



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

IRDA/NL/NTFN/MOTP/ ⁰⁹⁸ /03/2014

27th March 2014

ORDER

Of

Insurance Regulatory and Development Authority

On

Premium Rates for Motor Third Party Liability Insurance Covers for the Year 2014-15

The Authority hereby refers to its notification no. IRDA/NL/NTFN/MOTP/066/04/2011 dated 15th April 2011 whereby the Authority decided to review the premium rates for motor third party liability insurance covers annually using the specified formula:

$$P(t) = C1(t) * CII(t-1) + C2(t)$$

Where,

P(t) is the motor TP premium applicable to the financial year 't',

CII(t-1) is the Cost Inflation Index for the year 't-1' as notified by CBDT, and

C1(t) and C2(t) are the parameters applicable to the financial year 't' whose values shall be determined and notified by the Authority in each financial year based on the experience measured in terms of average claim amounts, frequency and expenses involved in servicing the motor TP business. The values of the parameters C1(t) and C2(t) may vary according to the class of vehicle.

It is observed that the cost inflation index (CII) has increased by 10.21 % over the previous year, i.e. from 852 in FY 2012-13 to 939 in FY 2013-14.

Accordingly, the Authority issued an Exposure Draft no. IRDA/NL/MTP/2014-15/EXDRF dated 11th February 2014 on revision of premium rates for motor third party insurance covers for the year 2014-15 inviting comments on the proposed rates from all the stakeholders concerned. The exposure draft published data provided by the IIB which included no. of policies, no. of claims paid, amount of claims outstanding as on 31st March 2013 for each underwriting year and for each class of vehicle. The methodology used in estimating premium rates was also briefly explained in the exposure draft.

The Authority received the comments from many stakeholders which were examined. Overall, the consumers conveyed their dissent against proposal to increase the rates. The general insurers conveyed that the current premium rates are inadequate and revision in rates matching ultimate liability levels is required. The insurers also drew attention to the Authority's direction to provide Ultimate Liability Ratio (ULR) in respect of Declined Risk Pool at 210 % for the year 2012-13.

It is observed that there is a wide variation in premium changes amongst the various subclasses of a given class of vehicle. The subclasses are therefore clubbed together and a flat single revision is considered for the vehicle class as a whole. Based on the above methodology, it is observed that the estimated premium rate increase over the previous year in some of the vehicle classes is much higher. At the same time, some vehicle classes are showing negative change. Looking into the sudden and adverse impact on the policyholders of such an increase in rates and considering comments on the exposure draft, the Authority decided to moderate the rate increases in the following classes:

- a. Private Cars
- b. Two Wheelers
- c. Goods Carrying Vehicles Public Carriers (Other than 3 wheelers)
- d. Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Public Carriers
- e. Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Private Carriers
- f. Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers
- g. Three wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers
- h. Motorized three wheeled passenger carrying vehicles for hire or reward with carrying capacity exceeding 6 passengers but not exceeding 17 passengers
- i. Special Types of Vehicles

In case of Goods Carrying Vehicles Private Carriers (other than 3 wheelers), Motorized Two Wheelers used for carrying passengers for hire or reward, and Motor Trade (Road Risks), the Authority decided to moderate the rate reductions, while in case of Four or more wheeled vehicles used for carrying passengers with carrying capacity exceeding 6 passengers for hire or reward, Three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 17 passengers, and Motor Trade (Road Transit Risks), the Authority decided not to change the current rates.



In accordance with the above, and in exercise of the powers vested in the Authority under Section 14 (2) (i) of the IRDA Act, 1999, the Authority hereby notifies the premium rates applicable to Motor Third Party Liability Insurance covers with effect from 01st April 2014 as given in the Annexure "A".

Insurers are advised to be mindful of the concerns expressed by vehicle owners about both the rates and availability of insurance. Considering the mandatory nature of motor third party insurance, insurers are advised to ensure that motor third party insurance is made available at their underwriting offices and that requests for insurance are processed expeditiously and policies are issued promptly. The Authority will treat any complaint of non-availability of insurance or use of methods to deny/delay the client seeking insurance cover, seriously.

Insurers are not permitted to cancel the current insurance policies and issue fresh policies to effect new premium rates. This notification as well as enclosed schedule of premium rates shall be prominently displayed on the Notice Board of every underwriting office of the insurers where it can be viewed by the public. This notification is issued in supersession of the Authority's earlier Notification Ref: IRDA/NL/NTFN/MOTP/061/03/2013 dated 26th March 2013.




