



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

NON LIFE INSURANCE – PRINCIPLES, PRODUCTS, PRICING

UNIT 1: CHAPTER 2: MOTOR INSURANCE

CONTENT: PRESENTATION

General Insurance Industry

The overall market for insurance is expected to be \$ 280 bn by 2020.

Gross premiums in India reached \$ 94.48 bn in FY 18. Of this number, the split between life insurance and non-life insurance was as follows:

Life insurance: \$ 71.1 bn

Non-life insurance: \$ 23.38 bn

Gross premiums written in India reached Rs 5.53 trillion (US\$ 94.48 billion) in FY18, with Rs 4.58 trillion (US\$ 71.1 billion) from life insurance and Rs 1.51 trillion (US\$ 23.38 billion) from non-life insurance. Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001.

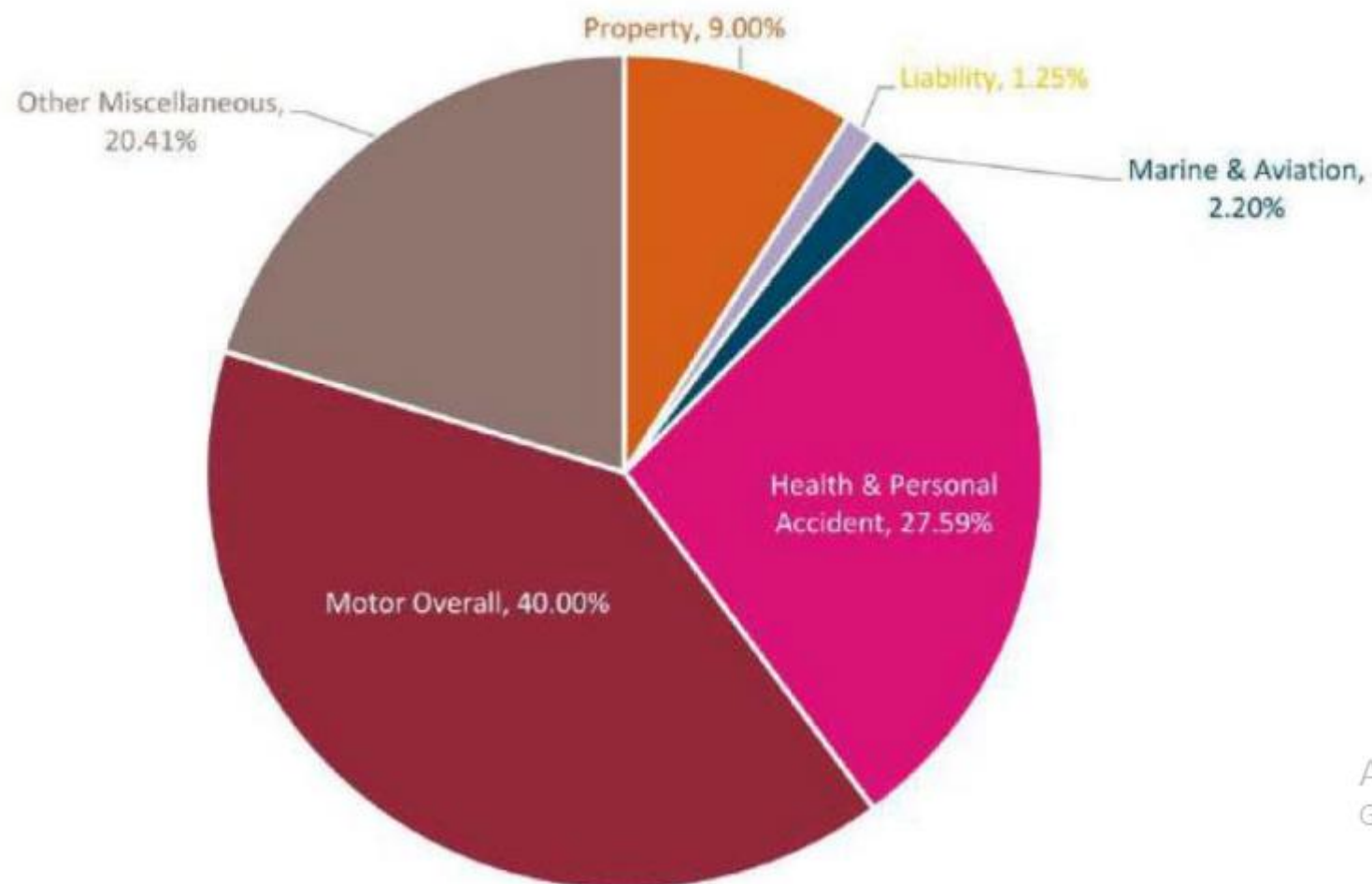
In FY19 (up to October 2018), premium from new life insurance business increased 3.66 per cent year-on-year to Rs 1.09 trillion (US\$ 15.46 billion). In FY19 (up to October 2018), gross direct premiums of non-life insurers reached Rs 962.05 billion (US\$ 13.71 billion), showing a year-on-year growth rate of 12.40 per cent.

