



Class: MSc

Subject : Non-Life Insurance – Products, Principles and Practice

Chapter Name: Motor Insurance

Today's Agenda

1. Introduction to Motor Insurance
 1. What is motor insurance?
 2. Why motor insurance?
 3. Segment wise business overview
 4. Motor insurance coverage in India
 5. Comparison around the globe
 6. Overview on basis of type of vehicle
 7. Inclusions and Exclusions in a motor insurance policy
2. Types of motor insurance products
 1. Motor Insurance Coverage
 1. Inclusions under Motor Insurance
 2. Exclusions under Motor Insurance
3. Motor insurance add-on plans
4. Claims
5. Frauds

1.1 What is Motor Insurance?



- Motor Insurance is a type of insurance policy which **covers your vehicles from potential risks financially.**
- Policyholder's car or two wheeler is provided financial security against damages arising out of accidents and other threats.
- In addition to the own vehicle damage, motor vehicle insurance also provides the mandatory coverage for third-party liabilities.



1.2 Why Motor Insurance?

Why should you buy motor vehicle insurance?



Adherence to law

It is mandatory by law to avail third-party insurance for all vehicles before they are allowed on road.



Escape traffic fines

As per the Motor Vehicles (Amended) Act of 2019, if you're caught driving an uninsured vehicle, you may have to pay a penalty of up to ₹2000 for the first instance and from second instance it may go up to ₹4000.



Coverage against loss or damage

A motor package policy takes care of your expenses in case of any loss or damage to your vehicle arising due to theft, road accident or other natural and man-made disasters.

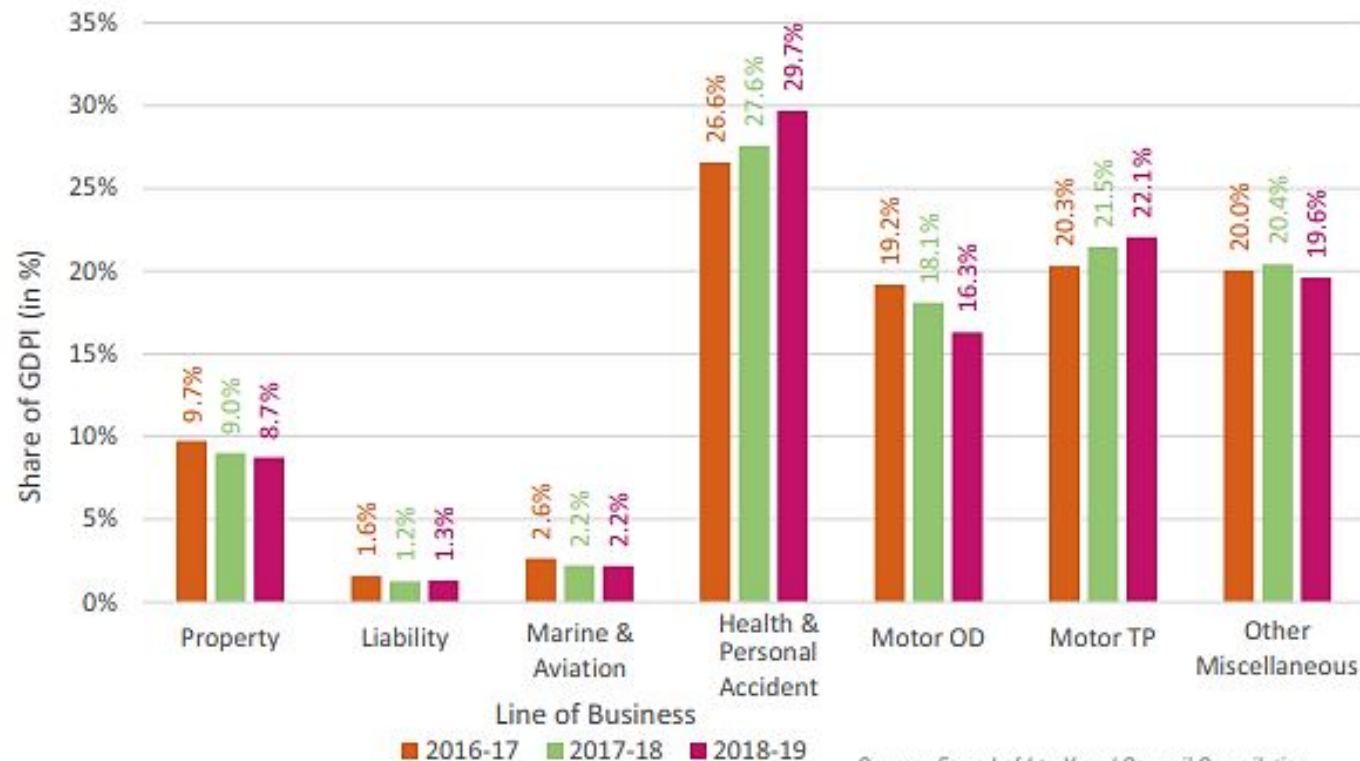


Personal accident cover

You will get a personal accident cover of ₹15 lakhs for yourself and an optional cover of ₹2 lakhs for the co-passengers travelling with you. This coverage is available at nominal additional premium.

