CHAPTER-:III

Emerging Scenario regarding Car Insurance in India
Emerging Scenario Regarding Car Insurance in India

1. Introduction

The term “Motor car is defined as the means of any motor vehicle other than a transport vehicle, omnibus, road-roller, tractor, motor cycle or invalid carriage”. It is an automobile, or locomotive designed to run and be steered on a street or roadway especially, an automobile specially designed for passengers and propelled by an internal combustion engine.

The motor car insurance is a contract by which the insurer assumes the risk of any loss the owner or operator of a car may incur through damage to property or persons as the result of an accident to its vehicle. There are many specific forms of motor car vehicle insurance, varying not only in the kinds of risks they cover but also in the legal principles underlying them. Liability insurance pays for damage to someone else’s property or for injury to other persons resulting from an accident for which the insured is judged legally liable, insurance pays for damage to the insured car if it collides with another vehicle or object, comprehensive insurance pays for damage to the insured car resulting from fire or theft or many other causes.

Insurance had its beginning in U.K. in the early part of the 20th century. The first motor car was introduced into England in 1884. The first motor policy was introduced in 1895 to cover third party liabilities in India. By 1899 accidental damage to the car was added to the policy, thus introducing the comprehensive policy along the lines of the policy issued today. In 1903, General Insurance Corporation Ltd was established mainly to transact motor insurance followed by other companies.
After World War - I there was a considerable increase in number of vehicles on the road as also number of road accidents was unable to recover the damages because not all motorists were insured.

This led to the introduction of compulsory third party insurance act, through passing the road Tariffs Acts 1930 and 1934. The compulsory insurance provisions of these acts have been consolidated by the road tariffs act of 1960.²

The two kinds of classification of cars in India are mentioned below:

1. **Private Cars**

These are vehicles used solely for social, domestic and pleasure purposes. Cars of private types including the station wagons, then it is used for social, domestic, pleasure purposes and for business or professional purposes (excluding the carriage of goods other than samples) is insured or used by the insured employees for such purposes.

2. **Vintage Cars**

These cars manufactured prior to 31- 12- 1940 is classified as vintage cars by Vintage and Classic Cars Club of India.³ Insurance of such vehicles are done on agreed value basis in event of total loss or CTL (Constructive Total Loss) settled without deprecations. A discount in premium is also allowed.

- **Car Insurance**

Car insurance (also known as auto or motor insurance) is done to protect your vehicle from unforeseen risks. It basically provides protection against the losses incurred as a result of unavoidable instances. It helps cover against theft, financial loss caused by accidents and any subsequent liabilities.
The cover level of car insurance can be the insured party, the insured vehicle and third parties (car and people). The premium of the insurance is dependent on certain parameters like value of the car, type of coverage, vehicle classification, voluntary excess etc. Car insurance gives confidence to drive peacefully especially in emergencies it acts like a boon to the insurance holder.

Car Insurance Components in India

Car insurance components is combination of own damage and third party liability coverage. Own damage part of the insurance covers any damages and theft (total or partial) of the car whereas third party covers any damages and injury caused to a person and property by the insured car. The primary factors that determine car insurance premium are the make and model of the car, age of the car and city of registration on the basis of IDV (Insured Declared Value).

The procedures for car insurance segment are determined on the company package policy are mentioned below:-

1. Insured Declared Value (IDV)

The make and model of the car and age together form the basis for arriving at the IDV of the car. All vehicles are insured at the fixed IDV. This is calculated based on the car ex-showroom price (and the listed price of any electrical and non electrical accessories) after deducting the depreciation for every year, as per the schedule provided by Tariff Advisory Committee (TAC), now consider electrical and non electrical accessories like music system, air conditioner, fog lights, overhead carrier, seat covers, etc. If one opts for top of the line stuff, insuring them is a must, which again will add to the value of the car and hence it would get added to the cost of individual premium. Adding a Compressed Natural Gas (CNG) kits to individual will further increase individual premium.
2. **Age**

The age for car is explained in form of example: - Suppose a car that is less than 6 months old will incur a depreciation of 5%, compared to 30% for car that is more than two years old, but not exceeding 3 years. Apart from usage in calculation of IDV, age is also used to arrive at the rate based on loss experience.

3. **Make / Model**

Generally, the more expensive car the higher is the car insurance premium. So insuring a BMW (Bavarian Motor Works) will defianth be more expensive than insuring a maruti car. However, value of the car is not the only determinant of premium but most of the insurance companies follow ‘Risk Based Pricing’ approach wherein historical loss experience and risk assessment methods are considered for deciding premium rates. Such rates when multiplied by IDV give the final Premium.

4. **Location or City**

As we know that more cars sold in a particular city means more cars on the road. This high level of penetration may result in a higher probability of accidents as compared to a city where there are fewer cars. Apart from density of cars, other factors such as infrastructure, usage of the cars or driving habits are expected to have impact on accidents. Hence location is one of the important factors while determining the premium.
Need for Car Insurance

Legally, no motor vehicle is allowed to be driven on the road without valid insurance. Hence, it is obligatory to get the vehicle insured. Car insurance policies cover against any loss or damage caused to the vehicle or its accessories due to the following natural and man made calamities:

1. **Natural Calamities**: - Consists of fire, explosion, self-ignition or lightning, earthquake, flood, typhoon, hurricane, storm, tempest, inundation, cyclone, hailstorm, frost, landslide, rockslide.

2. **Man made Calamities**: - Consists of burglary, theft, riot, strike, malicious act, and accident by external means, terrorist activity, and any damage in transit by road, rail, inland waterway, lift, elevator or air.

In India, under motor vehicle insurance, car vehicle insurance policy is mandatory under the motor vehicle act, while other forms of general insurance are optional. The Indian law mandates that every owner of a car motor vehicle must have the motor car insurance policy. The need for vehicle insurance of third party liability towards injury, death or property damage is mandatory as per the motor vehicle act.

Therefore the vehicle car insurance becomes important as it is not only for car owners to minimise the risk for his or her vehicle but for the persons who may get injury or damage etc., due to vehicle hit or so on. The various aspects of motor vehicle insurance in general and specifically for minimising risk of vehicle users are utmost necessary for insurers.
Motor car vehicles are under Light Motor Vehicles (LMV) means transport or omnibus the Gross Vehicle Weight (GVW) of either of which or motor car or tractor or road roller the unleaded weight of which does not exceed 7,500 Kgs. Car insurance or motor insurance is mandatory by law. It is a legal requirement to have a minimal level of insurance before driving a car in India.

- The General pattern for Car Insurance need liability are below:-

1. **Bodily injury liability** - It covers bodily injury claims of people who get injured in an accident.

2. **Property damage liability** - It covers property damages to third parties such as another person's car.

3. **Medical payments** - This payment is done to the policy owner and other passengers in the policy owner's car.

4. **Uninsured and Underinsured Motorist Coverage** - This coverage protects individuals when the negligent driver has no insurance or insufficient insurance. In most states, this covers only bodily injury losses, though some states do include property damage losses.

5. **Physical damage covers damage to your car in the following instances** -
   a. Covers losses to your car involved in a collision.
   b. Covers non-collision physical damage if your car is damaged in storm or windshield breaks etc.
II. Motor Vehicles Classification

 Meaning of Vehicle

The term: “Motor Vehicle mean any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted there from external or internal source and includes a chassis to which a body has not been attached and trailer; but does include a vehicle running upon fixed rails or a vehicle of a special type adapted to use in a factory or in any other enclosed premises.”

The vehicle is also known as goods carriage for any motor vehicle constructed or adapted for use solely for the carriage of goods or any motor vehicle not so constructed or adapted, when used for the carriage of goods. The goods carriage vehicles are operated on “Gross Vehicle Weight” which is in respect of any vehicle on total weight and load certified. The registry by the registering authority as permissible for the vehicle as carriage goods is done by the governments of various countries.

 Classification of Vehicles

The vehicles in India are classified into two kinds are mentioned below:

1. Heavy Motor Vehicle:- It is the heavy passenger motor vehicle means any public service vehicle or private service vehicle or educational institution bus or omnibus the gross vehicle weight of any of which, or a motor car the unladen weight of which, exceeds 12,000 kilograms.

2. Light Motor Vehicle:- It means a transport vehicle or omnibus the gross vehicle weight of either of which or a motor car or tractor or road-roller the unladen weight of any of which, does not exceed 7,500 kilograms.
Vehicle Insurance in India: Vehicle insurance (also known as auto insurance, car insurance, or motor insurance) is insurance purchased for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could also arise. The specific terms of vehicle insurance vary with legal regulations in each region. Auto Insurance in India deals with the insurance covers for the loss or damage caused to the automobile or its parts due to natural and man-made calamities. It provides accident cover for individual owners of the vehicle while driving and also for passengers and third party legal liability.

There are certain general insurance companies who also offer online insurance services for the vehicles. Auto insurance in India is a compulsory requirement for all new vehicles used whether for commercial or personal use. The insurance companies have tie-ups with leading automobile manufacturers. They offer their customers instant auto quotes.
The types of Transport and Non Transport vehicles are mentioned below:

**Table 3.1 Types of Vehicles**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Transport Vehicles</th>
<th>Non Transport Vehicles</th>
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<tbody>
<tr>
<td>1.</td>
<td>Motor cycle with side car for carrying goods.</td>
<td>Motor cycle or without side car for personal use</td>
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<td>2.</td>
<td>Motor cycle with trailer to carry goods.</td>
<td>Mopeds and motorized cycle (Engine capacity exceeding 25 cc)</td>
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<td>3.</td>
<td>Motor cycle used for hire to carry one passenger on pillion and motorized cycle rickshaw for goods or passenger on hire</td>
<td>Invalid Carriage</td>
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<td>4.</td>
<td>Luxury Cab</td>
<td>Three wheeled vehicles for personal use</td>
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<td>5.</td>
<td>Three wheeled vehicles for transport of passenger goods</td>
<td>Motor Car</td>
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<td>6.</td>
<td>Goods carrier trucks or tankers or mail carriers</td>
<td>Fork Lift</td>
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<td>7.</td>
<td>Power tiller and Tractor using public roads</td>
<td>Vehicles or trailers fitted with equipment like rig generator, compressor.</td>
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<td>8.</td>
<td>Mobile Clinic or X - Ray van or library vans</td>
<td>Crane mounted vehicle.</td>
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<td>9.</td>
<td>Mobile Workshop</td>
<td>Agriculture Tractor and power tiller</td>
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<td>10.</td>
<td>Mobile Canteens</td>
<td>Private service vehicles registered in the name of an individual and if declared to be used by him solely for Personal</td>
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<td>11.</td>
<td>Private service Vehicles</td>
<td>Camper van or trailer for private use</td>
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<td>12.</td>
<td>Public service vehicles such as maxi cab, motor cab, stage carriage and contact carriage including tourist vehicles</td>
<td>Tow Trucks, Breakdown van and recovery vehicles</td>
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<td>13.</td>
<td>Educational Institution Buses</td>
<td>Tower wagons and tree trimming vehicles owned by central, state and Local Authority</td>
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<td>15.</td>
<td>Animal Ambulances</td>
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<tr>
<td>16.</td>
<td>Camper vans or trailers</td>
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<tr>
<td>17.</td>
<td>Cash Vans</td>
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<td>18.</td>
<td>Fire tender, snorted ladders, auxiliary trailers and fire fighting vehicles.</td>
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<td>19.</td>
<td>Articulated Vehicles</td>
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<tr>
<td>20.</td>
<td>Hearses</td>
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<td>21.</td>
<td>Omnibus+</td>
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Motor Vehicle Operation in India

The vehicle motor insurance in India since 1897, when the first motor car India owned by Foster of Greaves Cotton & Company started rolling on the roads of Bombay, had to depend upon the relevant provisions of the Indian Penal Code for claiming compensation for damages caused due to a motor car accident. The compensating motor car accident victims came into light when the first motor vehicles act was enacted in 1914 and a comprehensive motor vehicles act was enacted in 1939.

