CHAPTER I
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

History of Automobile Insurance in India

The general insurance business in India can trace its roots to the Triton Insurance Company Limited, the first general insurance company established in the year 1850 in Calcutta by the British. Till 1972, the insurance business was with the private sector. The General Insurance Business (Nationalization) Act, 1972 was passed and nationalized the general insurance business in India with effect from 1st January, 1973. 107 insurers amalgamated and grouped into four companies viz. The National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and The United India Insurance Company Ltd. GIC incorporated as a company. The Government of India subscribed to the capital of GIC and in turn GIC subscribed to the capital of four companies.

The main objective of nationalization was to ensure the development of general insurance business in sympathy with the best of interest and advantage to the community. Further, these companies were required to promote competition in the economy and to prevent the concentration and growth of monopoly. They were supposed to spread their activities over geographical area, innovate new products as per the requirements of different segments of population and also meet social objectives through formulating policies for weaker sections of the society.

In 1993 Malhotra Committee, headed by former Finance Secretary and Reserve Bank of India, Governor, R.N. Malhotra was formed to evaluate the Indian insurance industry and recommend its future direction. In 1999, The IRDA Bill was finally passed and IRDA was formed to regulate and promote insurance business in India. The Malhotra Committee report justified the entry of foreign insurance companies by arguing that if permitted, it should be done on selective basis, preferably through joint venture with Indian partner.
The IRDA Bill was drafted, keeping the Malhotra Committee recommendations in view, and hence the government has ruled out privatization of public sector insurance companies, LIC and GIC. The Bill did not provide for any dilution of 100 percent government equity in the two premier companies. And the Indian insurance sector opened to private and foreign firms. The 1938 Insurance Act was amended and it provides for a nine-member regulatory body with statutory powers called IRDA.

In India the insurance companies are divided into life and non-life. And it is further sub-divided into private and public sector companies. The automobile insurance dealt with by the non-life insurance companies, both private and public.

**Public Sector Non-life Insurance Companies**

*Figure 1.1*

The public non-life insurance companies dealing with automobile insurance are The National Insurance Company Ltd, The New India assurance Company Ltd, The Oriental Insurance Company Ltd, The United India Insurance Company Ltd. Auto insurance companies both public and private, are coming out with wide-ranging policies for their customers. An automobile may be insured against loss or harm by accident, fire, theft, while in transit, third party accident, etc. The claim management particularly the motor TP claim, poses a big challenge to the public sector companies.
Categories of Motor Vehicles

For the purpose of 'Motor Insurance', motor vehicles are classified into three broad categories, namely, (a) Private cars, (b) Motor cycles/Motor scooters (auto cycles, mechanically assisted pedal cycles and three wheeler invalid carriages fall under this category), and (c) Commercial vehicles.

Commercial vehicles are further classified into the following categories:-

Goods carrying vehicles (own goods), Goods carrying vehicles (General cartage), Passenger carrying vehicle (For example-Taxis, Motorised rickshaws, Buses including tourist buses, Hotel/School buses, Airline buses etc), and Miscellaneous and special type of vehicles (For example-Agricultural Tractors, Ambulances, Cinema film recording and publicity vans, Dispensaries, Mobile canteen vehicles, Road rollers, Excavators, Levelers etc.)

Types of Automobile Policies

Vehicles in each category may be covered under two types of policies under 'India Motor Tariff' (MTI).

Figure 1.2

Figure 1.3
1. Liability only Policy (Act policy): This will cover 'Act Liability', i.e. this will cover 'Third Party' to an unlimited extent (liability arising out of injury or death to a third party) and third party property (other than property belonging to the insured) damage to the extent of Rs-6000/-only. It does not cover occupants and also other employees of the insured except those who are required to be covered under 'Motor Vehicles Act'. For commercial vehicle, death of or bodily injury to any person caused by or arising out of the use (including loading and/or unloading) of the vehicle, damage to property caused by use (including loading and/or unloading) of the vehicle to the extent of Rs-6000/-only.