1.3 Segment-wise business overview

Gross Direct Premium income (in and outside India) written by non-life Insurance Industry increased from Rs. 1,53,438 crores in 2017-18 to Rs. 1,72,483 crores in 2018-19. Personal lines of business namely Motor and Health & Personal Accident insurance constituted close to two-thirds of the Non-Life Insurance premium. Crop insurance as an emerging segment comprises majority premium in Other Misc.



Source: Form I of I to X and Council Compilation

1.4 Motor insurance coverage in India

GDP Underwritten:

Motor insurance continues to be the biggest line of business for general (non-life) insurers.

MOTOR SEGMENT	2017-18	2018-19	2019-20
Gross direct premium (Rs. Cr)	59,246	64,522	69,208
Market share	39.32%	38.08%	36.56%

Market share:

Motor insurance accounted for 36.6% of non-life insurance premiums earned, followed by health insurance at 27.3% in FY20. Upto November'20, the Motor segment (OD, TP & Composite) held a share of 32.59%, the highest share in the non-life insurance market.

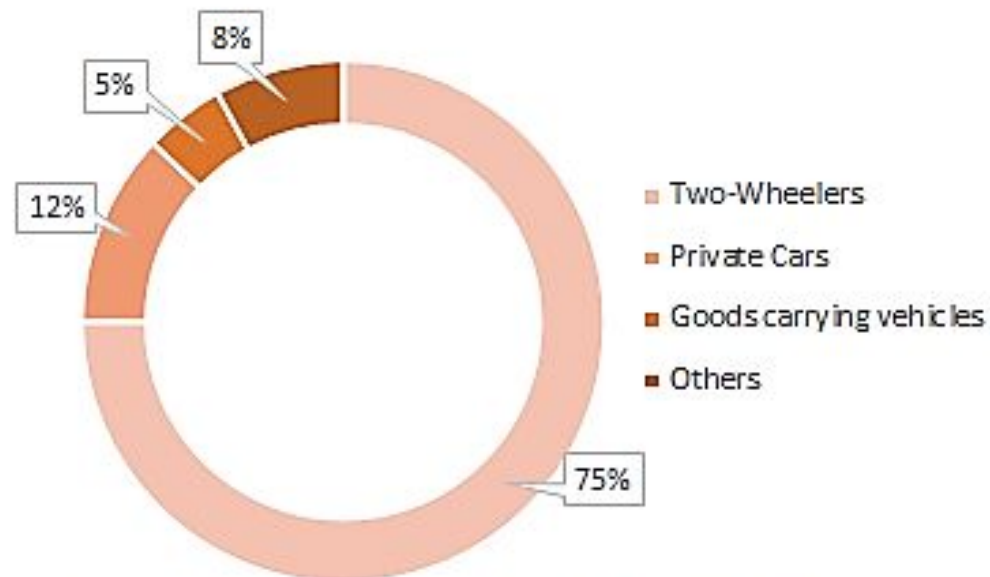
Past Growth Rate:

As per the data published by the Indian insurance regulator, the motor insurance business reported a growth rate of 8.91% in India in 2018-19. India Motor Insurance Market registered a CAGR of 11.36% over the period, 2012 – 2018.

1.5 Comparison around the globe

1.6 Overview on basis of type of vehicle

Motor insurance has been compulsory in India since 1988. According to the reports, the number of new cars sold annually increased with a CAGR of 6% between 2013 and 2017. Cars and bikes are one of the major transportation methods in India, making it one of the largest segments.



Proportion of vehicles registered till FY18-19

2 Types of Motor Insurance

The following types of Insurance policies are available in the market:

Types of Insurance Policies	Available for:
Liability Only Policy	For all vehicles
Package Policy/ Comprehensive Policy	For all Vehicles
Bundled Policy	For new private cars and new two wheelers
Standalone Own Damage Cover	For private car and two wheelers (both new and old)

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Types of Motor Insurance

The policy periods for various types of policies are as under.