After such major developments and the growth of Indian economy due to the implementation of the five-year plans, a more comprehensive and major legislation was set in India for motor insurance.

Difficulties in the Beginning

The law of compensation for the accident victims under the Motor Vehicles Act has not been stationary or static. It has been gradually growing towards improvement. It has thus traveled from fault liability to 'no fault' liability. This is indeed very satisfying, but we still have miles to go before we attain perfection and complete usefulness for the helpless and hapless victims of the road accident and their legal heirs or representatives and dependants. In the beginning the law of compensation for the accident victims was not very simple and, therefore, the victims in case of injury and the legal representative in case of fatal accidents had to face hardships and had to affix very heavy court fees in order to file the claims for compensation. There was in fact no privity of contract between the insured and the insurer, in the beginning. But gradually improvements came about in the law of compensation under the motor vehicles act amendments brought by the government on the basis of the reports of the law commission of India and the judgments pronounced by the various High Courts and the Supreme Court of India. Ever since the Central Act was enacted, the law has not been stationary or static.
There has indeed been a gradual, rather a significant development in the law since then, and it is obvious that the volume of vehicular traffic, and the number of motor vehicle accidents have increased many-fold. In this perspective the Legislature had enacted the Motor Vehicles Act and provided by virtue of that a self-contained code for the adjudication of claims for compensation on behalf of victims or their legal heirs. Even the jurisdiction of the civil courts was ousted, where the claims tribunals were constituted under Motor Vehicles Act.

Compulsory Insurance

Before the act came into existence, the third party, i.e. the party injured by the accident had no right, to obtain the benefit of motor insurance from the insurer, there being no privities of contract between the third party and the insurer. The act for the first time conferred this benefit. The provisions for the insurance of motor vehicles against third party risks actually came into force in the year 1946.

Forum

Until 1956, there was in fact no adequate machinery for deciding the claims of compensation of the accident victims under the Motor Vehicles Act. It was, however, in the year 1956 that certain important amendments were made in the Act which completely changed the very set up of the proceedings for the benefit of the victims or their legal heirs and representatives.

Sections 110A to 110F introduced in the Motor Vehicles Act, 1939, in order to give a practical meaning to the amendments moved and passed by the government. The important point is to know that prior to this amendment, the claimant had to sue the insured person in the civil courts, and a notice had to be given to the insurer if the claimant desired to avail of the benefits of section 96. The civil court is also debarred from issuing any injunction in respect of any action taken or to be taken by or before the claims tribunal in respect of a claim for compensation.
Amendment of 1969

After the amendments brought about in the year 1956, the Motor Vehicles Act, 1939 was again amended in the year 1969. By the Amendment Act, 56 of 1969, a provision was added to section 110 of the Motor Vehicles Act, 1939, besides making a substantive amendment of that section. Prior to this, section 110 permitted petition before the claims tribunal only for compensation for death or bodily injury arising out of the accident. After the amendment of 1969, the third party can make a claim for damage to property also when caused by the accident. This was a substantive provision creating a minimum statutory liability. Section 95 was also amended so as to provide that an amount not exceeding ₹2,000/- in respect of the damage to property of the third party could be recovered from the insurance company. The amount for which the insurer would be liable was also raised by the same amending Act. The amended act further made it clear that where the death of or bodily injury to any person gives rise to a claim for compensation under the Motor Vehicles Act, 1939, and also under the Workmen’s Compensation Act, 1923, the person entitled to compensation could claim compensation under either, but not under both of these enactments. After 1969, further amendments were made in the Act in the year 1978. The law commission of India, in its 85th report made significant suggestions and recommendations urging upon the Government of India to further amend the act so as to be more useful for the victims of road accidents while getting compensation for the injuries inflicted upon them by the offending drivers and owners of the motor vehicles.
Though the above amendments had served some purpose but the Law Commission of India in its report felt a fresh look at the law was the need of the hour. It further observed:-

- Rapid increase of motor vehicles has created certain problems, outstripping the means employed to cope with the problems.

- The motor vehicle has created congestion, not only on the road, but also in the courts. For this reason there has in almost all the countries been deep dissatisfaction as to handling by courts of claims for compensation in respect of death or bodily injury caused by motor vehicle accidents. The common law rule of liability based on fault and compensation payable only by the person committing the tort (or a person who is liable for his default) is believed to be working injustice.

- The law commission of India further strongly felt that there was a need for reform in Indian law for granting compensation to the victims of the road accidents.

The road users must be aware that every vehicle that comes on the road must be registered with the registering authority and the said vehicle must also be insured compulsorily with an insurance company. It is the duty of every driver and owner of the vehicle to always keep with him the driving licence, the tax token and the certificate of insurance to the effect that the vehicle which is being driven by the said driver is insured as per the provisions of the law. The absence of these documents including the insurance papers can attract penalty whenever the said driver without these documents is caught by the authorised police official on duty. Soon after the owner of the motor vehicle has paid the required premium, the insurance company, i.e., the insurer, agrees to indemnify the insured, i.e., the owner of the vehicle against the loss, which he is liable to make good as per the provisions of law. The purpose of this type of insurance is not only for the protection of the injured, i.e., the owner of the vehicles but it is equally helpful for the victims of the road accidents to secure compensation from the said insurer, i.e., the insurance company. Previously there was no private contract between the third party, i.e., the injured, and the insurer, i.e., the insurance company. Under the old provisions of
law it was very difficult for the victim of a road accident to get compensation from
the insurance company as then procedure was very complicated and delay oriented.
With new changes in the law under the Motor Vehicles Act, the victims of road
accidents have become entitled to make the insurance company as a necessary party
and can demand payment of compensation through the motor accidents claims
tribunal.

- **Insurance against Third Party Risks**

The protection from liability for death or injuries to third parties is the insurance,
which is a contract of indemnity under which the insurer agrees to reimburse the
assured to the extent of the amount of the damages which the later may become
liable to pay for the death or injury to a third party or damages to his property
caused in accidents. Now the law is, that a claimant is entitled to recovery from the
insurer the amount of compensation which he is in law entitled to obtain from the
insured. subject to the statutory limits of the liability of the insurer.

- **Third Party Insurance is Compulsory**

Insurance against third party risks is compulsory which entitles the victims of the
road accident to secure the payment of compensation awarded by the claims
tribunal against the insolvency or liquidation of the insured. i.e., the owner or the
driver of the offending vehicle involved in the said accident on account of which the
victim got injured, or even killed. The insurer thus cannot escape from his legal
liability as per the provisions of law under the Motor Vehicles Act. on the ground
that breach of any term of the contract on the part of the insured had happened or
the claim of the third party was not covered, or otherwise the insurer was entitled to
avoid the policy.

Chapter XI of the Motor Vehicles Act, 1988 Section 146 states the necessity for
insurance against third party risk, section 147 deals with requirements of policies
and limits of liability and section 165 of claim tribunals are the critical units for
Motor Vehicle Act of 1988 in terms of vehicle insurance norms in India.
Thus, any contract of insurance under the motor vehicles act contemplates a third party who is not a signatory or a party to the contract of insurance but is protected by the contract. The rights of the third party to get indemnified can be exercised only against the insurer of the vehicle. It is clear that third party is not concerned in the matter of payment of premium. It is on the basis of this policy that the claim can be maintained by third party against the insurer.

India's important Motor Vehicle Act of 1988 Section 146, Section 147 and Section 165 are mentioned below:-

**Importance of Section 146 - Necessity for insurance against third party risk (Compulsory Act on all vehicles in India) are mentioned below:-**

1. No person shall use, except as a passenger, or cause or allow any other person to use, a motor vehicle in a public place, unless there is in force in relation to the use of the vehicle by that person or that other person, as the case may be, a policy of insurance complying with the requirements.

2. Provided that in the case of a vehicle carrying, or meant to carry, dangerous or hazardous goods, there shall also be a policy of insurance under the Public Liability Insurance Act, 1991.

3. Subject of provision shall not apply to any vehicle owned by the Central government or a State government and used for government purposes unconnected with any commercial enterprise.

4. The appropriate government may, by order, exempt from the operation of any vehicle owned by any of the following authorities, namely:-

   (a) The Central government or a State government, if the vehicle is used for government purposes connected with any commercial enterprise.

   (b) Any local authority.

   (c) Any state transport undertaking.
Provided that no such order shall be made in relation to any such authority unless a fund has been established and is maintained by that authority in accordance with the rules made on behalf under this act for meeting any liability arising out of the use of any vehicle of that authority which that authority or any person in its employment may incur to third parties.

Explanation.-For the purposes of this sub-section, "Appropriate Government" means the Central Government or a State Government, as the case may be, as in context to:

(i) In relation to any corporation or company owned by the central government or any state government, means the central government or that state government.

(ii) In relation to any corporation or company owned by the central government and one or more state governments, means the central government.

(iii) In relation to any other state transport undertaking or any local authority, means that government which has control over that undertaking or authority.

Importance of Section 147- Requirements of policies and limits of liability are mentioned below:

1. Policies and its limit liability requirements are mentioned below:-
   a. Policies are issued by a person who is an authorised insurer.
   b. Policies are issued by Insurer the person or classes of persons specified in the policy to the extent specified in sub-section.

2. Amount of Liability incurred.
   c. Limit liability are against any liability which may be incurred by him in respect of the death of or bodily injury to any person, including owner of the goods or his authorised representative carried in the vehicle or damage to any property of a third party caused by or arising out of the use of the vehicle in a public place.
d. Limit liability are against the death of or bodily injury to any passenger of a public service vehicle caused by or arising out of the use of the vehicle in a public place.

- Provided that a policy shall not be required:
  - To cover liability in respect of the death, arising out of and in the course of his employment, of the employee of a person insured by the policy or in respect of bodily injury sustained by such an employee arising out of and in the course of his employment other than a liability arising under the Workmen’s Compensation Act, 1923 (8 of 1923) in respect of the death of, or bodily injury to, any such employee-
    - Engaged in driving the vehicle.
    - If it is a public service vehicle engaged as conductor of the vehicle or in examining tickets on the vehicle.
    - If it is a goods carriage, being carried in the vehicle.
    - To cover any contractual liability.
    - For the removal of doubts, it is hereby declared that the death of or bodily injury to any person or damage to any property of a third party shall be deemed to have been caused by or to have arisen out of, the use of a vehicle in a public place notwithstanding that the person who is dead of injured or the property which is damaged was not in a public place at the time of the accident, if the act or omission which led to the accident occurred in a public place.

- Subject to the provision a policy of insurance shall cover any liability incurred in respect of any accident, up to the following limits, namely:-
  - The amount of liability incurred.
  - In respect of damage to any property of a third party, a limit of rupees six thousand.
• Provided that any policy of insurance issued with any limited liability and in force, immediately before the commencement of this Act, shall continue to be effective for a period of four months after such commencement or till the date of expiry of such policy whichever is earlier.

3 A policy shall be of no effect for the purposes unless and until there is issue by the insurer in favour of the person by whom the policy is effected a certificate of insurance in the prescribed form and containing the prescribed particulars of any condition subject to which the policy is issued and of any other prescribed matters: and different forms, particulars and matters may be prescribed in different cases.

4 Where a cover note issued by the insurer under the provisions of this is the rules made there under is not followed by a policy of insurance within the prescribed time, the insurer shall, within seven days of the expiry of the period of the validity of the cover note, notify the fact to the registering authority in whose records the vehicle to which the cover note relates has been registered or to such other authority as the state government may prescribe.

5 Notwithstanding anything contained in any law for the time being in force, an insurer issuing a policy of insurance under this section shall be liable to indemnify the person or classes of persons specified in the policy in respect of any liability which the policy purports to cover in the case of that person or those classes of persons.