Non-Life Insurance Performance:

Non-Life Insurance Business Performance:	2015-16		2014-15	
	Public Sector	Private Sector	Public Sector	Private Sector
Premium Underwritten (Rs in Crores)	47691	39694	42549.48	35090.09
New Policies Issued (in Lakhs)	8414	2389	8207	2200
Number of Offices	4892	6179	4877	6156
Net Incurred Claims (Rs in Crores)	38104.27	21764.44	31567.75	19430.46
No. of Grievances reported during the year	17808	41802	15860	44828
Grievances resolved during the year	17718	42493	16105	43318
Grievance Resolved (in percent)	99.49	101.65	101.54	96.63

Indian Context – Composition

Source: GI Council Yearbook



Capital Base

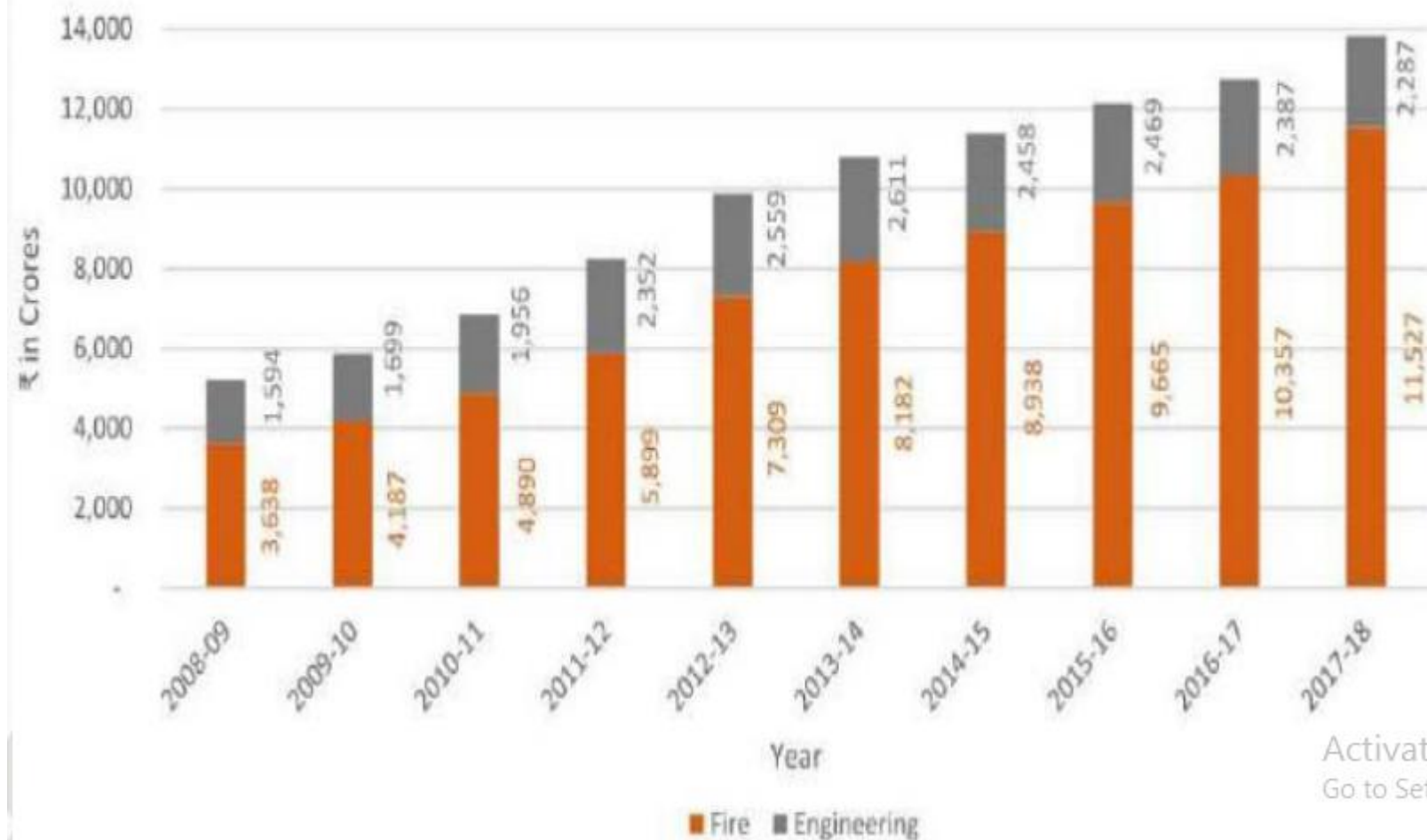
Source: GI Council Yearbook



Source: Council Compilation

The Context – Premium Base

Source: GI Council Yearbook

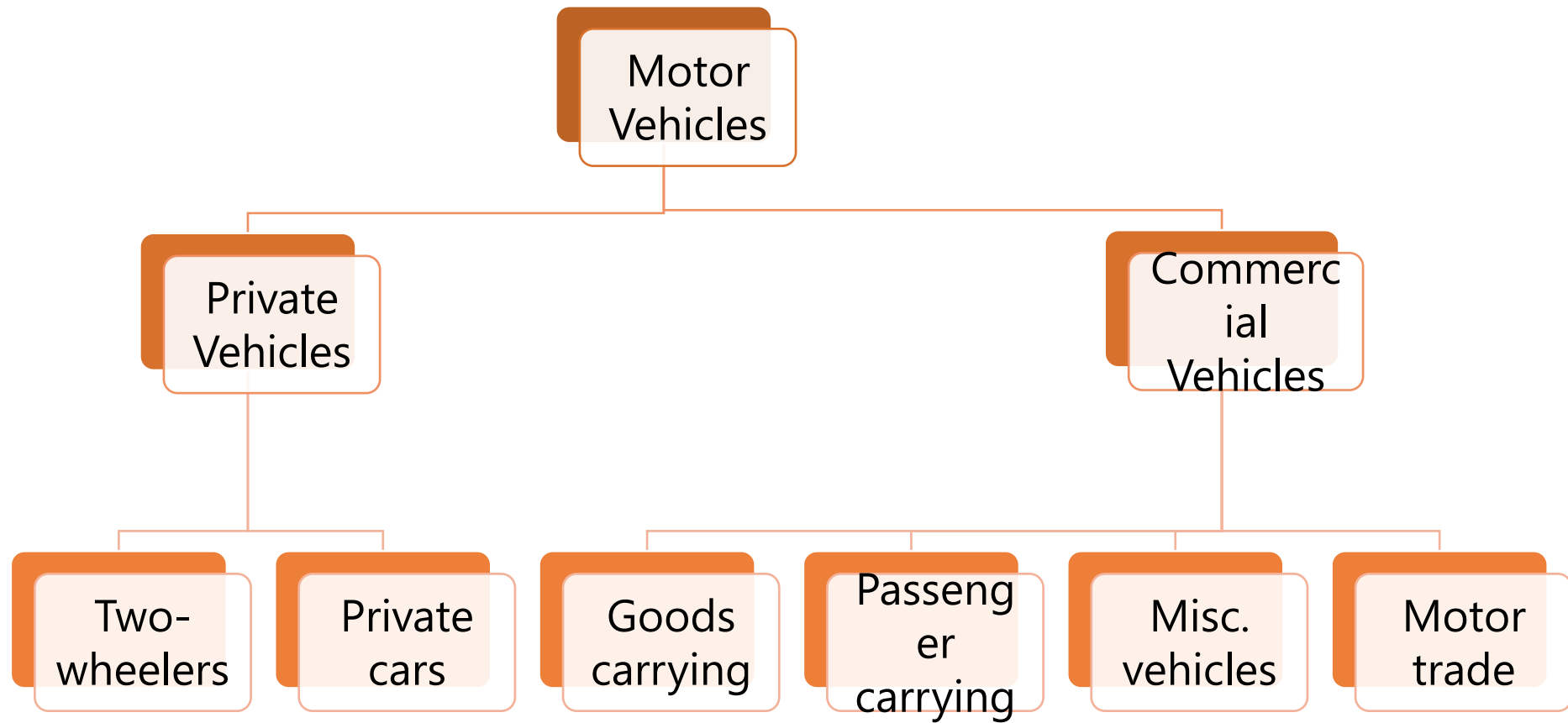


MOTOR INSURANCE

Motor insurance gives complete protection against physical damage or loss from natural and man-made calamities.

It broadly covers

- Injuries/death to person or persons
- Damage to property
- Damage to the vehicle itself
- Thefts of parts or the theft of the vehicle itself



TYPES OF MOTOR INSURANCE

Own damage cover : This simply means cover against damages to your own car.