Policy Type	Period	
	Own Damage	Third Party Liability
Liability Only Policy	NA	1 year (for all vehicles except new two wheelers and new Private Cars) or 3 years (for new Private Car) or 5 years (for new Two Wheeler) Or 2/3 years (for old Two Wheeler)
Package Policy	1 year (for all vehicles except new two wheelers and new Private Cars) or 2/3 years (for old Two Wheeler).	1 year (for all vehicles except new two wheelers and new Private Cars) Or 2/3 years (for old Two Wheeler).

2 Types of Motor Insurance

Policy Type	Period	
	Own Damage	Third Party Liability
Bundled Policy	1 year (for new Private Cars and new Two Wheelers)	3 year (for new Private Cars) 5 year (for new Two Wheeler)
Standalone Own Damage	1 year (for private car and two wheelers (both new and old)	NA

2.1 Motor Insurance Coverage

1. Own Damage (OD)

Own Damage is an insurance cover that protects you against the loss and damage that occurred to your own vehicle like fire, theft, etc. The own damage cover allows you to compensate for the repair and replacement expenses.

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



2.1.1 Inclusions

Car insurance policies vary between insurers. However, most policies cover the following,

- **Comprehensive cover for your car:** You will need to prioritise your requirements and compare insurance policies to identify the one that is appropriate for your needs.
- **Damage to your own car:** If you are involved in an accident, and your car has borne some damages, you can notify the insurer at the earliest possible time to claim insurance. Most policies provide you a time frame of 48 hours for intimating the insurance company of the accident.
- **Natural calamities:** A comprehensive insurance cover for your car can protect it in the event of unpredictable natural calamities like floods, landslides and earthquakes.
- **Personal accident cover:** An effective car insurance policy will provide financial assistance to your/your family in case you are injured in an accident. This helps in reducing your financial burden at a time when you need it most.
- **Man-made disasters:** Your car insurance policy can protect your vehicle from various man-made hazards like strikes, terrorism, riots and fire.

2.1.1 Inclusions

- **Theft of your car:** In case your car has been stolen, you can claim for an amount that equates to the insured declared value specified in your car insurance policy.
- **Third-party liability insurance:** If a third-party has incurred damages through your car in an accident, a comprehensive car insurance policy covers the cost of claims.
- **Injury to a person:** If you have accidentally run over a person and injured him, your car insurance policy can compensate that person/his family for their losses.
- **Damage to property:** In case of an accident where you have caused damage to a person's property, your insurer can pay that person for the damages incurred by him.

In addition to these inclusions, you can enhance your car insurance policy by selecting add-on covers at a higher premium.

2.1.2 Exclusions

Exclusions in Car Insurance Policy

A car insurance exclusion involves risks or situations that are not covered in your car insurance policy. These are always clearly mentioned in the policy documentation. It is important to know your policy exclusions so that you are prepared when an incident occurs.

The following contingencies are usually excluded under the Motor Insurance Policy:

- Not having a valid Driving License
- Under Influence of intoxicating liquor/drugs
- Accident taking place beyond Geographical limits
- While Vehicle is used for unlawful purposes
- Electrical/Mechanical Breakdowns
- Damage to tyres and tubes unless the vehicle is damaged at the same time
- Consequential loss, depreciation, wear and tear