> **Importance of Section 165 - Claims Tribunals instructions are mentioned below:-**

1. A state government may, by notification in the official gazette, constitute one or more motor accidents claims tribunals (hereafter it is referred to as Claims Tribunal) for such area as may be specified in the notification for the purpose of adjudicating upon claims for compensation in respect of accidents involving the death of, or bodily injury to, persons arising out of the use of motor vehicles, or damages to any property of a third party so arising.
2. For the removal of doubts, it is hereby declared that the expression "claims for compensation in respect of accidents involving the death of or bodily injury to persons arising out of the use of motor vehicles" includes claims for compensation under section 140. 1[and section 163A].

3. A claims tribunal shall consist of such number of members as the State government may think fit to appoint and where it consists of two or more members, one of them shall be appointed as the chairman.

4. A person shall not be qualified for appointment as a member of a claims tribunal unless:-
   a. Person is, or has been, a Judge of a High Court.
   b. Person is, or has been a District Judge.
   c. Person is, qualified for appointment as a High Court Judge or as a District Judge.

4. Where two or more Claims Tribunals are constituted for any area, the state government, May by general or special order, regulate the distribution of business among them.

The Motor Vehicles (Compulsory Insurance) regulations in 1992 come into force on 31st Dec 1992 implement the third motor insurance directive under which there is requirement for motor policies to cover all passengers including those in the employment insured, when traveling in course of their employment. The Motor Vehicle act 1988 (59 of 1988), was enacted as a central legislation to regulate road transport in the country. The Motor Vehicle Act of 1988 (Act no 59 of 1988), Act is effective from 1st July 1989.
The important provisions of Motor Vehicles Act of 1988 are mentioned below:

- Rationalisation of certain definition with addition of certain new definitions of new types of vehicles. E.g. - Definition on articulated vehicle. Certificate of registrations, Conductor, Conductor license, Contact carriage etc.

- Stricter procedures for grants of driving licenses and period of their validity.

- Laying down the standards for the components and parts of motor vehicles.

- Standards for anti pollution control devices.

- Provisions for issuing fitness certificates of vehicles also by the authorised testing stations.

- Enabling provisions for updating the systems of registration marks.

- Liberalised schemes for grant of All India Tourist’s permits as also national permits for goods carriages.

- Administration of solatium Fund by General Insurance Corporation.

- Maintenance of state registers for driving licenses and vehicle registrations.

- Constitution of road safety councils.

- Seeking to provide for more deterrent punishment in cases of certain offences.
The Motor Vehicle Act of 1988 is the landmark act as its states mandatory law of no vehicle which is not insured against third party risks shall be taken out and used in public places. The Act provides for death and disability benefits to third parties affected by accidents involving the vehicle and damage to third party property and enables motor accident claim tribunals to adjudicate over the compensation.

While the owner of the vehicle is liable for paying compensation to accident victims, the insurance company takes over the risk from the individual through the compulsory third party insurance policy which is called the Act policy. While the Act policy can be taken separately, own damage cover is provided under a comprehensive policy. As Act policy is a statutory requirement, insurers cannot refuse to grant this cover. IRDA has warned that action will be taken against insurers for such refusals. The liability continues even after death of the insured, after covering third party risks. Compulsory third party insurance is not applicable to certain category of vehicles owned by the central or state governments, local authorities, state transport U/Ts, provided a fund is maintained for meeting the liability.

When the vehicle is sold and ownership is transferred to another person, the insurance policy is deemed to have been transferred to the new owner, who is required to take up the matter with the insurance company within 14 days, to affect necessary changes. These are important the structure for operations of vehicle motor insurance in India.
III. Car and Vehicles Insurance Policies in India

The car and vehicle insurance policies issued by Govt and private insurance companies are broadly covered into two types in India are mentioned below:-

1. A. Comprehensive car insurance policy - protects against any loss or damage caused to the vehicle and its insured accessories as a result of natural and man-made calamities. These calamities can be broadly classified as ‘Natural Calamities’ and ‘Man Made Calamities’. Natural calamities include: fire, explosion, lightning, flood, typhoon, hurricane, storm, tempest, inundation, cyclone, hailstorm, frost, landslide, rockslide, and fire and shock damage due to earthquake. Man-made calamities include: burglary, housebreaking, theft, riot or strike, accident by external means, malicious act, terrorist activity and damage during travel by road, rail, inland-waterway, or air. This policy also includes personal accident cover, which provides accident cover for the driver of the vehicle while driving. The owner can avail personal accident cover for passengers in the vehicle. It also covers for fire and theft provided the vehicles are laid up in a garage and not in active use.

B. Depreciation cover - It means decrease in the value of an asset due to use. Depreciation cover in car insurance provides compensation without any deduction for depreciation or any replacement of parts arising due to accident. This additional depreciation cover tries to ensure complete coverage’s for cars.

- Depreciation covers offers multiple advantages with an additional premium are mentioned below:-
  - 100% re-imbursement on replaced depreciated parts.
  - Avail repairing costs of fibre, glass, rubber parts and plastic.
  - Affordable premium cost.
  - All plastic parts in case of a claim without applying depreciation.
  - For any replacement of parts arising out of accident.
• Vehicle up to 5 year of age from the date of registration is available for depreciation covers.

• Renew the cover annually to have continuous benefits of depreciation covers.

• There are few special conditions applicable which are not covered under the depreciation cover are mentioned below:-

• Wear and tear of cars.

• Damage to uninsured items like accessories and bi-fuel gas kit, tyres.

• Damage due to uninsured peril.

• Damage due to mechanical breakdown.

• Damage to or by a person driving any vehicles without a valid license.

• Damage to or by a person driving the vehicle under the influence of drugs or liquor. Loss or damage due to war, mutiny or nuclear risk.

• Loss of key replacement facilities covers or engine covers.

• Provides benefits to survivors when an accident results in death.

• It covers lawsuits, including legal fees brought against you as the result of an accident.

• Covers the bills of vehicle repairs due to damage caused in an accident.

• Covers damage caused by other than an accident for example, theft, fire, etc.

C. **Zero Depreciation car insurance cover** - The comprehensive cover also provides zero depreciation cover which offers full claim coverage on the value of parts replaced, without any deduction for depreciation of cars assets, especially for premium cars. Zero Depreciation cover in car insurance provides compensation without any deduction for depreciation on any replacement of parts arising due to accident. This will ensure complete coverage for the car.
The zero depreciation policy compensates the claim fully for a premium amount which is around 20% higher than the normal covers. Tata AIG Company was the first insurance companies to get go ahead from IRDA to provide this insurance plan with Zero Depreciation to its customers. Presently, many insurance companies in India are offering this policy to their customers.

2. Third party car insurance policy - An insurance policy is between two parties, the insurer and the insured. Therefore, a third party is any person who is neither the insured nor the insurer. Third parties are mainly pedestrians, fare-paying and non fare paying passengers in a vehicle. People in the vehicles like the driver, owner or passengers are also third parties. Fare paying passengers are the people who travel in public transport such as taxis, auto rickshaws and buses. Non-Fare paying passengers are the people who are allowed to travel in a vehicle for free. The Third Party car insurance policy covers owner’s legal liability for any compensation to be paid arising from accident caused by your vehicle. It includes liability for death or injury to third parties like pedestrians, occupant of other vehicles, and outsiders other than passengers. Passengers of private vehicles and pillion riders are also considered to be covered. As an owner of the vehicle individual is insured against death or injury caused to passengers carried in the vehicle for hire. The liability covered is unlimited in case of death or injury. Damage to third party’s property is usually covered by the insurance policy as cover is mandatory as per the rules of IRDA. These are normal policy procedures followed by public and private insurance companies for framing car policies and other vehicle policies in India.
Government policies for Car Insurance business in India

Generally, government authority has taken an active role in the establishment of a vibrant motor insurance market in the country. The market regulation by prudential norms, the registration of players who have the necessary financial strength to withstand the demands of a growing and nascent market, the necessity to have ‘fit and proper’ persons in-charge of businesses, provisions of IRDA on various motor insurance pools, the implementation of a solvency regime that ensures continuous financial stability, the presence of an adequate number of insurers to provide competition and choice to customers. All these steps lead to the establishment of a regime committed to an overall development of the market in normal times is extremely critical. The government authority even at the time of grant of registration to the new companies has made it a practice to specify, in suitable cases, the establishment of branches and offices of the insurers in places where activities are on a low key. In states like Jammu and Kashmir, Orissa, North Eastern areas where the Authority feels that the development of business has been stunted, insurers have been advised to open their offices. Development of products including group car policies to cater to special categories has been one of the salient features for the development of the car insurance market. The government authority is conscious of the fact that each of these factors has to be given due importance and recognition for a sustained growth and development for car insurance companies in the market.

Prior to liberalization process adopted in India or prior to IRDA formed in 1999, for India there was only government owned car/motor insurance companies which laid down procedures for car insurance polices and tariffs rates by TAC Govt of India. It was the year 1999, when IRDA was formed and private companies entered the insurance market in the year 2000. IRDA is regulatory insurance body for life and general insurance business in India formed with approval of Govt. Then it becomes a mandatory process for private insurance companies who are registered with IRDA to follow the main structure of government car policies and tariffs rate policies norms given by TAC – Govt of
India. Due to these systematic policies procedures and tariffs rules by government, the entire process of car insurance business have become a professional and conducive business to operate in India. Therefore it can be seen that all car insurance companies comprising of Govt and private are achieving profit and growth in car insurance business every year by simply following car insurance polices and tariffs rates by TAC Govt of India.

The government norms for car insurance policies and car tariffs rules are mentioned below:-

- **Car Insurance Policies in India**

The terms and conditions for car insurance policies issued in India by public companies are mentioned below:-

**SECTION I. - Loss of or Damage to the Vehicle Insured**

- The Company will indemnify the insured against loss or damage to the vehicle insured hereunder and its accessories whilst thereon:-

  i. By fire explosion self ignition or lightning.

  ii. By burglary housebreaking or theft.

  iii. By riot and strike.

  iv. By earthquake. (Fire and shock damage)

  v. By flood typhoon hurricane storm tempest inundation cyclone hailstorm frost.

  vi. By accidental external means.

  vii. By malicious act.

  viii. By terrorist activity.
ix. Whilst in transit by road rail inland-waterway lift elevator or air.

x. By landslide rockslide.

Subject to a deduction for depreciation at the rates mentioned below in respect of parts replaced:

1. For all rubber / nylon / plastic parts, tyres and tubes, batteries and air bags - 50% deductions for depreciations rates are applicable.

2. For fibre glass components - 30% deductions for depreciations rates are applicable.

3. For all parts made of glass – Nil.

4. Rate of depreciation for all other parts including wooden parts will be as per the following schedule.

The Age of Vehicle and Percentage of Depreciation are mentioned below:

Table 3.2 Age of Vehicle and Percentage of Depreciation

<table>
<thead>
<tr>
<th>AGE OF VEHICLE</th>
<th>% OF DEPRECIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding 6 months</td>
<td>Nil</td>
</tr>
<tr>
<td>Exceeding 6 months but not exceeding 1 year.</td>
<td>5%</td>
</tr>
<tr>
<td>Exceeding 1 year but not exceeding 2 years.</td>
<td>10%</td>
</tr>
<tr>
<td>Exceeding 2 years but not exceeding 3 years.</td>
<td>15%</td>
</tr>
<tr>
<td>Exceeding 3 years but not exceeding 4 years.</td>
<td>25%</td>
</tr>
<tr>
<td>Exceeding 4 years but not exceeding 5 years.</td>
<td>35%</td>
</tr>
<tr>
<td>Exceeding 5 year but not exceeding 10 years.</td>
<td>40%</td>
</tr>
<tr>
<td>Exceeding 10 years</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Motor Insurance IC-72 (368.092 ANA PAI, 21123) Pg129
5. The company shall not be liable to make any payment in respect of:

(a) Consequential loss, depreciation, wear and tear, mechanical or electrical breakdown, failures or breakages.

(b) Damage to tyres and tubes unless the vehicle is damaged at the same time in which case the liability of the company shall be limited to 50% of the cost of replacement.

