



# बीमा विनियामक और विकास प्राधिकरण INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

IRDA/NL/ ORD/ MPL/077/ 03/ 2012

Date: 29<sup>th</sup> March, 2012

## **Guidelines on rationalization of provisions of erstwhile All India Motor Tariff**

The Authority vide circular no. 021/ IRDA/ F&U/ Sep. 06 dated 28.9.2006 stated that w.e.f 1.1.2007 all the tariffs stand withdrawn subject to the condition that insurers shall not vary the coverage, terms and conditions, wordings, warranties, clauses and endorsements in respect of covers that were under tariffs. This was reiterated in Authority's subsequent circulars. The Authority has received representation from the General Insurance Council on rationalization of some of the provisions pertaining to the erstwhile All Indian Motor Tariff. Taking into consideration the representation made by the General Insurance Council, the Authority issues the following guidelines in respect of some of the provisions of erstwhile All India Motor Tariff:

### **1. Re-classification of certain type of miscellaneous class of vehicles**

The erstwhile All India Motor Tariff provides a list of 58 types of vehicles to be considered as Class D vehicles. It is observed that 07 out of 58 types are predominantly used for commercial purposes and are let on hire to generate revenue by the owners/ insured. The Authority has decided that these 07 types of vehicles are to be placed under Goods Carrying Vehicles (Class 4A): i) Tractors; ii) Dumpers; iii) Milk Vans; iv) Oil & Petrol transport vehicles; v) Refrigeration / Pre-cooling unit; vi) Tankers ; vii) Tippers.

In case of ambulances/hearses, the erstwhile IMT (Class D) provides for a clause whereby the liability for accidents to passengers carried for hire or reward in the ambulances/hearses are to be covered by charging an additional premium per passenger as indicated in the tariff. As such these vehicles are continued to be classified as per the erstwhile tariff provisions.

### **2. Increase in compulsory deductibles for motor vehicles**

It is noted that the compulsory deductibles in erstwhile All India Motor Tariff were fixed nearly 10 years ago. The auto sector has been growing at a fast pace with costs of repair growing equally rapidly. As compared to the current repair costs, the deductibles are significantly less. Also the values of vehicles and the repair costs have grown more than 4 times. Considering the inflation and the increase in the administrative cost of insurers, the value of deductibles in real terms has diminished. The compulsory deductible is therefore revised for the following classes of vehicles as per the table below:





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**GR 40: Compulsory Deductibles**

Type of Vehicles	Compulsory Deductibles (Rs.)
Private Cars including three wheelers rated as Private Cars (Not Exceeding 1500 cc)	1000/-
Private Cars including three wheelers rated as Private Cars (Exceeding 1500 cc)	2000/-
Motorized Two Wheelers	100/-

The other provisions under GR 40: Compulsory Deductibles remain unaltered.

**3. Coverage of paid drivers, cleaners, conductors and employees under WC Act:**

The extended / Wider legal liability cover for paid drivers, cleaners, conductors and employees of the insured of motor vehicles are covered by Insurers under WC Act on payment of Rs.25/- per capita at present. This rate was fixed about 15 years back. Even in the Third Party (TP) premium revisions made in Jan 2007 and April 2011 no upward revision was made in respect of this cover. Meanwhile, the WC Act was amended as Employee Compensation Act in 2010 and the maximum wage for the purpose of claim computation was increased from Rs. 4,000/- to Rs. 8,000/-. The amended Act provides for reimbursement of actual medical expenses without any ceiling. The minimum compensation under the amended Act has been increased from Rs.80,000 to Rs.120,000 for death and for Permanent Total Disability from Rs.90,000 to Rs.140,000. As a result the claims outgo increased significantly.

Over the years the wages of these employees have also increased resulting in higher compensation amount. Further, the tendency to consider functional disability on par with physical disability increases the compensation.

Considering the above, the Authority has decided that the revised premium for coverage of paid drivers, conductors and employees under the WC Act be increased from Rs. 25/ per capita to Rs. 50/- per capita.

  
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Chairman