Third party liability cover : When the policyholder collides with the car of a third party leading to death or bodily injury to the third party, your liability to the third party is covered by the insurer.

It also covers damage to property of third party caused by policyholder's car .

In case of absence of personal cover, damage to self can be also be added as an add-on in the third party cover.

Damages to own car is **not** covered under third party cover.

Comprehensive policy : covers damage to your own vehicle and other people's property, as well as theft and some other risks, plus legal costs. It is third party cover + own damage cover.

Insured Declared Value : **Insured** Declared Value is the maximum Sum Assured fixed by the insurer which is provided on theft or total loss of **vehicle**. Basically, **IDV** is the current market value of the **vehicle**

MOTOR INSURANCE – perils covered

Own Damage policy covers damage to own car due to either of following reasons :

- By fire explosion self ignition or lightning
- By burglary housebreaking or theft
- By riot and strike
- By earthquake (fire and shock damage)
- By flood typhoon hurricane storm tempest inundation cyclone hailstorm frost
- By accidental external means
- By malicious act
- By terrorist activity
- Whilst in transit by road rail inland-waterway lift elevator or air
- By landslide rockslide

Subject to a deduction for depreciation

UNDERWRITING

Underwriting is a critical process . It is necessary to avoid **anti-selection**.
The factors to consider are :

- Age of the proposer
- Sex
- Marital status
- Driving history of the proposer
- Address of the proposer
- Proposer's history involving insurance in general
- Ownership of or financial interest in the motor vehicle
- Description of use and distance to be covered by the motor vehicle
- Particulars of the motor vehicle

MOTOR INSURANCE ADD-ONS

Add-ons – extended coverage

Common add-ons:

- **Zero-depreciation / Bumper-to-Bumper cover / Nil-Depreciation** – Depreciation not deducted from claim amount i.e. paid by the insurer in case of any claim
- **Engine protection cover** – engine repair charges & replacement cost covered
- **Consumables cover** - pays for the cost of consumables ,like engine oil, gear oil, nuts and bolts, lubricants and similar items except for fuel, required to be refilled or replaced because of the accident.
- **Return to invoice** – original value of the car at time of purchase and registration charges & road tax at the time of purchase can be claimed in case of complete damage of car.