2. Package Policy (B Policy): This will cover own damage loss to the vehicle in addition to Act liability.

**Motor Third Party Insurance Policy**

It is a policy under which the insurance company agrees to indemnify the insured person, if he is sued or held legally liable for injuries or damage done to a third party or otherwise called as Act liability. The insured is one party, the insurance company is the second party, and the person injured who claims the damages against the insured is the third party. Section 145(g) of M.V. Act, 1988 specifies that "Third party" includes the Government. "Third party" should include everyone (other than the contracting parties to the insurance policy), be it a person travelling in another vehicle, one walking on the road or a passenger in the vehicle itself which is the subject matter of insurance policy.

**Motor Third Party (TP)**

To the policy of insurance the insured (Policy holder) is the first party, the insurer (Insurance company) the second party and every other person the third party. The law makes it mandatory for every vehicle owner to have at least third party motor insurance. This covers the liability to compensate, subject to the court ruling for bodily injuries and property damage caused by the vehicle. Employees of the injured are not third parties. On payment of additional premium, common law is extended to employees also under Section 145 of M.V. Act, 1988.

This study is about the liability of the Insurance Company towards the injury caused to the 'Motor Third party' but not the property damage to third party.
Motor Third Party Claim

The Indian law on 'Motor Vehicle Insurance' has its origin in 'English Law'. Motor Insurance Law in England had its foundations in the 'Third Party Rights Against Insurance Act 1930'. It is a claim for compensation resulting from personal injury to or the death of a person like the death of a breadwinner, in a motor vehicle accident. Such a claim is unlimited and will lie against the 'Road Accident Fund', a statutory body. A 'Third Party Claim' only relates to bodily injuries, and accordingly no claim for damage to a motor vehicle or other assets can be claimed from the 'Road Accident Fund'. A standard 'Third Party Liability' cover offers compensation upto Rs.6,000/- for damage caused to other vehicles or property.

Any contract for the conveyance of a passenger in a stage carriage or contract carriage, in respect of which a permit has been issued under this Chapter, should not restrict the liability for death or body injury caused by accident by any contract and if restrictive condition entered, it is void under Section 92 of M.V. Act, 1988.

Our study is on the 'Third Party Claim management' in the public sector insurance companies' point of view. The study is limited to 'Third Party Claim' relating to personal injury to or the death of a person. (For example, the death of a breadwinner, in a motor vehicle accident). Such a claim is unlimited and will lie against the 'Road Accident Fund', a statutory body. No claim for damage to a motor vehicle or other assets can be claimed from the 'Road Accident Fund'.

Historical Background of TP Insurance

The historical background of the 'Motor Third Party Insurance' will give the stages of development of the Motor Vehicle Act. Chapter VIII of the 1939 Motor Vehicle. Act and Chapter XI of the 1988, Motor Vehicle Act have been enacted on the pattern of several 'English Statutes', which is evident from the report of 'Motor Vehicles Insurance Committee', 1936-1937. In order to find out the real intention for enacting Section 96 of the 1939 Act which corresponds to Section149 of the 1988 Act, it is relevant to trace the historical development of the law for compulsory 'Third Party' insurance in England. Prior to 1930, there was no law of compulsory insurance in respect of 'Third Party Rights' in England. As and when an accident took place, an injured used to initiate action against
the motorist for recovery of damages. But in many cases, it was found that the owner of the offending vehicle had no means to pay to the injured or the dependant of the deceased and in such a situation the claimants were unable to recover damages. It is under such circumstances that various legislations were enacted. To meet the situation, for the first time, 'The Third Parties Rights Against Insurance Act, 1930' was enacted in England. The provision of this Act found place in Section 97 of the 1939 Act which gave to the third party a right to sue the insurer directly. Subsequently, 'The Road Traffic Act 1930' was enacted and it provided for compulsory insurance for motor vehicles. The provisions of this Act were engrafted in Section 95 of the 1939 Act and Section 146 of the 1988 Act. It is relevant that under Section 38 of the 'English Act of 1930', certain conditions of insurance policy were made ineffective so far as third parties were concerned. The objective behind the provision was that the 'Third Party' should not suffer on account of failure of the insured to comply with those terms of the insurance policy.

