. The ultimate expected claims for various accident years are estimated by considering cumulative development factors (age-to-ultimate) and the latest cumulative paid amount for a particular accident year. The ultimate claim amount is estimated for each accident year.
8. Based on the class codes and CC/PCC/GVW codes, financial year-wise gross written premiums from the premium data have been populated. The financial year-wise gross written premiums have been converted to financial year wise gross earned premiums by applying the formula:

$$\text{GPE for FY } 20(t) - 20(t+1) = (\text{GPW for FY } 20(t-1) - 20(t)) + \text{GPW for FY } 20(t) - 20(t+1)) / 2$$

GPE : Gross Premium Earned

GPW : Gross Premium Written

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9. With the use of cumulative development factor (age-to-ultimate) and the latest cumulative paid claim amount for a particular accident year, the ultimate claim amount is estimated for each accident year.
 10. Based on the ultimate claim amount and gross earned premium, the Ultimate Loss Ratio (ULR), for each of the accident years under consideration, has been estimated. By considering this estimated ULR, the premium applicable for FY 2018-19 has been derived.
 11. The actuarial rates have been arrived at after factoring in the necessary assumptions. These rates have been compared with the rates that were published during the last few years. Wherever warranted, some smoothening of the rates has been carried out.
- III.** As for the Vintage Cars segment, there is no substantial data relating to the past experience. A discounted price of 50% of the proposed rate based on the erstwhile Indian Motor Tariff (IMT) has been proposed for those private cars identified as Vintage Cars by the Vintage and Classic Car Club of India.

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The details of proposed Motor TP premium rates for the various classes of vehicles are tabulated below:

Table I

Category	Vehicle Type	Existing Rates: FY 2017-18	Proposed Rates : FY 2018-19
Private Cars*			
	Not exceeding 1000 cc	2,055	1,850
	Exceeding 1000 cc but not exceeding 1500 cc	2,863	2,863
	Exceeding 1500 cc	7,890	7,890
Two Wheelers			
	Not exceeding 75 cc	569	427
	Exceeding 75 cc but not exceeding 150 cc	720	720
	Exceeding 150 cc but not exceeding 350 cc	887	985
	Exceeding 350 cc	1,019	2,323
A1	Goods Carrying Vehicles Public Carriers (other than 3 wheelers)		
	GVW not exceeding 7500 kgs	14,390	14,390
	Exceeding 7500 kgs but not exceeding 12000 kgs	19,667	24,977
	Exceeding 12000 kgs but not exceeding 20000 kgs	28,899	32,945
	Exceeding 20000 kgs but not exceeding 40000 kgs	31,626	41,114
	Exceeding 40000 kgs	33,024	39,299
A2	Goods Carrying Vehicles Private Carriers (other than 3 wheelers)		
	GVW not exceeding 7500 kgs	7,938	7,144
	Exceeding 7500 kgs but not exceeding 12000 kgs	14,330	15,620

	Exceeding 12000 kgs but not exceeding 20000 kgs	9,871	9,871
	Exceeding 20000 kgs but not exceeding 40000 kgs	14,805	15,397
	Exceeding 40000 kgs	21,318	21,318
A3	Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Public Carriers		
	except e-carts	5,680	4,544
	e-carts	3,969	3,175
A4	Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Private Carriers		
	except e-carts	4,200	3,150
	e-carts	3,438	2,579
B	Trailers		
	Agricultural Tractors upto 6 HP	653	816
	Other vehicles including Miscellaneous & Special Type of Vehicles (Class-C), (For each trailer, for more please multiply by no. of trailers)	1,673	2,091
*Vintage cars: A discount of 50% shall be allowed for private cars under Vintage Cars segment certified as Vintage cars by Vintage & Classic Car club of India as per the erstwhile IMT.			

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Table II

Category	Vehicle Type	Existing Rates: FY 2017-18		Proposed Rates: FY 2018-19	
		Basic Rate	Per Licensed Passenger	Basic Rate	Per Licensed Passenger
Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers					
C1a	Not exceeding 1000 cc	6,396	1,230	5,437	1,046
	Exceeding 1000 cc but not exceeding 1500 cc	8,408	1,035	7,147	880
	Exceeding 1500 cc	11,144	1,183	9,472	1,006
Three wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers					
C1b	except e-rickshaw	2,218	1,061	2,595	1,241
	e-rickshaw	1,440	689	1,685	806
C2	Four or more wheeled vehicles used for carrying passengers with carrying capacity exceeding 6 passengers for hire or reward	13,176	805	13,176	805
C3	Motorized three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 6 passengers but not exceeding 17 passengers	5,318	1,061	6,222	1,241

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C2	Three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 17 passengers	12,189	745	14,261	872
Motorized Two wheelers used for carrying passengers for hire or reward					
	Not exceeding 75 cc	790	532	790	532
C4	Exceeding 75 cc but not exceeding 150 cc	790	532	790	532
	Exceeding 150 cc but not exceeding 350 cc	790	532	790	532
	Exceeding 350 cc	2,067	532	2,067	532

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Table III

Category	Vehicle Type	Existing Rates: FY 2017-18	Proposed Rates : FY 2018-19
Special Types of Vehicles			
D	i) Pedestrian controlled Agricultural Tractors with Horse Power rating not exceeding 6HP, Hearses and Plane Loaders	1,148	1,435
	ii) Other Misc & Spl types of vehicles	4,892	6,115
Motor Trade (Road Transit Risks)			
E	i) Distance not exceeding 2400 kms	1,088	1,088
	ii) Distance exceeding 2400 kms	1,308	1,308
Motor Trade (Road Risks) (Excluding Motorized Two Wheelers) – (Named Driver or Trade Certificate)			
F	1st named driver or certificate	1,108	1,296
	For additional drivers/ certificates up to 5 (per driver/certificate)	536	627
	For additional Drivers/ Certificates exceeding 5 but not exceeding 10 (per driver/ certificate)	345	404
	For additional Drivers/ Certificates exceeding 10 but not exceeding 15 (per driver/ certificate)	299	350
Motor Trade (Road Risks) (Motorized Two Wheelers) – (Named Driver or Trade Certificate)			
F	1st named driver or certificate	530	530
	For each additional Driver/ Certificate	264	264

Keeping in view the above, all stakeholders are invited to provide their comments on this draft exposure. The comments should reach the Authority,

also by e-mail addressed to janita@irda.gov.in with a copy to srihari.a@irda.gov.in, on or before 22nd March 2017.

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