(c) Any accidental loss or damage suffered whilst the insured or any person driving the vehicle with the knowledge and consent of the insured is under the influence of intoxicating liquor or drugs.

6. In the event of the vehicle being disabled by reason of loss or damage covered under this policy the company will bear the reasonable cost of protection and removal to the nearest repairer and redelivery to the insured but not exceeding in all ₹1500/- in respect of any one accident.

The insured may authorise the repair of the vehicle necessitated by damage for which the Company may be liable under this policy provided that:

a) The estimated cost of such repair including replacements, if any, does not exceed ₹500/.

b) The company is furnished forthwith with a detailed estimate of the cost of repairs.

c) The insured shall give the company assistance to see that such repair is necessary and the charges are reasonable.
- **Sum Insured– Insured’s Declared Value (IDV)**

The Insured’s Declared Value (IDV) of the vehicle will be deemed to be the ‘SUM INSURED’ for the purpose of this policy which is fixed at the commencement of each policy period for the insured vehicle.

The IDV of the vehicle (and accessories if any fitted to the vehicle) is to be fixed on the basis of the manufacturer’s listed selling price of the brand and model as the vehicle insured at the commencement of insurance and renewal and adjusted for depreciation (as per schedule below)

The schedule of age-wise depreciation as shown below a table is applicable for the purpose of Total Loss and Constructive Total Loss (TL / CTL) claims:

<table>
<thead>
<tr>
<th>Table 3.3 Schedule of Depreciation for Fixing IDV for Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGE OF THE VEHICLE</strong></td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Not exceeding 6 months</td>
</tr>
<tr>
<td>Exceeding 6 months but not exceeding 1 Year</td>
</tr>
<tr>
<td>Exceeding 1 Year but not exceeding 2 Years</td>
</tr>
</tbody>
</table>

Source: United India Insurance Co. Ltd Date 1/1/2002, PDF file, Pg 2
IDV of vehicles beyond 5 years of age and of obsolete models of the vehicles (i.e. models which the manufacturers have discontinued to manufacture) is to be determined on the basis of an understanding between the insurer and the insured. IDV shall be treated as the ‘Market Value’ throughout the policy period without any further depreciation for the purpose of Total Loss (TL) or Constructive Total Loss (CTL) claims. The insured vehicle shall be treated as a CTL if the aggregate cost of retrieval or repair of the vehicle is subject to terms and conditions of the policy, exceeds 75% of the IDV of the vehicle.

SECTION II - Liability to Third Parties

1. Subject to the limits of liability as laid down in the schedule where the company will indemnify the insured in the event of an accident caused by or arising out of the use of the vehicle against all sums which the insured shall become legally liable to pay in respects.

2. Death or bodily injury to any person including occupants carried in the vehicle (provided such occupants are not carried for hire or reward) but except so far as it is necessary to meet the requirements of Motor Vehicles Act, the company shall not be liable where such death or injury arises out of and in the course of the employment of such person by the insured.

3. Damage to property other than property belonging to the insured or held in trust or in the custody or control of the insured.

4. The Company will pay all costs and expenses incurred with its written consent.

5. In terms of and subject to the limitations of the indemnity granted by this section to the insured, the company will indemnify any driver who is driving the vehicle on the insured's order or with insured’s permission provided that such driver shall as though he or she was the insured observe fulfill and be subject to the terms exceptions and conditions of this policy in so far as they apply.
6. In the event of the death of any person entitled to indemnity under this policy the company will in respect of the liability incurred by such person indemnify his or her personal representative in terms of subject to the limitations of this policy provided. Such representative was the insured observe fulfill and be subject to the terms exceptions and conditions of this policy in so far as they apply.

7. The company may at its own option to:-

(A) Arrange for representation at any inquest or fatal inquiry in respect of any death which may be the subject of indemnity under this policy.

(B) Undertake the defense of proceedings in any court of law in respect of any act or alleged offence causing or relating to any event which may be the subject of indemnity under this policy.

Avoidance of Certain Terms and Right of Recovery

Nothing in policy or any endorsement hereon shall affect the right of any person indemnified by policy or any other person to recover an amount under or by virtue of the provisions of the motor vehicles act. The insured shall repay to the company all sums paid by the company which the company would not have been liable to pay but for the said provisions.

Application of Limits of Indemnity

In the event of any accident involving indemnity to more than one person any limitation by the terms of this policy or of any endorsement thereon of the amount of any indemnity shall apply to the aggregate amount of indemnity to all persons indemnified and such indemnity shall apply in priority to the insured.
SECTION III - Personal accident cover for Owner – Driver

1) The company undertakes to pay compensation as per the following scale for bodily injury or death sustained by the owner driver of the vehicle, in direct connection with the vehicle insured or whilst driving or mounting into dismounting from the vehicle insured or whilst traveling in it as a co-driver, caused by violent accidental external and visible means which independent of any other cause shall within six calendar months of such injury result in table given below:

Table 3.4 Nature of Injury and Compensation

<table>
<thead>
<tr>
<th>NATURE OF INJURY</th>
<th>SCALE OF COMPENSATION</th>
<th>NATURE OF INJURY</th>
<th>SCALE OF COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>100%</td>
<td>Loss of one limb or sight of one eye</td>
<td>50%</td>
</tr>
<tr>
<td>Loss of two limbs or sight of two eyes</td>
<td>100%</td>
<td>Permanent Total Disablement from injuries other than named above</td>
<td>100%</td>
</tr>
<tr>
<td>one limb and sight of one eye</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source; - United India Insurance Co. Ltd Date 1/1/ 2002, PDF file, Pg 3

A. As per the table given above, compensation shall be payable under only one of the items above in respect of the owner-driver arising out of any one occurrence and the total liability of the insurer shall not in the aggregate exceed the sum of ₹ 2 lakhs during any one period of insurance.
B. No compensation shall be payable in respect of death or bodily injury directly or indirectly wholly or in part arising or resulting from or traceable to intentional self injury suicide or attempted suicide physical defect or infirmity or an accident happening whilst such person is under the influence of intoxicating liquor or drugs.

C. Such compensation shall be payable directly to the insured or to his or her legal representatives whose receipt shall be the full discharge in respect of the injury to the insured.

2) The cover is subject to:
   (a) The owner-driver is the registered owner of the vehicle insured herein.
   (b) The owner-driver is the insured named in this policy.
   (c) The owner-driver holds an effective driving license, in accordance with the provisions of Rule 3 of the Central Motor Vehicles Rules, 1989, at the time of the accident.15

> General Expectation (Applicable to all Sections of the Policy)

The company shall not be liable under this policy in respect of:

1. Any accidental loss or damage or liability caused sustained or incurred outside the geographical area.

2. Any claim arising out of any contractual liability.

3. Any accidental loss damage or liability caused sustained or incurred whilst the vehicle insured herein is;
   (a) Being used otherwise than in accordance with the ‘Limitations as to Use’

   Or

   (b) Being driven by or is for the purpose of being driven by him or her in the charge of any person other than a driver as stated in the driver's clause.
4. (a) Any accidental loss or damage to any property whatsoever or any loss or expense whatsoever resulting or arising there from or any consequential loss.

(b) Any liability of whatsoever nature directly or indirectly caused by or contributed to by or arising from ionizing radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. For the purpose of this exception combustion shall include any self-sustaining process of nuclear fission.

5. Any accidental loss or damage or liability directly or indirectly caused by or contributed to by or arising from nuclear weapons material. Any accidental loss damage or liability directly or indirectly or proximately or remotely occasioned by contributed to by or traceable to or arising out of or in connection with war, invasion, the act of foreign enemies, hostilities or war like operations (whether before or after declaration of war) civil war, mutiny rebellion, military or usurped power or by any direct or indirect consequence of any of the said occurrences and in the event of any claim hereunder the insured shall prove that the accidental loss damage or liability arose independently of and was in no way connected with or occasioned by or contributed to by or traceable to any of the said occurrences or any consequences thereof and in default of such proof, the company shall not be liable to make any payment in respect of such a claim.

➢ Deductible

The company shall not be liable for each and every claim under Section - 1 (loss of or damage to the vehicle insured) of this policy in respect of the deductible stated in the schedule.
Conditions

This policy and the schedule shall be read together and any word or expression to which a specific meaning has been attached in any part of this policy or of the schedule shall bear the same meaning wherever it may appear. The conditions are mentioned below:

1. 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 and thereafter the insured shall give all such information and assistance as the company shall require. Every letter claim writ summons or process or copy thereof shall be forwarded to the company immediately on receipt by the insured. Notice shall also be given in writing to the company immediately; the insured shall have knowledge of any impending prosecution. inquest or fatal inquiry in respect of any occurrence which may give rise to a claim under this policy. In case of theft or criminal act which may be the subject of a claim under this policy the insured shall give immediate notice to the police and co-operate with the company in securing the conviction of the offender.

2. No admission offer promise payment or indemnity shall be made or given by or on behalf of the insured without the written consent of the company which shall be entitled if it so desires to take over and conduct in the name of the insured the defence or settlement of any claim or to prosecute in the name of the insured for its own benefit any claim for indemnity or otherwise and shall have full discretion in the conduct of any proceedings or in the settlement of any claim and the insured shall give all such information and assistance as the company may require.

3. The company may at its own option repair reinstate or replace the vehicle or part thereof or its accessories or may pay in cash the amount of the loss or damage and the liability of the company shall not exceed:
a. **For Total Loss / Constructive Total Loss of the vehicle** - The Insured's Declared Value (IDV) of the vehicle (including accessories thereon) as specified in the schedule less the value of the wreck.

b. **For Partial Losses, i.e. losses other than Total Loss and Constructive Total Loss of the vehicle** - Actual and reasonable costs of repair or replacement of parts lost or damaged subject to depreciation as per limits specified.

4. The insured shall take all reasonable steps to safeguard the vehicle from loss or damage and to maintain it in efficient condition and the company shall have at all times free and full access to examine the vehicle or any part thereof or any driver or employee of the insured. In the event of any accident or breakdown, the vehicle shall not be left unattended without proper precautions being taken to prevent further damage or loss and if the vehicle be driven before the necessary repairs are effected any extension of the damage or any further damage to the vehicle shall be entirely at the insured's own risk.

5. The company may cancel the policy by sending seven days notice by recorded delivery to the insured at insured’s last known address and in such event will return to the insured the premium paid less the pro rata portion thereof for the period the policy has been in force or the policy may be cancelled at any time by the insured on seven days’ notice by recorded delivery and provided no claim has arisen during the currency of the policy, the insured shall be entitled to a return of premium less premium at the company's short period rates for the period the policy has been in force. Return of the premium by the company will be subject to retention of the minimum premium of ₹ 100/- (or ₹ 25/- in respect of vehicles specifically designed or modified for use by blind or handicapped or mentally challenged persons).
Where the ownership of the vehicle is transferred, the policy cannot be cancelled unless evidence that the vehicle is insured elsewhere is produced.

6. If at the time of occurrence of an event that gives rise to any claim under this policy there is in existence any other insurance covering the same liability, the company shall not be liable to pay or contribute more than its ratable proportion of any compensation, cost or expense.

7. If any dispute or difference shall arise as to the quantum to be paid under this policy (liability being otherwise admitted), such difference shall independent of all other questions be referred to the decision of a sole arbitrator to be appointed in writing by the parties to the dispute or if they cannot agree upon a single arbitrator within 30 days of any party invoking arbitration, the same shall be referred to a panel of three arbitrators comprising two arbitrators one to be appointed by each of the parties to the dispute or difference, and another arbitrator to be appointed by such two arbitrators who shall act as the presiding arbitrator and arbitration shall be conducted under and in accordance with the provisions of the Arbitration and Conciliation Act, 1996.