Subsequently, in 1934, the second 'Road Traffic Act' was enacted. The objective of this legislation was to satisfy the liability of the insured. Under this enactment, three actions were provided. The first was to satisfy the award passed against the insured. The second was that, in case the insurer did not discharge its liability, the claimant had the right to execute decree against the insurer. However, in certain events, similarly, what was provided in Section 96(2)(a) which corresponds to Section 149 (2)(a) of the 1988 Act, the insurer could defend his liability. The third action provided for was contained in Section10 (3) of the 'Road Traffic Act'. Under this provision, the insurer could defend his liability to satisfy decree on the ground that insurance policy was obtained due to misrepresentation or fraud. This provision also found place in Section149 (2)(b) of the 1988 Act. While enacting the 1939 Act and the 1988 Act, all the three actions were engrafted in Section 96 of the 1939 Act and Section 149 of the 1988 Act. However, neither the 1939 Act, nor the 1988 Act conferred greater rights on the insurer than what had been conferred in 'English Law'. Thus, in common law, an insurer was not permitted to contest a claim of a claimant on merits, i.e., offending vehicle was not negligent or there was contributory negligence. The insurer could contest the claim only on statutory defences specified for in the statute. Thus, while enacting Chapter VIII of the 1939 Act or Chapter XI of the 1988 Act, the intention of the legislature was to protect third party
rights and not the insurers even though they may be nationalized companies. Prohibition on use of motor vehicles without statutory insurance policy, object of is to enable the third party suffering injuries from use of the motor vehicle to get damages irrespective of the financial capacity or solvency of the driver or the owner.

Motor Vehicles Act 1939

The Motor Vehicle Act was passed in 1939 and Chapter VIII was brought into force from 1st July 1946. Chapter VIII provides for compulsory insurance of motor vehicles. According to this Act, no motor vehicle can be used in the public place unless there is in force in relation to that vehicle a policy of insurance issued by an authorized insurer. This policy is required to cover the insured's liability in respect of death or bodily injury of certain person (For example: Third party) and damage to property of 'Third Parties'. The limits of liability required to be covered are also prescribed in the Act. Motor Vehicle Act, 1939 was amended in 1956 to provide for the constitution of 'Motor Accident Claims Tribunal' (MCAT) by the State Governments. The Motor Vehicle Act, 1988 has introduced changes which have far reaching consequences. The changes also affect the 'Third Party Liability' arising out of the use of motor vehicles in a public place.

Motor Vehicles Acts, 1939 and 1988

Section 4 of Motor Vehicles Act, 1939 consolidates and amends the law relating to motor vehicles. This has been amended several times to keep it up to date. The need was, however, felt that this Act should now inter alia take into account changes in the road transport technology, pattern of passenger and freight movements, development of the road network in the country and particularly the improved techniques in the motor vehicles management.

The Motor Vehicles Act, 1988 which came into force on 1st July, 1988 and which is divided into XIV Chapters, 217 Sections and two schedules, makes it compulsory for every motor vehicle to be insured. Chapters X, XI and XII of the 1988 Act deals with compensation provisions. Chapter X Sections 140 to 144 deal with liability without fault in certain cases. Chapter XI, Sections 145 to 164 deal with insurance of motor vehicles against third party risks.
Claim Management

Insurance claim management is a core issue for the protection of insurance policy holders. From the insurance company viewpoint, claim management is the key element in the competition between insurance providers and for the improvement of the industry's public image. Till 2000, there has been no international guidance on claim management and very little comparative information at the international level to allow the sharing of experience between countries in the key area of insurance activity. In June 2000, the insurance Committee launched a project on claim management in 'Organization for Economic Cooperation and Development Countries' (OECD) designed to collect information on member country claim management practices and to explore the scope for international cooperation to improve the quality of claim management processes. The committee developed a set of good practices to guide both public authorities and insurance companies. The OECD good practices on claim management are neither binding nor exhaustive but meant as a checklist to assist insurance companies in handling claims. It was the first attempt to standardise insurance claim management at the international level. But much progress has not been achieved till date.

Indian insurance companies also suffer from poor 'Claim Management Problems' due to various reasons. The Indian public sector insurance companies, particularly those in 'Motor Third Party Claims' sector, find it unmanageable and this study attempts to explore the reasons and factors behind such problems, and to find the possible solutions to the problems.