MOTOR INSURANCE ADD-ONS

- **No-claim Bonus (NCB) protection cover** – Bonus, in the form of discount on premium, is given if no claim is made during the policy year. It has variants and discount rates vary from insurer to insurer.
- **Roadside assistance** – In case of damage while driving, mechanic will be arranged by the insurer. Towing charges if any will also be covered. A ride for you might also be arranged.

Other add-ons

- **Loss of personal belongings** – cost of personal belongings lost in a car accident can be claimed.
- **Key replacement**- It covers the cost of replacing the car keys. If you need to replace the lock, the add-on pays for that as well.

You can buy motor insurance add on covers only with a Comprehensive policy and not with Third-party car insurance. The terms and conditions of add-on vary from one insurer to another.

MOTOR INSURANCE FRAUD

Since this policy requires to be renewed yearly, many frauds arise like

Case 1: Policy was in operation in 2017 but failed to renew in 2018. The car was involved in an accident in 2018. Now, the policyholder who relapsed in an attempt to get money from the insurer claims that car accident happened in 2017 and claims the expenses.

Case 2: underwriting fraud

While getting the policy transferred from one insurer to another, the policyholder might try to withhold relevant information that can get him the policy at cheaper premium.

Case 3 : Death caused due to other reasons like critical-illness but claimed as death in motor accident or road accident.

Reference to Haryana Scam that got unveiled in 2019.

<https://www.hindustantimes.com/india-news/haryana-scam-cashes-in-on-the-terminally-ill/story-Nr5HHN4jsWC5gUwA6sqGMK.html>

Haryana Insurance Scam



Pawan Bhorla and his gang

Bhorla masterminded the scam while handling motor accident claims at an insurance company. His eight-member gang consisted of people he knew and trusted: cousin, nephew, friends



Record keepers

The computer operator at Haryana's biggest public hospital in Rohtak sold the names of last-stage throat cancer patients to Bhorla and his gang for ₹10,000 to ₹15,000 per file



Family members

The family members of these cancer patients colluded with the gang to have the patient insured for ₹8 to 20 lakh each with multiple companies. They also filed false FIRs and insurance claims



Post-mortem doctors

The doctors who performed autopsies looked away from obvious signs of cancer on the bodies of the deceased, and mentioned in their reports only the presence of accident injuries, as presented by the police, as the cause of death

Investigating officers

Officers at several police stations in Jhajjar, Sonapat, Rohtak and Hisar helped the gang show the patients' deaths as accidental on paper — in FIRs and in record of observations for autopsies



Hospitals

The hospitals where the post-mortem examinations were conducted also produced the death certificates in these cases.

The certificates carried signatures of the Registrar of Birth and Death for the said district

Insurance agents

The gang used to bribe the investigation agents of the private insurance companies after the families had pressed for claims and ask them to submit a report in their favour. It was the report by an independent investigator that hinted at the presence of something fishy about the claims



Public prosecutors

If a claim battle went to the court, the gang even paid the public prosecutors at times to settle the case in its favour



CLAIM SETTLEMENT PROCEDURE

- Intimation by Insured for accidental loss to subject matter of Insurance
- Registration of Claim by Insurer
- Deputation of Surveyor / Investigator for assessment of liability of Insurer
- Assessment and submission of Survey report by Surveyor
- Scrutiny of Claim file
- Letter to Insured regarding assessment of loss and to submit required information / papers.
- Approval of Claim by the Competent Authority, after receiving the complete information / papers
- Settlement of Claim

CLAIM DOCUMENTS

Apart from claim form and Survey report the other documents required for processing the claim are:

- Driving Licence
- Registration Certificate Book
- Fitness Certificate (Commercial Vehicles)
- Permit (Commercial Vehicles)
- Police Report (Taxis, commercial Vehicle need F.I.R./ spot survey if loss is heavy or T.P. loss occurs)
- Final Bill from repairers
- Satisfaction Note from the insured
- Receipted bill from the repairer, if paid by insured.
- Discharge voucher (full and final payment)

Thank You!