It is clearly agreed and understood that no difference or dispute shall be referable to arbitration as hereinbefore provided, if the company has disputed or not accepted liability under or in respect of this policy. It is hereby expressly stipulated and declared that it shall be condition precedent to any right of action or suit upon this policy that the award by such arbitrator or arbitrators of the amount of the loss or damage shall be first obtained. It is also hereby further expressly agreed and declared that if the company shall disclaim liability to the insured for any claim hereunder and such claim shall not, within twelve calendar months from the date of such disclaimer have been made the subject matter of a suit in a court of law, then the claim shall for all purposes be deemed to have been abandoned and shall not thereafter be recoverable hereunder.
8. The due observance and fulfillment of the terms, conditions and endorsements of this policy in so far as they relate to anything to be done or complied with by the insured and the truth of the statements and answers in the said proposal shall be conditions precedent to any liability of the company to make any payment under this policy.

9. In the event of the death of the sole insured, this policy will not immediately lapse but will remain valid for a period of three months from the date of the death of insured or until the expiry of this policy (whichever is earlier). During the said period, legal heir(s) of the insured to whom the custody and use of the motor vehicle passes may apply to have this policy transferred to the name(s) of the heir(s) or obtain a new insurance policy for the Motor Vehicle. Where such legal heir(s) desire(s) to apply for transfer of this policy or obtain a new policy for the vehicle such heir(s) should make an application to the company accordingly within the aforesaid period.

All such applications should be accompanied by:-

a) Death certificate in respect of the insured.

b) Proof of title to the vehicles.

c) Original policy.

The company reserves its rights to abide by any order of the court in regard to dedication about the legal heir or heiress and ownership of the vehicle and the nominee will not have any right to dispute such order of the court.
No Claim Bonus

The insured is entitled for a No Claim Bonus (NCB) on the Own Damage section of the policy, if no claim is made or pending during the preceding year(s), as per the following table given below:

Table 3.5 No Claim Bonus

<table>
<thead>
<tr>
<th>PERIOD OF INSURANCE</th>
<th>% OF NCB on OD PREMIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>The preceding year</td>
<td>20%</td>
</tr>
<tr>
<td>Preceding Two consecutive years</td>
<td>25%</td>
</tr>
<tr>
<td>Preceding Three consecutive years</td>
<td>35%</td>
</tr>
<tr>
<td>Preceding Four consecutive years</td>
<td>45%</td>
</tr>
<tr>
<td>Preceding Five consecutive years</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: United India Insurance Co. Ltd Date 1/1/2002, PDF file, Pg 5

No Claim Bonus will only be allowed provided the policy is renewed within 90 days of the expiry date of the previous policy.
Compulsory Deductible

Notwithstanding anything to the contrary contained in the policy it is hereby understood and agreed that the insured shall bear under Section 1 of the policy in respect of each and every event (including event giving rise to a total loss or constructive total loss) the first rupees (or any less expenditure which may be incurred) of any expenditure for which provision has been made under this policy or of any expenditure by the insurer in the exercise of his discretion under condition of this policy. If the expenditure incurred by the insurer shall include any amount which the insured is responsible hereunder such amount shall be repaid by the insured to the insurer forthwith on compulsory deductible. For the purpose of this endorsement the expression events shall mean an event or series of events arising out of one because in connection with the vehicle insured in respect of which indemnity is provided under this policy.

Subject to the terms conditions limitations and exceptions of policies.

(i) To insert amount as appropriate to the class of vehicle insured as per the tariff.

(ii) In respect of a vehicle rated under the tariff for private car and in respect of a motorised two wheeler not carrying passengers for hire or reward, if any deductible in addition to the compulsory deductible provided in this endorsement is voluntarily borne by the insured, the sum representing the aggregate of the compulsory and the voluntary deductibles is to be inserted.

Legal liability to paid driver or conductor or cleaner employed in connection with the operation of insured vehicle

In consideration of an additional premium of ₹ 25/- notwithstanding anything to the contrary contained in the policy it is hereby understood and agreed that the insurer shall indemnify the insured against the insured's legal liability under the Workmen's Compensation Act, 1923, the Fatal Accidents Act, 1855 or at common-law and subsequent amendments of these acts prior to the date.
The endorsement in respect of personal injury to any paid driver or conductor or cleaner whilst engaged in the service of the insured in such occupation in connection with the vehicle insured herein and will in addition be responsible for all costs and expenses incurred with its written consent.

- **Instructions to policyholders on legal liability:-**

  1. The endorsement does not indemnify the insured in respect of any liability in cases where the insured holds or subsequently effects with any insurer or group of insurers a policy of insurance in respect of liability as herein defined for insured's general employees.

  2. The insured shall take reasonable precautions to prevent accidents and shall comply with all statutory obligations.

  3. The insured shall keep record of the name of each paid driver, conductor, cleaner, or persons employed in loading or unloading and the amount of wages and salaries and other earnings paid to such employees and shall at all times allow the insurer to inspect such records on demand.

  4. In the event of the policy being cancelled at the request of the insured no refund of the premium paid in respect of this endorsement will be allowed.

- **Personal accident to unnamed passenger other than insured and the paid driver and cleaner**

  In consideration of the payment of an additional premium for personal accident, it is hereby understood and agreed that the insurer undertakes to pay compensation on the scale provided below for bodily injuries hereinafter defined sustained by any passenger other than the insured or the paid driver attendant or cleaner or a person in the employ the insured coming within the scope of the Workmen’s Compensation Act. Engaged upon the service of the insured at the time such injury is sustained whilst mounting into, dismounting from or traveling in but not driving the insured motor car and caused by violent, accidental, external and visible means which independently of any other cause shall within three calendar months of the occurrence of such injury results.
Important instructions to policyholders on personal accident:

1. Compensation shall be payable under only one of the items in respect of any such person arising out of any one occurrence towards total liability of the insurer. it shall not aggregate exceed the sum of rupees.

2. No compensation shall be payable in respect of death or injury directly or indirectly wholly or in part arising or resulting from or traceable to (a) Intentional self injury suicide or attempted suicide physical defect or infirmity or (b) An accident happening whilst such person is under the influence of intoxicating liquor or drugs.

3. Such compensation shall be payable only with the approval of the insured named in the policy and directly to the injured person or his or her legal representative(s) whose receipt shall be a full discharge in respect of the injury of such persons.

4. Not more than persons or passengers are in the vehicle insured at the time of occurrence of such injury. Subject otherwise to the terms exceptions conditions and limitations of this policy. The Capital Sum Insured (CSI) per passenger is to be inserted.

Motor car or vehicle policies invariably incorporate a condition whereby the insured is required to maintain his vehicle in safe, efficient, and roadworthy condition and which is thus an encouragement to risk improvement. Thus Government policies are responsible for growth and development of car insurance companies in India. Car / motor insurance companies policies data on premium schedule and claim amount settled from period 2005 - 2013 are mentioned at (Ref; Annexure III, Pg no - v - xii)
Tariff procedures for Private Car Regulations policies in India by (TAC)  
Govt of India (with reference by IRDA)

Scope

A. Private Car type vehicles used for social, domestic and pleasure purposes and also for professional purposes (excluding the carriage of goods other than samples) of the insured or used by the insured’s employees for such purposes but excluding use for hire or reward, racing, pace making, reliability trial, speed testing and use for any purpose in connection with the motor trade.

B. Motorized three wheeled vehicles (including motorized rickshaws, cabin body scooters used for private purposes only) Motorized three wheeled vehicles (including motorized rickshaws/ cabin body scooters used for private purposes only), with engine cubic capacity exceeding 750 cc but not exceeding 1000 cc, are to be rated on the basis of minimum cubic capacity of 1000 cc. Motorized three wheeled vehicles with engine cubic capacity not exceeding 750 cc. are also to be rated as private cars with 50% discount on Own Damage premium only. The premium rates shall however not be less than the rates applicable for motorized two wheelers prescribed for the same CC and age under Section-3 of this tariff. The premium for liability cover or for any extra benefits should be collected in full. Motorized three wheeled vehicles used for carriage of either own goods or for hire or reward are ratable under Class A.3 / Class A.4 (as applicable) of the commercial Vehicles tariff.

C. Motorized three wheeled vehicles (including motorized rickshaws, cabin body scooters) used for carrying passengers for hire or reward are rate able under Class C. 1 /Class C. 2 / Class C.3 (as applicable) of the commercial vehicles tariff.
**Premium Rating:**

**Rating Factors:** The premium rating is based on the following factors:

a) Insured’s Declared Value (IDV) of the vehicle.
b) Cubic capacity.
c) Geographical zones.
d) Age of the vehicle.

**Policy Schedule Warding Regarding Limitation as to use and Driver Limitation as to Use**

The Policy covers use of the vehicle for any purpose other than:

a) Hire or Reward.
b) Carriage of goods. (Other than samples or personal luggage)
c) Organized racing.
d) Pace making.
e) Speed testing.
f) Reliability trials.
g) Use in connection with motor trade.

**Driver**

Any person including the insured provided that a person driving holds an effective driving license at the time of the accident and is not disqualified from holding or obtaining such a license. Provided also that the person holding an effective learner’s license may also drive the vehicle and that such a person satisfies the requirements of Rule 3 of the Central Motor Vehicles Rules, 1989.
The table mentioned below shows the Limits of Liability for policies:-

**Table 3.6 Limits of Liability on Policies**

<table>
<thead>
<tr>
<th>Description</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Under Section II -1 (i) The Package policy</td>
<td>As per requirements of Motor Vehicle Act. 1988</td>
</tr>
<tr>
<td>(Under Section (i) The Liability Only Policy)</td>
<td></td>
</tr>
<tr>
<td>b) Under Section II –1 (ii) of the Package policy</td>
<td>₹ 7.5 lakhs</td>
</tr>
<tr>
<td>(Under Section 1(ii) of the Liability Only Policy)</td>
<td>or</td>
</tr>
<tr>
<td></td>
<td>₹ 6,000/-, where the proposer / insured opts to limit the TPPD liability to the statutory limit of. ₹ 6000</td>
</tr>
</tbody>
</table>

Source: - Indian Motor Tariff Government of India 30th June 2002 Pg 27

Note: If at the insured’s option, the expiring TPPD (Third Party Property Damage cover) stands limited to the statutory limit of ₹ 6,000/-, an additional premium of ₹ 100/- is to be charged for changing the TPPD cover to ₹ 7.5 lakhs on renewal.

**Schedule of Premium**

- **Zones** - For the purpose of rating under this tariff the whole of India has been divided into the following zones depending upon the location of the office of registration of the vehicle concerned:
  - **Zone A**:- Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi and Pune.
  - **Zone B**:- Rest of India.
- **Minimum values for the purpose of computation of premium**, in respect of private cars shall be as under irrespective of any lower value proposed for insurance.

The given table below shows the Indian Cubic Capacity Value by Indian Motor Tariff set on 30th June 2002, the details are mentioned below (Next Page):-
### Table 3.7 Cubic Capacity Value

<table>
<thead>
<tr>
<th>Cubic Capacity</th>
<th>Minimum Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding 1000 cc</td>
<td>₹ 15,000</td>
</tr>
<tr>
<td>Exceeding 1000 cc but not exceeding 1500 cc</td>
<td>₹ 20,000</td>
</tr>
<tr>
<td>Exceeding 1500 cc</td>
<td>₹ 30,000</td>
</tr>
</tbody>
</table>

Source: - Indian Motor Tariff 30th June 2002 PDF Pg 28

The table mentioned below shows the Rates of Cubic Capacity and IDV for cars:

### Table 3.8 Rates Cubic Capacity and IDV

<table>
<thead>
<tr>
<th>Age of the vehicle</th>
<th>Zone A</th>
<th>Zone B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cubic Capacity</td>
<td>Cubic Capacity</td>
</tr>
<tr>
<td>Not exceeding 1000 cc</td>
<td>3.039 % on IDV</td>
<td>3.191 % on IDV</td>
</tr>
<tr>
<td>Exceeding 1000cc but not exceeding 1500 cc</td>
<td>3.343 % on IDV</td>
<td>3.127 % on IDV</td>
</tr>
<tr>
<td>Exceeding 1500 cc</td>
<td>3.283 % on IDV</td>
<td>3.440 % on IDV</td>
</tr>
<tr>
<td>Exceeding 5 years</td>
<td>3.191 % on IDV</td>
<td>3.351 % on IDV</td>
</tr>
<tr>
<td>Exceeding 10 years but not exceeding 10 years</td>
<td>3.510 % on IDV</td>
<td>3.283 % on IDV</td>
</tr>
<tr>
<td>Exceeding 10 years</td>
<td>3.447 % on IDV</td>
<td>3.612 % on IDV</td>
</tr>
</tbody>
</table>

Source: - Indian Motor Tariff Government of India 30th June 2002 PDF, Pg 28
Note 1: Compulsory deductible as in GR (General Rules). 40 shall apply.