Motor Third Party Claims Management

In motor insurance segment, the 'Third Party Claim' poses a big threat to the insurance companies. The public sector is already suffering due to 'Motor Third Party Claim' problems and the private companies are very much hesitant to accept the 'Motor Third Party' segment premium due to fear of loss and the complications involved in it. In spite of specific Acts and procedures, the management of 'Motor Third Party Claims' segment is very difficult for the public sector insurance companies to handle because of its peculiar features, cumbersome procedures and the complications involved in it. At present, the 'Third Party' claims are alarmingly high and it threatens the solvency and
survival of the public sector insurance companies. This study aims at finding the problems faced by the public sector insurance companies, while dealing with the motor third party liability. 'Motor Third Party Claims management' is vital for effective disposal of 'Third Party Claims' and it increases the solvency and survival of the public sector insurance companies.

This study is based on the public sector insurance companies' point of view in "Motor Third Party Claims Management".

**Automobile Sector in India** (Present Scenario)

During recent years in India there is a boom in the automobile sector with high growth rate and multinational companies are also finding huge business in the automobile sector in our country. But as an adverse effect, the motor traffic increases in our roads and the number of auto accidents are also increasing. So, the need and desirability of the auto insurance has increased many times. Auto insurance is obligatory for all new vehicles, be it for money-making or personal use. 'Motor Insurance India Policy' is necessary for all motor vehicle owners as it shields them from legal liabilities that might occur during their vehicle maneuver. To deal with automobile insurance sector effectively, the Motor Vehicle Act was passed in 1939 and Chapter VIII was brought into force from 1st July 1946. There is no contractual relation between the insurance company and the third party. The liabilities and the obligations relatable to third parties are created only by fiction of Sections 147 and 149 of the Motor vehicle Act, 1988.

**Managing Motor Third Party Claim Liability Business in India**

'Motor Liability Insurance' is a socially important instrument, but one that costs the general insurance industry dear in almost every market, placing significant pressure on the bottom lines of the companies. Yet it is an irresistible business portfolio, not the least because it can boost the top line significantly, enhances cash flow and contributes towards the investment portfolio. In India there is the added duty that companies are obliged to cover 'Motor Third Party Liability' business when approached by the prospective customer. Yet, the problem of managing the business remains so that its negative effects are contained. 'Motor Third Party Claim' process need integration between different agencies. 'Legal', 'Administrative', 'Safety', 'Fund management' and
'Social Welfare Aspects' have to be taken into consideration while determining the 'Third Party Claims'. It has to serve the whole of India under various circumstances. All these aspects make managing 'Motor Third Party Liability' a challenge to the non-life insurance companies.

This study endeavors to analyse the 'Motor Third Party Claim' related problems in public sector insurance companies because, it contributes to unlimited claim both in terms of numbers and amounts and it causes more losses to them. Hence, they find it very difficult to manage the 'Motor Third Party Sector' effectively.

1.2 STATEMENT OF THE PROBLEM

In India, the 'Motor Third Party Claim Segment' is an unmanageable problem to the public sector insurance companies, due to the peculiar features of the 'Third Party Claim Segment' and the complexities involved in dealing with it. The study of 'Motor Third Party Claims Management' in the public sector insurance companies needs a multidimensional and broad approach, and the following are the various important factors that contribute to it:-

Special Features: There are certain special features in the area of motor vehicles liability faced by the Indian public sector insurance companies. Babu Paul (2006) points out that the liability is potentially unlimited with no time limit for filing a claim and liberty to file the claim anywhere in the country. There are no strict provisions regarding jurisdiction (place limitation) to file the claim by claimants. Section 166 of Motor Vehicle Act, 1988. Hence, petition can be filed in any places, more than one places, etc. are some of the factors which have resulted in enormous hardship to the insurers. Compensations are to be determined by the courts and there is considerable delay in the judicial process. Defence for the insurers are few, and are said to be rarely permitted. Ramesh (2007) states that 'Contributory Negligence' is not a valid defence and the 'Burden of Proof' lies with the insurance company. All the said factors make the 'Management of Third Party Claim' to the insurers a highly complex issue.