2.1 Motor Insurance Coverage

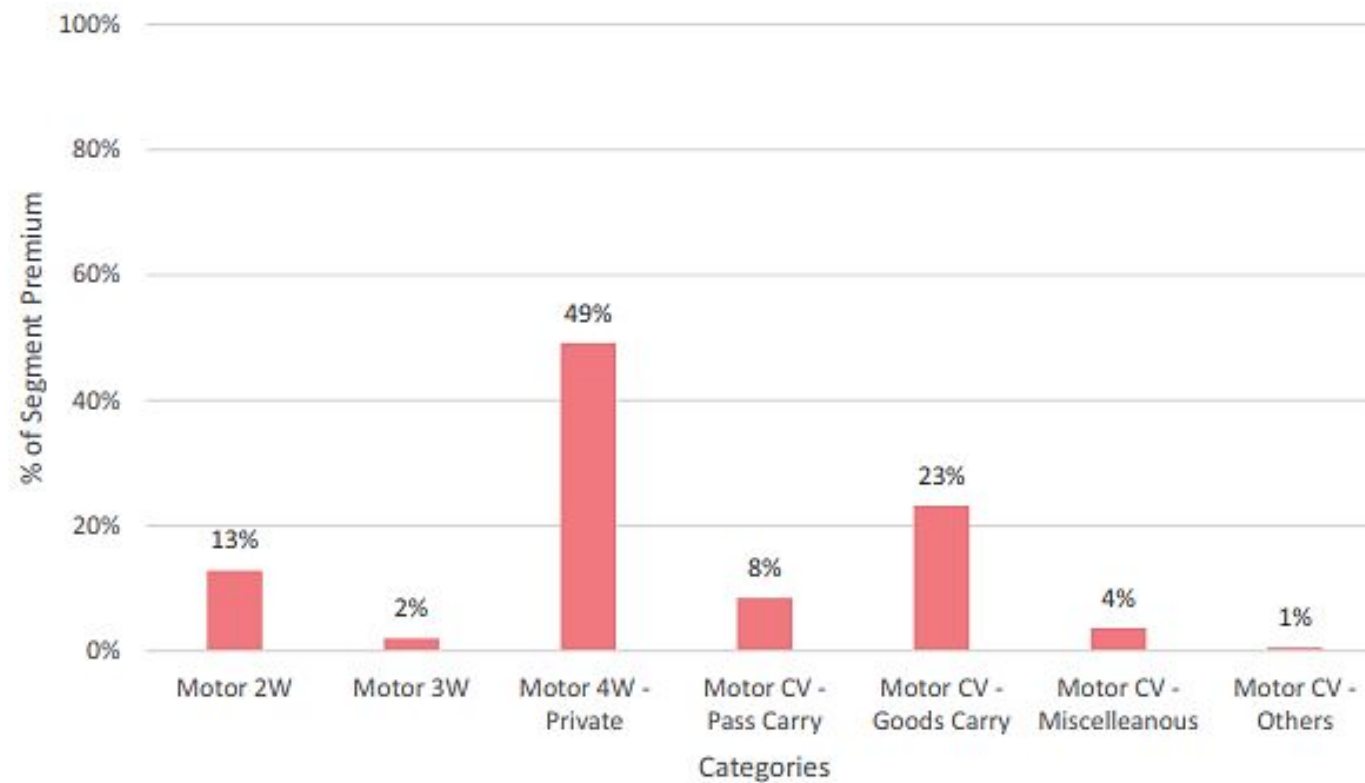
The Motor OD premium has grown at a CAGR of 12.1% over the period 2009-10 to 2018-19.

2018-19	Value
No. Of Policies	8,28,79,322
Premium (in Cr)	26,487
No. Of Claims Reported	79,41,510
No. Of Paid Claims	74,68,521
Amt of Paid Claims(in Cr)	18,849

Premium booked in India considered

2.1 Motor Insurance Coverage

GDPI Breakup on Categories - Motor OD



2.1 Motor Insurance Coverage

OWN DAMAGE PREMIUM CALCULATION

There are several factors on which own damage premium calculation is based on i.e.

- Make and type of vehicle
- Age of the vehicle
- The insured declared value of the vehicle
- The cubic capacity of the vehicle
- Geographical area or zone

2.1 Motor Insurance Coverage

2. Third Party Liability Insurance cover (TP)

TP liability is the mandatory insurance cover for your vehicle to be safe and secured. One has to buy third party liability cover for the mandated purpose under the law of motor vehicle act, 1988.

This cover protects you against the loss and damage that occurred to the third party vehicle or property that causes someone's death or injury due to your vehicle. In this circumstance, you have to deal with the situation. It would be easier when you already have a third party liability cover. And, if not you have to incur the loss expense from your pocket.

One thing that you need to know about third party cover is that it does not cover loss and damage to your own vehicle which is responsible for the damage of third party vehicles. For the compensation of your own vehicle, you have to buy own damage insurance cover. Also, does not process claim for the stolen or vandalized vehicle.