Note 2: Additional premium for electrical / electronic items as in GR. 41 shall apply.

Note 3: Additional premium for CNG / LPG fuel as in GR. 42 shall apply.

Note 4: Additional premium for compulsory PA Personal Accident cover to owner-driver as in GR 36 shall apply.

- Discounts
  The following discounts may be granted:-

- Voluntary Deductibles
  Insured may opt for higher deductible over and above the compulsory deductible in which case discount will be allowed as per the following:-

The table mentioned below shows the Voluntary Deductibles:-

**Table 3.9 Voluntary Deductibles**

<table>
<thead>
<tr>
<th>VOLUNTARY DEDUCTIBLE</th>
<th>DISCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹ 2500</td>
<td>20% on the OD premium of the vehicle, subject to a maximum of ₹ 750</td>
</tr>
<tr>
<td>₹ 5000</td>
<td>25% on the OD premium of the vehicle, subject to a maximum of ₹ 1500</td>
</tr>
<tr>
<td>₹ 7500</td>
<td>30% on the OD premium of the vehicle, subject to a maximum of ₹ 2000</td>
</tr>
<tr>
<td>₹ 15000</td>
<td>35% on the OD premium of the vehicle, subject to a maximum of ₹ 2500</td>
</tr>
</tbody>
</table>

Source: - Indian Motor Tariff Government of India 30th June 2002 Pg 29
Note: - These deductibles are to be added to the appropriate compulsory deductibles provided under and the total figure thus arrived at should be substituted for the compulsory deductible are mentioned below:-

a. No Claim Bonus.
b. Automobile Association Discount.
c. Discount for Vintage Car.
d. Discount for Anti-Theft Devices.

The table mentioned below shows the Premium for liability cover on cars:-

Table 3.10 Premium for Liability Cover

<table>
<thead>
<tr>
<th>Cubic capacity of the vehicle</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding 1000 cc</td>
<td>₹ 500</td>
</tr>
<tr>
<td>Exceeding 1000cc but not exceeding 1500 cc</td>
<td>₹ 600</td>
</tr>
<tr>
<td>Exceeding 1500 cc</td>
<td>₹ 700</td>
</tr>
</tbody>
</table>

Source; - Indian Motor Tariff 30th June 2002 Pg 29

The current Premium Rates for Third Party Cover are mentioned below:-

Table 3.11 Current Premium rates increase for Third Party Motor Cover for cars in India

<table>
<thead>
<tr>
<th>Private Cars</th>
<th>2012- 2013</th>
<th>2012- 13</th>
<th>2014 -15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Vehicle CC/Weight</td>
<td>Old Rates</td>
<td>Proposal</td>
<td>New Rates</td>
</tr>
<tr>
<td>Below 1,000 cc</td>
<td>₹ 941</td>
<td>₹ 2,227</td>
<td>₹ 1,129</td>
</tr>
<tr>
<td>1,000 -1,500cc</td>
<td>₹ 1,110</td>
<td>₹ 1,667</td>
<td>₹ 1,332</td>
</tr>
<tr>
<td>Above 1,500 cc</td>
<td>₹ 3,424</td>
<td>₹ 4,295</td>
<td>₹ 4,109</td>
</tr>
</tbody>
</table>

Source: Times of India March 29, 2014 Editors Panel Pg 19

The above tables shows the premium rates imposed on various car vehicles in India on the basis of cubic capacity from 1st April 2014 by TAC and IRDA.
Extra Benefits

Premium for each of the following extra benefit opted for by the insured's is to be shown separately in the additional premium computation.

I. Legal liability to paid drivers or cleaner employed in connection with the operation or maintenance of motor vehicle under the Workmen's Compensation Act, Fatal Accidents Act and at Common Law.

II. Legal liability to employees of the insured traveling in or driving the employer's vehicle. Liability to employees of the insured traveling in or driving the employer's vehicle, either excluding or including the paid driver may be covered on payment of additional premium @ ₹ 25/- per employee, the premium being chargeable on the total number of such employees carried (including the paid driver, if applicable but not exceeding the maximum licensed seating capacity of the vehicle. The additional premium of ₹ 25/- per employee is net irrespective of any period of insurance not exceeding 12 months.

Trailers

Trailers to be used with any vehicle ratable under this tariff cannot be insured separately and the scope of cover on the trailer(s) is to correspond to the cover for the towing vehicle. Each such trailer is required to be specifically identified by its registration number and separate IDV is to be declared for each such trailer. Insurance of floater policy covering such trailers is strictly prohibited.
The table mentioned below shows the Premium Schedule for Trailers:

**Table 3.12 Premium Schedule for Trailers**

<table>
<thead>
<tr>
<th>Type of Policy</th>
<th>OD Premium</th>
<th>TP Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package policy</td>
<td>₹ 50/- + 0.5% on IDV</td>
<td>₹ 125/-</td>
</tr>
<tr>
<td>Liability Only policy</td>
<td>Not applicable</td>
<td>₹ 125/-</td>
</tr>
<tr>
<td>Fire or Theft Policy</td>
<td>₹ 20/- + 0.20% on IDV</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Fire and Theft Policy</td>
<td>₹ 30/- + 0.30% on IDV</td>
<td></td>
</tr>
<tr>
<td>Liability Only Policy with Fire or Theft cover</td>
<td>₹ 20/- + 0.20% on IDV</td>
<td>₹ 125/-</td>
</tr>
<tr>
<td>Liability Only Policy with Fire and Theft cover</td>
<td>₹ 40/- + 0.40% on IDV</td>
<td>₹ 125/-</td>
</tr>
</tbody>
</table>

Source: - Indian Motor Tariff Government of India 30th June 2002 Pg 30

**Rallies held in India**

Policies may be extended to include use of the insured vehicle in a particular rally organized by any recognised motoring organization on payment.

The table mentioned below shows the types and premium by Indian motor tariffs:

**Table 3.13 Policies and Premium**

<table>
<thead>
<tr>
<th>Type of Policy</th>
<th>Additional Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Package Policies</td>
<td>₹ 60/- for the first day and</td>
</tr>
<tr>
<td></td>
<td>₹ 30/- for each succeeding day of the rally.</td>
</tr>
<tr>
<td>For Liability Only Policies</td>
<td>₹ 25/- for the first day and</td>
</tr>
<tr>
<td></td>
<td>₹ 15/- for each succeeding day of the rally.</td>
</tr>
</tbody>
</table>

Source: - Indian Motor Tariff 30th June 2002 PDF Pg 31

**Note 1:** The compulsory deductibles for the own damage cover under package policy referred to under GR 40 will become ₹ 5000/- for each and every claim for the entire duration of this extension only.
Note 2: The extension does not cover either the driver or the passengers carried in the vehicle or the promoters of the event.

Note 3: This extension does not apply to speed tests, dexterity trials, hill climbs or motor racing (whether organized separately or included in the course of a rally). Rally extensions may be further extended to include motor racing, speed tests, dexterity trials, hill climbs or motor racing (whether organized separately or included in the course of a rally) by charging a loading of 300% of both own damage and liability only premiums at short period rates for the duration of the rally, but with the exclusion of any cover in respect of either the owner-driver, driver or passengers carried in the vehicle or the promoters of the event.

- **Reliability Trials conducted in India by manufacturers of vehicles in India**
  If such trials are to be insured, reference is to be made to TAC with the appropriate details for the future operations in India.

- **Accidents to Soldiers / Sailors /Airmen employed as drivers by defense officials in their private capacity:**
  Legal liability of defense officials under Army or Navy or Air force regulations for bodily injury or death caused to soldiers or sailors or airmen employed as drivers by them in their private capacity whilst driving the vehicle insured (including mounting into, dismounting from or traveling in the vehicle) may be covered at an additional premium of ₹ 100/- provided the drivers hold effective driving license. The additional premium of ₹ 100/- is a flat premium chargeable for a period of insurance not exceeding 12 months.  

These were all India Motor Tariff regulations for car which existed roughly till 2006, provided with certain alterations by the Governments (IRDA) norms for car insurance business. Since 2007, IRDA controls all these car vehicles tariffs rates with certain alterations depending on year wise car insurance business scenario in India. New Motor Tariff chart is given at (Ref Annexure - I Pg - i - iii)
IV. Competitive Environment for Car Insurance Companies in India

In India, Car Insurance is mandatory law by the rules and regulations laid down by the government of India with the support of IRDA. The third party liability cover of Insurance is mandatory by the nature of vehicle insurance business. During the period of 1999 – 2009, IRDA registered companies were around 18 car vehicle insurance companies. Among these companies four companies were government entity; those companies were the National Insurance Company, Oriental Insurance Company, New India Assurance Insurance Company, and United Insurance Company. All these four companies were under the leadership and guidance of General Insurance Corporation of India (GIC). The other fourteen companies were private insurance companies registered with IRDA, those companies were Bajaj Allianz General Insurance Company, ICICI Lombard General Insurance Company, IFFCO Tokio General Insurance Company, Reliance General Insurance Company, Royal Sundaram Allianz Insurance Company, Tata AIG General Insurance Company, Cholamandalam General Insurance Company, HDFC General Insurance Company, Future General Insurance Company, Universal Sompo General Insurance Company, Sriram General Insurance Company, Bharti AXA General Insurance Company, Reheja QBE General Insurance Company, and SBI General Insurance companies. All these companies entered into car insurance business in India as it showed immense potential and growth. The Public insurance companies were into car vehicle insurance business prior to 1999, as per the government norms in insurance business. The environment of competition increased on the sell of car insurance policy with the entry of new private insurance companies from the year 2000.

The individuals in today’s market have wide range of privileges on selecting the car insurance company of their own choice and capacity. In today’s competitive market every car insurance company concentrates on selling the insurance policies to its customers with certain product differentiation in terms of services to customers, staff-agent’s services, customer care services, technology enabled services and companies overall performance in the market is taken into considerations.
Another competitive factor is close substitute norms regarding price discrimination measures undertaken by companies, which consists of discounts and additional benefits, so that companies could attract maximum customers in the market.

**Key competitive services offered by car insurance companies in India are mentioned below:-**

- Instant online policy insurance and renewal in easy steps.
- Cashless claims at over 1500 preferred garages. 75% on account payment when cashless facility is not available.
- To locate companies preferred garage nearest by (Toll Free) numbers.
- Transfer the existing No Claim Bonus from any insurance provider ranging from 20% - 50%.
- 0% interest EMI option available on payment through Citibank Credit Card.
- Instant claims assistance and SMS updates on your motor claim status through our 24x7 call-centers.
- Towing facility in an event of a breakdown or accident 24x7 services by phone or online-even on holidays.
- Companies preferred workshops given to access to hassle-free inspection, high service standards and cashless settlement of claims in event of an accident or breakdown.
- A company provides various discounts such as No claim bonus, discount for Anti Theft Devices, Automobile Association Membership discount and companies additional discounts services.
- Drive assure value added covers -Depreciation shield.
- Vehicle replacement advantage.
- 24x7 Spot assistance.
- Engine protector.
- Accident shield and Road Assistance schemes.
Services

The services provided by companies for car insurance are mentioned below:

- Locate network garages.
- Car premium calculator online.
- Register a claim online.
- Smooth claim process.
- Preferred garages.
- Download brochures.
- Download policy wording facilities.
- Download proposal form.
- Card facilities.