Mandatory: In Business Line (2006) it was stated that in India there is the added duty that non-life Insurance companies are obliged to cover 'Motor Third Party Liability'
business and cannot deny, when approached by the prospective customer. Yet, the problem remains of managing the business. Section 146.

Social Welfare Legislation: 'Third Party Risk' is a 'Social Welfare Legislation' to extend relief by compensation to victims of accidents caused by use of motor vehicles. The provisions are in favour to the claimant with little defence to the insurers.

Insurance Company to deal with Stranger: Ramesh (2007) states that the onus to prove lies with the insurance company and the major reason that makes the portfolio unmanageable and eating into their resources. Because it is the only class of business where the insurer needs to deal with a stranger to the insurer, not even a party to the contract. For the wrong doing of a party, the insured though in existence, does not come forward to strengthen the insurer's hands.

Liberal Compensation, No Standards: For the sake of social obligation, the courts have insisted that the claims of victims be necessarily honoured by the insurers. Giridharan (2006) Points out that the liability fixed on the insurers like 'Pay and Recover Clause' even though they proved they are not liable, the chances of recovery from owners are absolutely bleak for different reasons. The onus to prove always lies with the insurance company. Ramesh (2007), Giridharan (2006) stated that the tribunal can apply Section 163 B and increase the compensation. Bhat (2006) states that the courts have turned a blind eye to the pleas of the insurers. The courts were competing with each other in allowing 'Liberal/Abnormal' compensations which drain the funds of the insurers. No standards were fixed and followed for compensations.

Social Problem: The public in general, rightly or wrongly, has a feeling that the insurers, though cash-rich, are averse to paying compensations. No one realizes that the insurers are custodians and trustees of the funds collected (premium) from the people and have to observe utmost care in managing the same. The society has a larger responsibility than the insurers in ensuring this as insurance neither generate nor extinguish funds but merely manage it. Bhat (2006) the insurance companies have been put to further disadvantage by being denied the right to defend the case on all grounds and frequently it happens that, the vehicle owners and the witness to the accident abstain from the proceedings before the tribunals.
Loss making Portfolio: Bhat (2006), states that the 'Motor Insurance Business' accounts for over a third of the total general insurance business in the country. Yet, it is a loss making portfolio, owing to high outgo, the worst being the 'Third Party Segment'.

Motor Third Party Earned Premium and Claims ratio: Rao (2006), states the total motor business forms 48 percent of the total 'Earned premium' (EP) of the insurer, a high composition; 32 percent of this comes from motor own damage and 16 percent EP from 'Motor Third Party', whereas motor 'Third Party' outstanding claims form a massive 72 percent of the total outstanding claims of the insurer. Net incurred losses from motor quantum-wise constitute 64 percent of the total net incurred losses; 'Motor Third Party' alone forms 43 percent of the total claims cost. On its own, the 'Motor Third Party' loss ratio is 243 percent. If other procurement costs of 35 percent were added, this figure would touch nearly 280 percent. Business Line (2007), also points out that the 'Third Party Claim Ratio' is the single factor, that makes the 'Motor Third Party Business' a high-risk portfolio.


Possibility ofFrauds: Babu Paul (2006) states that there is a possibility of internal and external frauds. More than fifty percent of the claims are fraudulent. Tackling the issue needs special emphasis and appropriate methods. The rates will shoot up three or four times, especially for commercial vehicles. The only way is to control the claims, at least ensuring that the system is not misused by fraudulent means.

Law of Torts: The liability portfolio introduces a high level of subjective uncertainty for the insurer, owing to the special features of the laws of tort/liability. Negligence in driving of the offending vehicle need not be proved. The decision refers to the 'Common Law of Torts'. The 'Rule of Absolute Liability' is made applicable to claim cases arising out of the use of a motor vehicle.

Accumulation of Claims: Radhika Menon (2006), stated that the insurers have thus adopted different conciliatory systems for the disposal of 'Third Party Claims', which
have proved beneficial in many ways. Nevertheless, not all cases can be compromised. Despite earnest efforts by insurers, the accumulation of claims is increasing each year. The courts are flooded with more insurance claim cases. The plausible reason is that the number reported is more than the disposals.