2.1 Motor Insurance Coverage

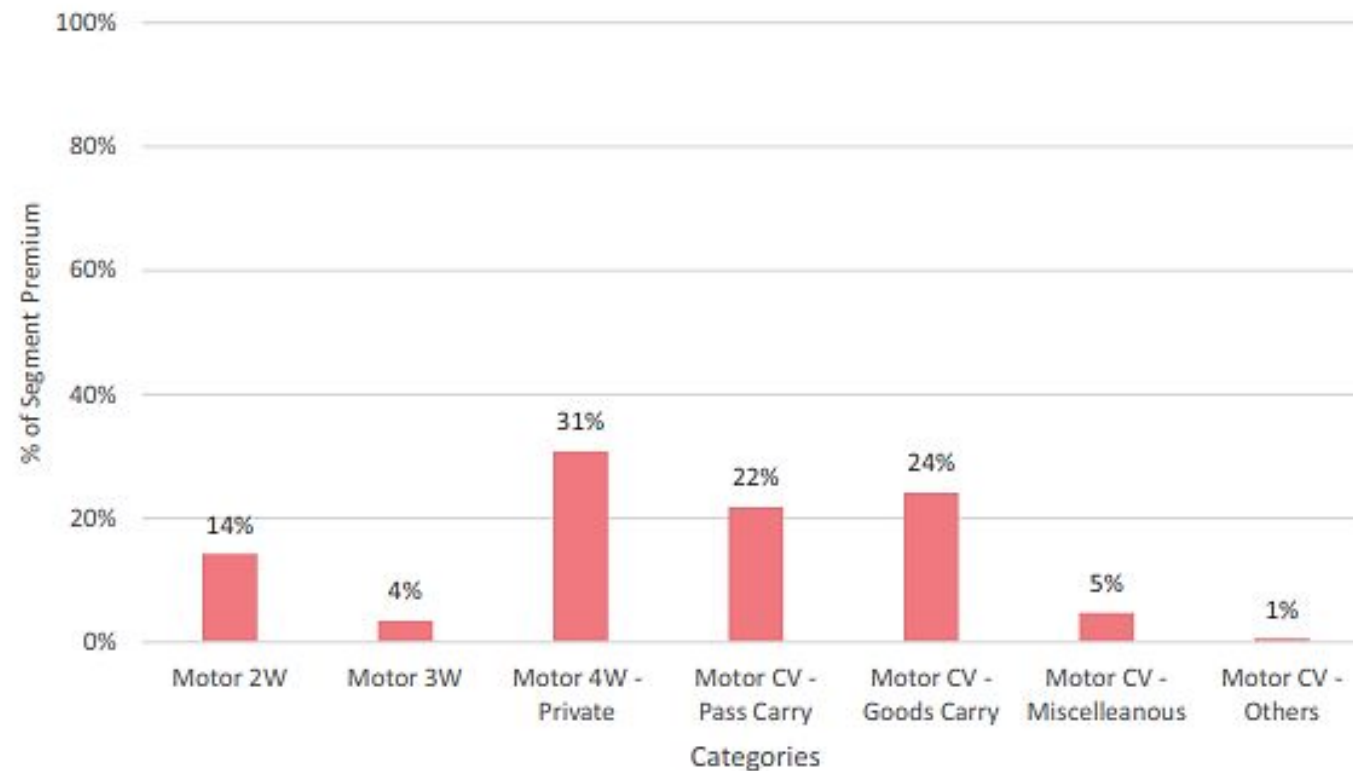
The Motor TP rates are administered by the IRDAI. The same is reviewed on a periodical basis

2018-19	Value
No. Of TP Policies(Under Package)	8,28,79,322
No. Of Standalone TP Policies	2,80,19,435
Premium (in Cr)	38,035
No. Of Claims Reported	4,46,173
No. Of Paid Claims	4,06,863
Amt of Paid Claims (in Cr)	16,730

Premium booked in India considered

2.1 Motor Insurance Coverage

GDPI Breakup on Categories - Motor TP



2.1 Motor Insurance Coverage

3. Compulsory Personal Accident Cover (CPA)

Compensation is provided in case of bodily injury/death of owner-driver of the vehicle in direct connection with the vehicle insured or while mounting into/dismounting from or travelling in the insured vehicle.

Basic Sum Insured for this cover is Rs. 15 lakh by default. However, the insured can opt for lower Sum Insured, if owner-driver is already having a 24-hour Personal Accident cover against Death and Permanent Disability (Total and Partial).

3

Motor Insurance add-on plans

Apart from the comprehensive and third-party liability insurance plans detailed above, most motor insurance companies also offer add-on covers that can enhance the coverage of the base policy. These riders should be purchased from the same insurance provider by paying an additional amount. Some of these add-on plans are as described below:

1. Zero depreciation cover – This is a popular motor insurance add-on plan that offers significant savings at the time of a claim. It is also referred to as nil depreciation cover or bumper to bumper policy. Consider that your vehicle is insured with a comprehensive motor insurance policy. At the time of a claim, you will still have to bear the expenses pertaining to depreciation of the vehicle parts and excesses. However, if your comprehensive motor insurance plan was reinforced with a nil depreciation cover, the insurer would bear the expenses for the depreciation of vehicle parts.

2. Engine protect cover – A comprehensive motor insurance plan does not protect the vehicle from mechanical or electrical damages to the engine. Buying an engine protect cover offers your engine the much-needed protection, especially if you reside in an area prone to waterlogging.