(T S Vijayan)
Chairman, IRDA


Annexure "A"

Motor Third Party Insurance Premium Rates with effect from 01st April 2014

| | | Premium with effect from 01st April 2014 (Rs.) |
|-----------|--|--|
| | Private Cars | |
| | Not exceeding 1000 cc | 1129 |
| | Exceeding 1000 cc but not exceeding 1500 cc | 1332 |
| | Exceeding 1500 cc | 4109 |
| | Two Wheelers | |
| | Not exceeding 75 cc | 455 |
| | Exceeding 75 cc but not exceeding 150 cc | 464 |
| | Exceeding 150 cc but not exceeding 350 cc | 462 |
| | Exceeding 350 cc | 884 |
| A1 | Goods Carrying Vehicles Public Carriers (other than 3 wheelers) | |
| | GVW not exceeding 7500 kgs | 14390 |
| | Exceeding 7500 kgs but not exceeding 12000 kgs | 15365 |
| | Exceeding 12000 kgs but not exceeding 20000 kgs | 16360 |
| | Exceeding 20000 kgs but not exceeding 40000 kgs | 16471 |
| | Exceeding 40000 kgs | 16539 |
| A2 | Goods Carrying Vehicles Private Carriers (other than 3 wheelers) | |
| | GVW not exceeding 7500 kgs | 8721 |
| | Exceeding 7500 kgs but not exceeding 12000 kgs | 10077 |
| | Exceeding 12000 kgs but not exceeding 20000 kgs | 8972 |
| | Exceeding 20000 kgs but not exceeding 40000 kgs | 10323 |
| | Exceeding 40000 kgs | 11566 |
| A3 | Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Public Carriers | 4508 |
| A4 | Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Private Carriers | 3701 |
| B | Trailers | |
| | Agricultural Tractors upto 6 HP | 460 |
| | Other vehicles including Miscellaneous & Special Type of Vehicles (Class-D), (For each trailer, for more please multiply by no. of trailers) | 1125 |

| | | Basic Premium (A)* | Premium (per Licensed Passenger) (B)* |
|---|---|---|---------------------------------------|
| C1a | Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers | | |
| | Not exceeding 1000 cc | 4100 | 788 |
| | Exceeding 1000 cc but not exceeding 1500 cc | 6406 | 788 |
| | Exceeding 1500 cc | 7429 | 788 |
| C2 | Four or more wheeled vehicles used for carrying passengers with carrying capacity exceeding 6 passengers for hire or reward | 7843 | 479 |
| C1b | Three wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers | 1212 | 580 |
| C3 | Motorized three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 6 passengers but not exceeding 17 passengers | 2905 | 580 |
| C2 | Three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 17 passengers | 7843 | 479 |
| {*: TP Premium is the total of a Basic Amount (A) plus an amount derived by multiplying the Licensed carrying capacity by the amount in (B)} | | | |
| | | Premium with effect from 01st April 2014 (Rs.) | |
| C4 | Motorized Two wheelers used for carrying passengers for hire or reward | | |
| | Not exceeding 75 cc | | 702 |
| | Exceeding 75 cc but not exceeding 150 cc | | 702 |
| | Exceeding 150 cc but not exceeding 350 cc | | 702 |
| | Exceeding 350 cc | | 1615 |
|  | | | |

| | | |
|----------|---|------|
| D | Special Types of Vehicles | |
| | i) Pedestrian controlled Agricultural Tractors with Horse Power rating not exceeding 6HP, Hearses and Plane Loaders | 627 |
| | ii) Other Misc & Spl types of vehicles | 2100 |
| E | Motor Trade (Road Transit Risks) | |
| | i) Distance not exceeding 2400 kms | 1088 |
| | ii) Distance exceeding 2400 kms | 1308 |
| F | Motor Trade (Road Risks) (Excluding Motorized Two Wheelers) – (Named Driver or Trade Certificate) | |
| | 1st named driver or certificate | 1094 |
| | For additional drivers/ certificates up to 5 (per driver/certificate) | 529 |
| | For additional Drivers/ Certificates exceeding 5 but not exceeding 10 (per driver/ certificate) | 341 |
| | For additional Drivers/ Certificates exceeding 10 but not exceeding 15 (per driver/ certificate) | 295 |
| F | Motor Trade (Road Risks) (Motorized Two Wheelers) – (Named Driver or Trade Certificate) | |
| | 1st named driver or certificate | 589 |
| | For each additional Driver/ Certificate | 293 |


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