The Car vehicle insurance companies have to concentrate on the certain insurance competitive market factors on the policies measures are mentioned below:

- To create impact on the mindset of insurer for selecting a particular insurance company for the policy, it should have good quality of customer services and conducive environment for car insurance business in India.
- The car insurance company should have the adequate capital to meet its long term contractual obligations and pay the dues or claims. The minimum capital bases have to be stipulated by the insurance companies as per the norms of IRDA.
- The quality of personnel recruitment and training process should be professional and efficient enough to give adequate information on the policy and claim process to the insurer of the company. These employees should have the knowledge of fundamentals of insurance business, which is to protect the interest of insurer, also have sustainable growth for the company and consumer welfare in the society.
- The car insurance companies should have the authentic market related policies which is appropriate and easy to access on the part of premium payment and hassle free claim procedures issued by insurance companies.
The competitive environment for the car insurance business is determined by the market potentials of the company in the market, which is cost conscious valuation of car insurance business, and competitive strength to sustain in the market.

To create awareness by providing additional benefits apart from comprehensive and third party liability cover for the growth car insurance business operating in the market.

Car Insurance Business Environment in India

The Car Insurance Business Environment is operated on the fundamentals factors are mentioned below:-

- **Product of policy**: The car insurance provides product of policy in form of third party policy cover and comprehensive policy cover (own damage) with certain additional cover of insurance like zero depreciation insurance cover are given on the basis of terms and condition of insurance company in India.

- **Pricing premium**: The pricing process of car insurance is the premium charged in form of policy offered by the insurance company which is Third Party Liability cover and Comprehensive cover (own Damage) to the insurer which is determined on certain factors such as IDV(Insured Declared Value) based on Make and Model of the Vehicle. Year of Manufacture. Place of Registration, Current showroom price of the vehicle, Fuel Type (Petrol. Diesel/CNG/LPG), Gross Vehicle Weight (GVW), Licensed Carrying Capacity (LCC) and the additional covers like zero depreciation policy are applicable by insurance companies.
**Motor Car Policy Premium Computations:** The table is mentioned below:

### Table No – 3.14

#### Motor Car Policy Premium Computations

<table>
<thead>
<tr>
<th>l.a.</th>
<th>b.</th>
<th>c.</th>
<th>d.</th>
<th>1. a.</th>
<th>b.</th>
<th>c.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic OD (Own Damage)</td>
<td>Bi –fuel Kit/ Fuel Types</td>
<td>Electronic Equipments</td>
<td>Other add-ons</td>
<td>Basic TP (Third Party)</td>
<td>Bi – Fuel / Fuel Types</td>
<td>Passenger Liability</td>
<td>Other Liability</td>
</tr>
<tr>
<td>Total Premium</td>
<td>a.</td>
<td>Driver, Conductor, coolies</td>
<td>b.</td>
<td>Non Fare Paying Passengers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Discounts</td>
<td></td>
<td>a. Voluntary excess</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Anti theft device</td>
<td></td>
<td>b. Named passengers paid driver</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. No Claim Bonus - %</td>
<td></td>
<td>c. unnamed passengers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net OD Premium (A)</td>
<td>Total TP Premium (B)</td>
<td>Total Premium (A+ B)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source; -Motor Insurance IC -72, 22363, 368.092 GAN pg124 -125

The premium computations chart in all policies is as above with minor variations are operated for Car Insurance in India.
• **Claim procedures**: The claim procedures for car insurance depends on certain procedures are mentioned below:

1. **In Case of an Accident**: The requirements are duly filled and signed claim form, Registration Certificate (RC), driving license of the person driving at the time of the accident, policy copy, original repair estimate, repair invoice and payment receipt for non-cashless claims, original repair invoice for cashless claims.

2. **In Case of Theft**: The requirements are duly filled and signed claim form Registration Certificate (RC), original policy copy, copy of FIR (First Information Report) lodged at the nearest police station, all original keys, no trace report confirming that the stolen vehicle is not trace.

3. **In Case of a Legal Liability Claim**: The requirements are in case of a Legal Liability Claim which is duly filled and signed claim form Registration Certificate (RC), Driving license of the person driving at the time of the accident original policy copy, copy of FIR (First Information Report) lodged at the nearest police station. Legal notice, if any Vakalatnama – authorising to handle the case on individual behalf.
The diagram given above shows general claim procedures chart for car insurance in India.
Claim Procedures for Accident and Theft for Car Insurance in India

Chart No: 3.2

The above diagram shows the claim procedures for accident and theft followed by the car insurance companies in India.

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Thereby in order to conclude, car insurance companies follow certain competitive environment principles is mentioned below:-

- **Customer First Always**: Companies gives first priority to customer needs. Look to build enduring relationships with customers - internal and external. Differences should be communicated in the spirit of relationship building.

- **Organisation above Self**: Companies also believe that the individual, team and department actions will be driven by organization goals.

- **Trust**: Companies believes that there cannot be teamwork without mutual trust. Trust is fundamental to companies business and will guide all internal and external interactions.

- **High Standards**: Companies believe that excellence can be achieved only by setting benchmarks that challenge their full potential as an organization and as individuals.

- **Shared Ownership**: Companies believes that ownership of success or failure in achieving organizational or team goals are shared by all.

- **Spirit of Adventure**: The term uncertainty is in motor insurance business and a company believes in continuous innovation and creativity to meet challenges head-on. Companies will foster a work culture that promotes risk taking and entrepreneurship.

- **Respect for Diversity**: Companies also believes that diversity is their strength and it needs should be nurtured.
V. Role Played by (IRDA) for Vehicle Insurance in India. (Act of 1999)

IRDA plays a vital role for the regulations of Vehicles Insurance in India. Procedures of IRDA in regulating the vehicle insurance are mentioned below:-

- The IRDA Act of 1999 has carried out its functions and exercised its powers in terms of the Insurance Regulatory and Development Authority Act, 1999. As per vehicle insurance it is important to provide commercial auto Insurance cover, insurance companies have to use a standard insurance policy form authorized by the Indian Insurance Regulatory and Development Authority (IRDA), which contains the following two main coverage’s:-
  (i) Own Damage to the vehicle (Comprehensive Package Policy coverage)
  (ii) Third Party Liability (TPL) to cover claims arising from damages caused to property, health and life of third parties. The cover contains no deductible and is introduced on the first loss basis. The TPL cover is compulsory for all drivers and can be bought separately. Unfortunately, the level of compliance with this requirement is quite low. While no detailed statistics are available, the surveyed insurers indicate that the level of insurance penetration for the TPL coverage is well under 50% of the driver population. The TPL cover is a direct extension of the Motor Vehicle Act of 1988.

- IRDA supervises the functioning of the Tariff Advisory Committee (TAC) which was established by an amendment to the Insurance Act, 1938 (effective June, 1969) to control and regulate the rates, advantages, terms and conditions that may be offered by insurers in respect of any risk or any class or category of risks in the general insurance business. The non-tariff products are filed by the insurers with the authority under file and use procedures. In 2002-03, non tariff business constituted about 25% of the gross direct premium underwritten in the non-life segment.

- IRDA to facilitate the supervision of the functioning of Tariff Advisory Committee (TAC), the chairman of the authority is also the ex – officio Chairman of the TAC, and its functioning is de – facto the responsibility of the authority. Tariff Advisory Committee controls and regulates the rates,
advantages, terms and conditions that may be offered by insurers in respect of general insurance business relating Fire, Marine, Motor, Engineering and Workers Compensation (WC). provisions of IRDA on various motor insurance pools also holds critical importance for vehicle insurance in India since the Act of 1999.

➢ Thus IRDA plays crucial role for vehicle and car insurance business in India as per provision provided by IRDA Act. 1999.

The table mentioned below shows the list of tariff business controlled by TAC:-

**Table 3.15 List of Tariff Business Controlled by TAC**

<table>
<thead>
<tr>
<th>S.No</th>
<th>List of Sectors</th>
<th>Tariff Business Controlled by TAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fire</td>
<td>All India Fire Tariff, Petrochemical Tariff, Industrial all Risk Tariff, Consequential Loss (Fire) Tariff</td>
</tr>
<tr>
<td>3.</td>
<td>Engineering</td>
<td>Contractor All Risk Tariff (CAR), Contractors Plant and Machinery Tariff (CPM), Electronic Equipment Insurance Tariff, Storage cum Erection Tariff (SCE), Loss of Profit, Boiler and Pressure vessels tariff, Deterioration of stocks (Potato) Tariff etc.</td>
</tr>
<tr>
<td>4.</td>
<td>Motor</td>
<td>All India Motor Tariff</td>
</tr>
<tr>
<td>5.</td>
<td>Miscellaneous</td>
<td>Workmen Compensation Tariff</td>
</tr>
</tbody>
</table>

**Source; - IRDA Report 2001-02. PG117**

Besides regulating the tariffs for various insurance products, the committee is also looks into cases of breach of tariff stipulated, and action has been taken against defaulting insurers including imposition of penalty.
Year 2001-02, the TAC witnessed a number of changes as it adopted itself to the evolving aspirations of the insurance market. All these procedures were monitored by IRDA. In addition, the TAC also geared itself up to handle the onerous task of compilation of statistical data elements as line of business, coverage, class, territory, premium, claims paid and outstanding. The TAC was also in the process of broad basing its various committees to provide representation to the private insurers.

TAC revised the rating guidelines for ocean going vessels. The revised Indian Motor Tariff was implemented effectively on 1st July 2002.\(^{21}\)

From 1\(^{st}\) Jan 2007 tariff measures were abolished by the government. The Indian Motor Third Party Insurance Pool (IMTPIP) came into operation from 1st April, 2007 exclusively for commercial vehicles.

The Tariff Advisory Committee (Herein after called TAC) have laid down rules, regulations, rates, advantages, terms and conditions as contained herein, for transaction of motor insurance in India in accordance with the provisions of the Insurance Act 1938.\(^{22}\)

The provisions of tariff are binding on all the concern and any breach of tariff shall be a breach of the provision of the Insurance Act of 1938. This Tariff supersedes the provisions of the Indian Motor Tariff in existence upto 30\(^{th}\) June 2002 and then whole process of tariffs rates was controlled by IRDA.

**Current Scenario for Motor Vehicle Insurance in India**

(Reference given by IRDA)

The effect from 1\(^{st}\) January 2007, tariffs were withdrawn from the non-life insurance market. However, keeping in mind the mandatory nature of the Third Party Motor Insurance, the authority decided to regulate the premium rates in this segment with effect from 1st January, 2007 vide circular no.034/IRDA/Det-tariff/Dec-06 dated 4th December, 2006 which was later modified vide circular dated 23rd January, 2007.
Further, to redress grievances of non-availability of Motor Third Party Insurance, especially for commercial vehicles, the authority in consultation with the committee constituted under Section 110G of the Insurance Act, 1938 issued direction under Section 34 of the Insurance Act, 1938 vide circular no.035/Motor-TP/Dec-06 dated 4th December, 2006 and constituted the Indian Motor Third Party Insurance Pool (IMTPIP). The Pool came into operation from 1st April 2007, exclusively for commercial vehicles. All insurers registered to carry on non-life insurance business including motor business are automatically required to participate in the pooling arrangement to provide cover at the rates notified by the authority.

Pooling of business under the mechanism is achieved through a multilateral reinsurance arrangement between the underwriting insurer and all other registered non-life insurers and reinsurer. The pool completed four full years of operations in 2010-11. The IMTPIP pooled a total premium of ₹ 3,613 crore from 97.31 lakh policies issued during the period March, 2010 to February 2011. The incurred claims of the pool for the same period was ₹ 7.111 crore, resulting in an operating loss of ₹ 3.615 crore. As against this, the premium during March, 2009 – February, 2010 was ₹ 3.160 crore with incurred claims of ₹ 3.791 crore and net operating loss of ₹ 674 crore. The authority had investigated actuarial valuation of the IMTPIP in order to assess adequacy of the reserves which are to be calculated as per the IRDA regulations.