3

Motor Insurance add-on plans

- 3. Return to Invoice (RTI) cover** – This add-on plan protects your vehicle from total loss expenses. In the event of a total loss scenario such as a car theft, it provides you the actual invoice value of the vehicle, without accounting for its depreciation with age.
- 4. Loss of personal belongings cover** – Loss of expensive electronic equipment, laptops, etc. kept in the insured vehicle is offered coverage under this add-on insurance plan.
- 5. No Claim Bonus (NCB) protect cover** – No Claim Bonus is a significant bonus offered by insurers to drivers who refrain from raising motor insurance claims in a policy year. You can preserve this bonus even after raising a claim if your vehicle insurance has an NCB protect cover.
- 6. Personal accident cover for the passengers** – The comprehensive car insurance policy can be enhanced to offer protection for the passengers by opting for this rider.
- 7. Key replacement cover** – Under this cover, the insurance company reimburses the cost of replacement of the vehicle keys if these were lost or misplaced.

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Motor Insurance add-on plans

8. Roadside assistance cover – This add-on cover offers 24/7 protection to the policyholder from incidents such as flat tyre, fuel depletion, requirement for expert scrutiny, etc.

9. Consumables cover – Components that are used in a vehicle such as nuts and bolts, screen washers, engine oil, etc. are collectively referred to as consumables. The insurance company does not bear the cost of these components at the time of a claim. However, if your vehicle insurance was equipped with this rider, you will receive coverage for consumables.

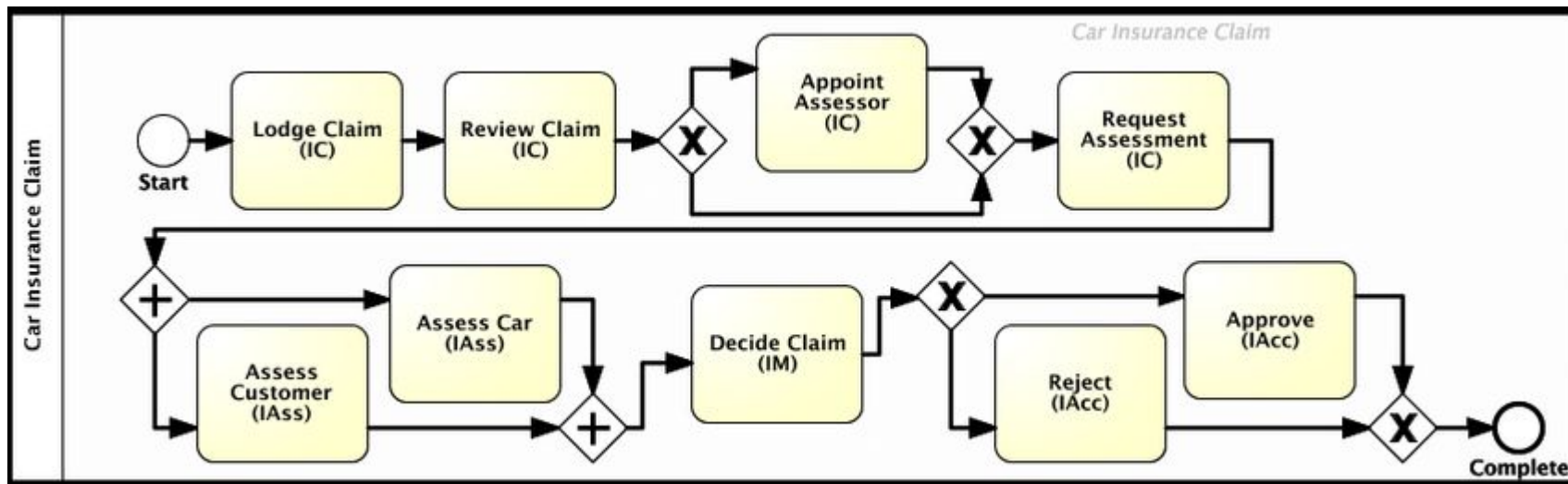
10. Daily allowance cover – This add-on cover offers reimbursement for the expenses involved in hiring an alternate vehicle when the insured automobile is undergoing repairs at a garage.