**Probable Maximum Loss**: Shivkumar (2006) states that the major problem the insurers had with the 'Third Party Liabilities' was that the claims were fixed by the 'Motor Accident Tribunals', as a result of which the 'Probable Maximum Loss' (PML) were unknown.

**Very High Third Party Claims**: Shivkumar (2006), also states that the major problem lies not in the value of claims but the number of claims, which are on the high side comparing to global trends. The 'Motor Third Party Claims' are not re-insurable and the losses are directly absorbed into the Balance Sheets. The losses are in turn, cross subsidized by more profitable sectors like 'Fire' and 'Engineering' segments.

**No Integration Among Various Agencies**: Bhat (2006) stated that the 'Third Party Claim' process necessitates cooperation of several agencies involved like Police, Court, Hospital, Regional Transport Office, etc. Without the effective and systematic coordination of all the agencies involved, the 'Third Party Claim Cases' cannot be effectively managed by the insurance companies. But unfortunately no proper integration exists between various agencies like 'Insurance Companies', 'Police', 'Courts', 'Hospitals', etc., which leads to poor claim management.

**Regulation and Control**: The IRDA and the government (Union /State) have a very important role to play in controlling and regulating insurance sector, particularly 'Third Party' related issues. But the problem in managing the 'Third Party Business' is escalating and unmanageable for the public sector insurance companies. It requires urgent attention and action.

**TP Claims Ratio**: Business Line (2006) states that the 'Third party Claims Ratio' is raising at an alarming level and it becomes unmanageable for the public sector insurance companies to manage the 'Automobile Third Party Claims'. Motor portfolio accounts nearly 45 % of general insurance premium. For example, in the year 2005-06 the 'Third Party Claims Ratio' for Oriental insurance is 180.11, National insurance is 285.64 and for New India assurance 190.69.
Role of Commercial Vehicles: Business Line (2006), Babu Paul (2006) states that the 'Commercial Vehicle Segment' contributes to more 'Third Party Claims' compared to other vehicles. Particularly, the public sector insurance companies cover around 90 percent of the commercial vehicles, where the chance for 'Third Party Claim' risk is more compared to other segments of vehicles. The single category, commercial vehicles contribute to the largest number of claims.

Accident levels: According to the Department of Road Transport and Highways, Ministry of Shipping, Road Transport and Highways, Government of India statistics, Venkatesan (2010), states that, the accident levels are among the highest in the world. The magnitude of the problem, both in terms of regulating the use of motor vehicles, as also the legal consequences that flow from their misuse, has called for a constant review of the laws that govern that field.

Driver's role in accidents: According to the Tamilnadu police statistics, "Accidents Classified According to Causes-2007" table shows that the factor 'Drivers Fault' is the major contributor to accidents compared to other factors. The procedures in issue of driving license and the implementation of the same is the major problem in 'Third Party Claim Segment'.

'Third Party Claim Management' by public sector insurance companies covers a broad area and it needs a multi dimensional approach with many uncontrollable factors to deal with. Due to the complications and the difficulty faced in managing the 'Third Party Claim' problems by the public sector insurance companies, the researcher developed an interest in studying the factors influencing 'Third Party Claim Management' and the researcher is also interested in assessing the possible solutions to the problems. Moreover, very few researchers have opted for 'Third Party Claims Segment' for their research. The researcher's sincere aspiration is to know the various aspects of 'Motor Third Party Claim' problems faced by the public sector insurance companies and also to find an suggest the possible solutions to the problems. This will help the insurance companies and regulatory authorities to take effective steps to plug the loopholes, and to save the public sector insurance companies from loss making and to enable them to serve the public affected by 'Third Party Injury' in a better way.
1.3 SIGNIFICANCE OF THE STUDY

The motorisation of the economy is evident to anyone using the roads. This scenario is inevitable as a country enters the rapid development mode. Transport is one of the key sustainers of the economy, as the movement of goods and services is integral to prosperity. In this, personal as well as commercial transport, plays an important role.