The report established that the ultimate loss ratios were 172.30 %, 181.81% and 194.15% for the years 2007-08, 2008-09 and 2009-10 respectively. Against this estimate, the pool had maintained reserves at 126% for all these years which was considered to be insufficient.
Hence, the authority under Section 14 of the IRDA Act, 1999 read with Section 64VA issued certain directions vide its Order no. IRDA/NL/ORD/MPL/046/03/2011 dated 12th March, 2011 requiring the non-life insurers as under:-

- To maintain a solvency ratio of not less than 130% for all lines of business as on 31st March, 2011 the IMTPIP losses being valued at an ultimate loss ratio of not less than 153% for all the years the pool was underwriting. The ratio is required to be less to 150% in a phased manner by 2013-14. However the IMTPIP was dismantled by IRDA on 31st March 2012 due to heavy losses incurred by private insurance companies.

- To maintain 150% solvency ratio thereafter (i.e., from 31st March, 2014), at all times.

- Not to declare dividends to the shareholders without the prior specific approval of the authority for any year or part of the year wherein the solvency ratio is reported below 150%.

- To submit a financial plan as approved by the Board of Directors as per section 64VA (2A) of Insurance Act, 1938, to the authority within a period of two months, indicating a plan of action to correct the deficiency for the said 3 year period up to March 2014. In addition, an annual plan duly approved by the Board of Directors shall be submitted not later than 15th of February every financial year starting from 2011-12 and a half-yearly review of annual plan by the Board of Directors shall be submitted not later than 15th August of each of the three years starting from 15th August, 2011.

- To appoint full-time qualified and experienced property and casualty actuaries to strengthen the actuarial department as required. The insurers are permitted to utilize the services of actuaries qualified from Casualty Actuarial Society, USA and Institute of Actuaries, UK and Australia is also taken into consideration, if actuaries having necessary experience and qualification under Institute of Actuaries of India (IAI) are not available.
• Not to disburse bonus, performance incentives etc., by whatever name such payments are called, to any key management personnel, the senior management, Appointed Actuaries, Whole time Directors of the Board or any of the CEOs without the prior specific approval of the authority.

• To ensure that the pricing of products including discounts are in accordance with the underwriting principles and in conformity with the product as cleared by the authority under file & use.

• Not to exceed the limits of expenses of management under rule 17E of Insurance Rules, 1939 at any time.

According to IRDA, now insurance companies can offer deductibles different from what is envisaged under tariff. It can add on covers like ‘Waiver of depreciation’ or ‘loss of use’. The Engineering covers can be extended to portable / movable equipment on the higher total sum insured under Industrial All Risk (IAR) covers. The IRDA to the policyholders who service their cars regularly can expect better terms from the insurance company. The benefits of such IRDA norms will include lower rates of depreciation for vehicle or a better no claim bonus. The Insurers are now permitted to file variations in deductibles and not just what is set out in the tariff. A ‘deductible’ usually called an excess in India which is a stipulation in an insurance policy that requires an insured to bear an initial portion of loss before making an insurance claim. With higher deductibles, the insurance company can give good discount on premium. Due to the huge operating losses in this segment over the last three years, all non-life insurance companies, through the general insurance council, approached the authority for upward revision of premium rates for motor third party insurance covers. After several rounds of deliberations with all stakeholders, the authority has notified the revised premium rates for motor third party insurance cover vide notification dated 15th April, 2011. The revised rates came into operation with effect from 25th April, 2011. Though the companies had requested for 85% hike in the premium rates across all segments of vehicles, after considering the concerns or requests or suggestions of various stakeholders, the authority decided to hike the premium rates only to the tune of 10% in respect of two wheelers and private cars and 68.5% in respect of the commercial vehicles.
As per the data uploaded by the member companies to the pool database, during 2010-11, there was 11% increase in the number of policies and 14.5% increase in premium underwritten over the previous year. At the end of February 2011, the number of outstanding claims was 3,38,680 lakhs and the amount of claims outstanding was ₹ 5,729 crore.  

The revision exercise was carried out in a professionally manner taking into consideration the transaction level data of all insurance companies uploaded with the Insurance Information Bureau (IIB). The notification has also laid down a formula for revision of premium rates on a yearly basis, which is linked to the cost inflation index, average claim size, frequency and expenses involved in servicing the Motor TP business.

Formation of Indian motor Third Party Declined Risk Insurance Pool (DR Pool)

While dismantling the IMTPIP, simultaneously the IRDA authority vide order IRDA/NL/ORD/MPL/277/12/2011 dated 23rd Dec 2011, created a declined risk pool for liability only on commercial vehicle third party insurance with effect from 1st April 2012. The purpose of creating the Indian motor third party declined risk insurance pool (DR Pool) for commercial vehicles (liability only in insurance) is to ensure equitable and fair sharing by all insurers, there are no supply side constraints, administering is simple and also have claims management efficiency.

Under the DR Pool arrangements, each company will have its own underwriting manual and having the underwriting parameters for accepting or ceding the risk to pool will be officially filed with IRDA authority and GIC. The ceded risk shall be shared in proportion with ceding concerned company and GIC. The IRDA authority has also stipulated that at no instance shall the insurer refuse to write the risk and any such refusal shall be seen as a violation of the insurance Act of 1938 and shall be under penalty as per the Act. The declined risk premium for 2012-13 was ₹ 42, 0.05 cr and premium ceded to DR Pool for 2012-13 was ₹ 29, 4.03 cr.

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IRDA had revised motor third party premium rates on 15\textsuperscript{th} Apr 2011. The review on the premium rates for motor third party liability only cover and adjust them annually by classification codes as contained in the erstwhile All India Motor Tariff. However looking at policyholders adverse impact on premium rates IRDA had moderated the rate increase in some classes of motor insurance and notified the revised premium rates for motor third party insurance cover 2013-14. GIC also collaborates with IRDA to have a uniform practice on the rate of depreciation for panting charges of motor own damage claims.

- **Guidelines on rationalisation of provisions under IRDA for All India Motor Tariffs**
  
  According to IRDA, the guidelines for IMT on 29\textsuperscript{th} Mar 2012 in respect of following provision are mentioned below:-
  
  - Reclassifications of certain type of miscellaneous class of vehicles were issued on 30\textsuperscript{th} April 2012.
  
  - Increase in compulsory deductibles under motor policies for certain classes of vehicles.
  
  - Increase the wide coverage of paid drivers, cleaners, conductors and employees under workmen compensation Act.
VI. Overview of Car Insurance Market

Car Insurance Market

Currently, car insurance market India is one of the most flourishing industries in India. The number of vehicles running on the Indian roads has grown manifold. Almost every year, a new car is being launched by top car manufacturers such as Hindustan Motors, Hyundai Motors India Limited, Mahindra and Mahindra, Maruti Suzuki, Tata Motors, and Toyota Kirloskar Motors Ltd. Car insurance India companies offer comprehensive insurance covers and zero depreciation covers for damages or losses created to the automobile as a result of man-made or natural events. When individual purchases an insurance policy for new or old car, it also protects individual and its co-passengers by offering accidental coverage. Motor insurance in India is a mandatory requirement for all vehicle owners. Whether use it for individual use or commercial purpose, individual need to have an auto insurance policy in place. Vehicle insurance policies in India have been devised to insure private cars, two wheelers, and commercial vehicles. The car insurance companies in India have associations with the top car manufacturers in the country. One can get instant car insurance quotes by filling out a simple and online application form. The premium individual need to pay to the car insurer after buying a car insurance policy is dependent on a number of factors of the car models etc.

If one purchases a very costly car, the rate of premium will be exorbitantly high. On the other hand, if one purchases a cheap car, one will qualify for a more reasonable rate of premium. Car insurance market in India was tariff driven for a long time and it was de-terrified only recently. After the tariff was removed by IRDA in 2007, every company has been pricing the product competitively to grab maximum market share. It should be a competitive effort to offer a better product; the insurance companies have to come up with innovative insurance covers. The Insurance Regulatory Development Authority (IRDA) has recently proposed a 38.87% weighted jump in TP motor insurance for private cars across all sub classes in the exposure draft for revision of premium.
The revision will hit owners of entry level cars below 1000cc segments- the most as rise in TP cover proposed for this category is 85%. This high volume segments includes cars like Alto, Eon, Spark, and Nano.

The minimum increase only 1.4% will be in the 1,000-1500 cc categories, which includes Swift, Ritz, Beat, Santro and i10. The car over 1500 cc, the premium is increased to 43%. The proposed weighted average for the proposed increase is around 30% for commercial vehicles. It was observed from 2011, third party premium price is reviewed annually by regulator based on various parameters owing to the high loss ratio in the segment. Unlike own damage insurance which is optional third party motor insurance is mandatory for all car owners that may be private or commercial.

The idea behind TP motor insurance is to settle the claims of victims, other than car owners. The own damage insurance covers the car owners or drivers. The loss ratio in Motor (TP) ranges between 120% and 200%, which implies for every ₹ 100 premium collected payment ranges between ₹ 120 to ₹ 200. Sources close to the top insurance companies said the maximum hike in premium price was proposed in entry level category because the accident rate is quite high in this segment. These segments loss is recovered with an increase in premium rates regularly by vehicle insurance companies.

The number of first time owners is very high in this segment. The TP revised after the new guidelines came out in March 2012 by IRDA. However it was challenged in the Kolkata High Court, following which IRDA issued an exposure draft asking for comments on the proposed rates. Incidentally TP claims used to be settled from TP pool earlier, which was discontinued eight months ago. ICICI Lombard customer Service chief said it would help reduce the loss ratio. Oriental Insurance Company also added that it will help reduce loss ratio. However sources from National Insurance said the high loss ratio in TP is largely due to commercial vehicles, which should have been increased more.
The overview on car insurance segment is dependent upon two important factors are mentioned below:-

- **Effective distribution channels** – The efficiency and cost of various distribution channels are significant to ensure success of players in the car insurance business.

- **Consumer needs and preferences** – Indian insurance industry has evolved through product innovation, dynamic distribution channels, and vibrant publicity and promotional campaigns by the insurers. Innovation can be seen not only in the form of benefits attached to the products, but also in the delivery systems (through various marketing tie-ups). All these efforts have brought motor car insurance companies closer to the customer as well as made it more relevant.

Motor car insurance sector is poised to mark great progress in the years to come. Over the past few years, many private insurance companies have ventured into the Indian landscape in order to harness the immense untapped latent potential of this industry. Moreover, the favorable regulatory environment from IRDA ensures stability and fair play in the motor insurance market.
Summary

The third chapter is about Introduction - Car Insurance in India. Motor Vehicles Classification, Car Vehicle Insurance Policies, Competitive Environment of Car Insurance in India, Regulation on Car Insurance (IRDA), and Overview of Car Insurance Market etc.

The first segment is the introduction of motor insurance, car insurance and car insurance components operations in India. The second segment discuss the meaning of vehicles, vehicles classification, vehicle insurance in India, and motor vehicle act operation in India.

The third segment is car vehicle insurance policies and the procedure for car insurance Policy issue in India. The forth segment of the chapter is competitive environment of car insurance in India, car insurance business environment in India, motor car policy premium computation, claim procedures and competitive environment principles.

The fifth segment regulation is on car insurance (IRDA) along with tariff for private car regulations by TAC, and the current scenario of motor vehicle insurance in India (Reference given by IRDA). The sixth segment provides an overview of car insurance market in India.

Therefore in order to conclude, third chapter contains the introduction of Motor insurance in India and the Motor vehicle classifications with various views of Motor Vehicle Acts. The chapter also analyzes car vehicle insurance policies format in India, along with competitive environment of car insurance in India. The Regulation on car insurance by (IRDA) is also mentioned. Finally the overview of car insurance market is also mentioned in detail.
References