4 Claims

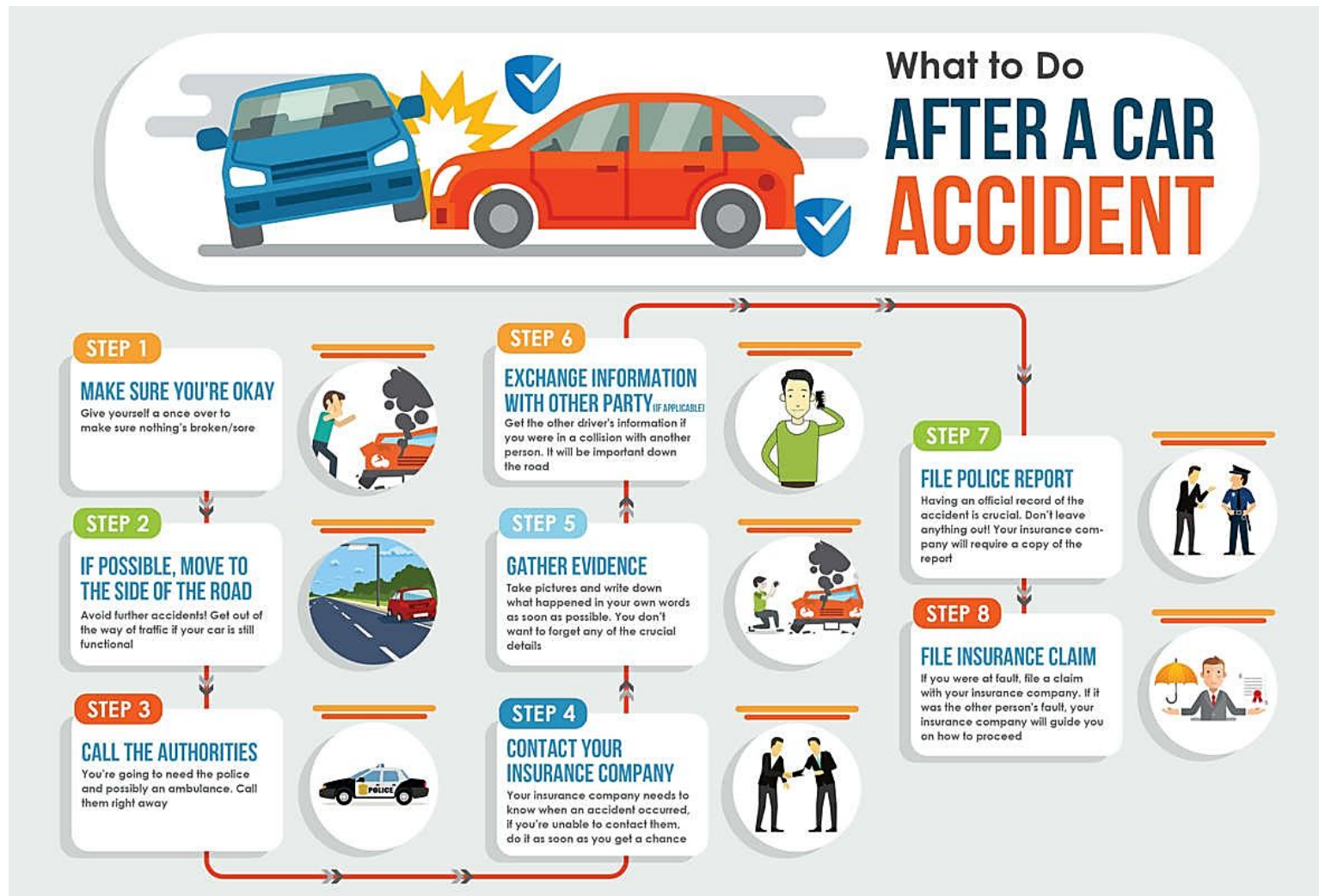
Motor Insurance Claim is the process under which a insurance policyholders requests the insurer to compensate for the expenses/damage incurred by him/her due to an unfortunate event involving his/her vehicle. The amount and extent of the claim amount depend on the Insured Declared Value (IDV) of your vehicle and the type of insurance policy bought by you – third party, own damage or comprehensive.

Motor Insurance Claim Process (Flow chart)



<https://www.bankbazaar.com/insurance/motor-insurance-claim.html>

4 Claims



4 Claims

Types of Car Claim Settlement

A car insurance claim can be settled in either of the two ways:

1) Cashless Claim

If you get your car repaired at a garage authorised by the insurer then you enter a cashless claim settlement process. As the name suggests, under this type of claim the entire process is cashless which means that the policyholder is not required to pay any cash/money to the insurer authorised garage for the repair of his/her car. The insurer makes the payment to the garage directly subject to the claim amount. The policyholder is only liable to pay for the compulsory deductible and voluntary deductible if opted for at the time of policy purchase.

2) Reimbursement Claim

When you get your car repaired at a garage/workshop outside the authorised network of the insurer, you enter a reimbursement claim settlement process. Under this process, the policyholder makes the payment for the repair cost at the garage of his/her choice and gets the repair cost reimbursed from the insurer later subject to the claim amount. The insurer reimburses the entire claim amount to the policyholder after factoring in the applicable deductibles – compulsory and voluntary (if opted for).