'Third Party' and the 'Passenger Protection' is an integral part of the responsibility that needs to be taken care of by the government. The Motor Vehicles Act, 1988 has done this, and insurers have been given the task of carrying the burden. The Motor Vehicles Act, casts an obligation on the insurer to manage this as a necessary duty and, at the same time, the insurer would need to do it profitably. Insurers have learnt to manage liability portfolios across the world and therefore, it is not beyond the competence of any insurer to research the best methods to manage this portfolio, despite the apparent legislative and regulatory constraints that may appear to inhibit its profitability.

'Motor Liability Insurance' is a socially important instrument, but one that costs the general insurance industry dear in almost every market, placing significant pressure on the bottom lines of companies. Yet it is an irresistible business portfolio, not the least because it can boost the top line significantly, enhance cash flow and contribute towards the investment portfolio. In India there is the added duty that companies are obliged to cover 'Motor Third Party Liability Business' when approached by the prospective customer. Yet, the problem remains of managing the business, so that its negative effects are contained.

India as a developing economy, and the population crosses a billion and the purchasing power of various sections also increases, the signs of prosperity are also displayed on the roads. The vehicular scene on the Indian roads has undergone drastic changes. But, as is true with every development, increased vehicular traffic has given rise to its own problems. Vehicular traffic is today the single largest killer in the country. Thousands of people die or get maimed in motor vehicular accidents every year. In such a scenario, the importance of motor insurance assumes enormous proportions.

The 'Motor Insurance Business' accounts for over a third of the total general insurance business in the country. Yet, it is a loss making portfolio, owing to high outgo,
the worst being the 'Third Party Segment'. 'The Motor Vehicles Act', which provides the framework for compensation to road accident victims in a quick manner, is undoubtedly favourable to the victims.

Abnormal increase in motor accidents, lacuna in 'Motor Vehicle Act', the unlimited liability to the insurance companies, fraud and exaggerated claims, liberal attitude of courts in awarding compensations, 'Social Legislation' attitude, procedural complications in dealing with 'Third Party Claims', delay in processing claims by court, 'Pay and Recover Clause' etc., increases the 'Third Party Claims Ratio' in an alarming way, and making it unmanageable for the public sector companies.

In spite of the importance, very few researches are carried out /attempted in the area "Overall Issues of Third Party Claim Management in Public Sector Insurance Companies". The present study attempts to find the 'Overall Factors' that affects the 'Third Party Claims Management' in public sector insurance companies and to suggest steps to tackle, the 'Third Party' related issues effectively.

1.4 OBJECTIVES OF THE STUDY

The objectives of the study set on the basis of the research questions are:-

1. To identify the various factors that influence 'Motor Third Party Claims Management' in public sector non-life insurance companies.

2. To analyze the factors for its level of influence to the 'Motor Third Party Claim' problems.

3. To identify and prioritize the 'Internal and Overall Solutions' for 'Motor Third Party Claim' problems.

4. To suggest suitable measures for effective 'Motor Third Party Claims Management'.
1.5 CHAPTER SCHEME

Collected data were analyzed and presented in seven Chapters as follows:-

Chapter-I: In 'Introduction' Chapter, the background of the study, statement of the problem, significance of the study, objective of the study and the Chapter scheme are discussed.

Chapter-II: In 'Review of Literature' Chapter, general review is done under the headings 'Problems and Solutions' and the 'Legal Review of Court Cases' like High Court and Supreme Court cases including 'Literature Conclusion' are discussed under suitable sub headings.

Chapter-III: In 'Research Design' Chapter, the topics like research question, hypothesis and methodology are discussed.


Chapter-V: In 'Conceptual Framework' Chapter, stages in 'Third Party Claim', factors contributing to 'Third Party Claim Problem' and the corrective steps to improve 'Third Party Claim Management' issues are discussed.

Chapter-VI: In 'Analysis and Interpretations' Chapter, descriptive analysis, average score analysis, 'F' test and Fried Man's non-parametric test with chi-square test are discussed.

Chapter-VII: In 'Summary of Findings Suggestions and Conclusion' Chapter, summary of objective and analysis used, summary of hypothesis testing results, major findings of the study, implications, limitations and future directions, suggestions and conclusion are discussed.
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