4 Claims

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

4 Claims

Documents Required

In case of an Accident

- Duly filled and signed claim form
- Tax receipt
- Copy of the insurance policy
- Copy the vehicle's registration certificate (RC)
- License copy of the driver driving the vehicle at the time of the accident
- Copy of the FIR/Police Panchanama registered
- An estimate of the vehicle repair cost
- Repair bills and payment receipts (original)
- Vehicle inspection address details

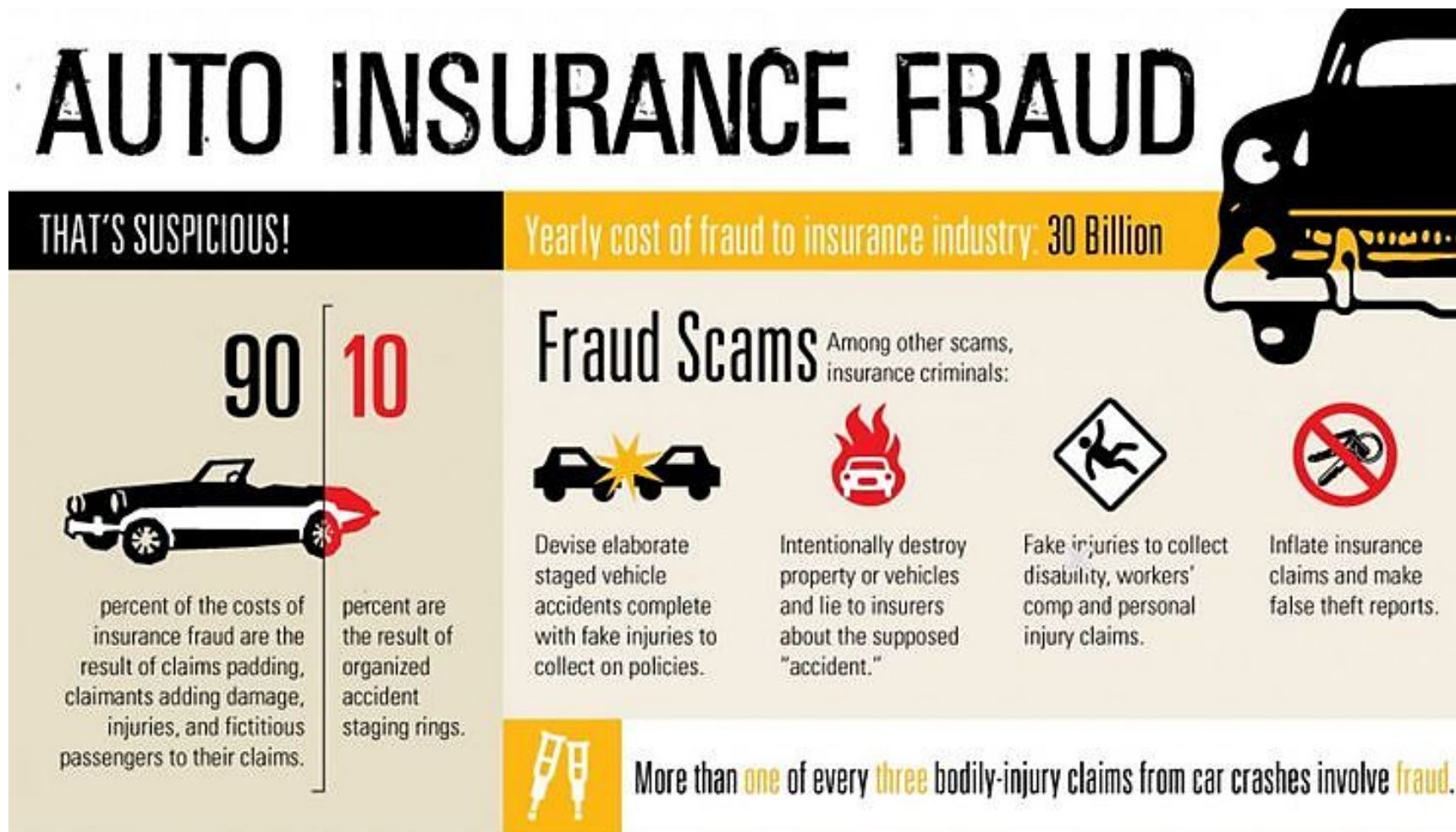
4 Claims

Documents Required

In case of Theft

- Original insurance policy document
- Tax payment receipt
- Registration book in original
- Authenticated theft declaration from the RTO
- Details of the previous insurance policies such as company, policy number, duration and time of insurance, etc.
- Additional informative handles and accessories, including warranty cards, booklets, duplicate keys, etc.
- FIR and final report of the police
- Official intimation to the RTO about theft and discontinued use of the vehicle
- Letter of Subrogation
- Claim Discharge Voucher (produced with signature across a revenue stamp)
- Form 28, 29, 30 and 35

5 Frauds



5 Frauds

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

