



Ref: IRDAI/NL/CIR/MOT/ /08/2018

28<sup>th</sup> August, 2018

**ALL GENERAL INSURERS (OTHER THAN STAND-ALONE HEALTH INSURERS AND SPECIALISED INSURERS)**

**Re: Implementation of the Directions of the Hon'ble Supreme Court of India in the matter of WP No.295/2012 of Shri.S.Rajasekaran vs Union of India and Ors**

The Hon'ble Supreme Court of India, has, vide its order dated 20<sup>th</sup> July, 2018 in respect of the captioned case, stated as follows: ***"We make it clear that the third party insurance cover for new cars should mandatorily be for a period of three years and for two-wheelers, it should mandatorily be for a period of five years. This may be taken and treated as a separate product.....The decision should be implemented from 1<sup>st</sup> September, 2018 on the policies sold."***

2. In line with the above decision of the Supreme Court, all general insurers (barring the stand-alone health insurers and the specialised insurers) shall carry out the following in respect of Motor Third Party Insurance covers for new cars and new two-wheelers **with effect from 1<sup>st</sup> September, 2018:**

(i). Offer only three-year Motor Third Party Insurance covers for new cars and five-year motor third party insurance policies for new two-wheelers.

(ii). In terms of Section 14(2) of IRDA Act 1999, the Authority hereby stipulates that the pricing of the covers mentioned in 2(i) above shall be as set out in **Annexure A**.

(iii). The premium has to be collected for the entire term (three years or five years as the case may be) at the time of sale of insurance but would be recognised on a yearly basis. In other words, it shall be recognised for each year as **1/n** of total premium as Gross Written Premium during that year where '**n**' is the term of the policy. Thus, the premium for the year shall only be recognised as income and the remaining premium shall be treated as "Premium Deposit" or "Advance Premium".

(iv). No Motor Third Party Insurance may be cancelled by either the insurer or the insured except on the following grounds:

(a). Double Insurance

(b). Vehicle not in use anymore because of Total Loss or Constructive Total Loss

(c). In the event the vehicle is sold and/or transferred

(v). All other extant provisions applicable for Motor Third Party Insurance shall continue *mutatis mutandis*.

(vi). It would suffice if the insurers file a Letter of Intent signed by the CMD/CEO, with IRDAI in the format indicated in **Annexure B** through e-mail and follow it up with a

physical copy for records. A UIN will be allotted to each product immediately on receipt of letter of intent, which shall be filed before 30<sup>th</sup> August, 2018.

3. As directed by the Hon'ble Supreme Court, insurers shall ensure that third party insurance cover is available to all proposers through online channels as well. They shall also liaise with the police authorities to facilitate issuance and renewal of third party insurance cover and ensure its easy availability.

4. Insurers shall advertise about the introduction (including the mandatory nature) of long-term motor third party insurance as stipulated by the Hon'ble Supreme Court of India.

5. In respect of Motor Own Damage Insurance cover, in terms of Section 14(2) (i) of IRDA Act 1999, the following are being set out by the Authority:

(i). Currently, as far as Motor Own Damage Insurance is concerned, Package Policies (i.e. comprehensive covers) are available wherein two components are covered— Motor Third Party Liability and Motor Own Damage cover. After the introduction of long term Motor Third Party Insurance for new cars and new two-wheelers, an insured may be given the following two options:

1. Long-term Package cover offering both Motor Third Party Insurance and Own Damage insurance for three years or five years as the case may be.

OR

2. A bundled cover with a three-year or five-year term ( as applicable ) for the third party component and a one-year term for the Own Damage.

(ii). Insurers may price the Own Damage component of the long term package covers suitably, in line with their current approach for pricing. Given the immediate need to offer long term package covers, insurers may start issuing such policies effective 1<sup>st</sup> September, 2018 even while ensuring filing such products under the File and Use Guidelines before 15<sup>th</sup> September, 2018. Should the Authority find the pricing approach in variance from their general pricing philosophy/approach for Motor Own Damage and not in line with actuarial principles, suitable direction may be issued by the Authority. As regards pricing of the one-year term component of the OD component of the bundled product, it shall be the same as in existence for the OD component of package policies currently.

(iii). For the purpose of offering such package covers or bundled covers immediately, insurers shall file a Letter of Intent as per format given in **Annexure C** and **Annexure D** respectively through e-mail and follow it up with a physical copy for records. A UIN will be allotted to each insurer immediately on receipt of Letter of Intent, which shall be filed before 30<sup>th</sup> August, 2018.

(iv). All Add-ons currently existing with the insurer may be offered on long term basis as part of the Package cover co-terminus with the basic product. Insurers may price them in line with their current approach for pricing. Given the immediate need to offer add-ons to long term package covers or the bundled products as the case may be, insurers may start issuing such add-ons to policies effective 1<sup>st</sup> Septemebr, 2018 even



while ensuring filing such add-ons under the File and Use Guidelines before 15<sup>th</sup> September, 2018. Should the Authority find the pricing approach in variance from their general pricing philosophy/approach for those add-ons and not in line with actuarial principles, suitable advice may be issued by the Authority and the same shall be applicable for all future add-ons issued. As regards Add-ons for the OD component of the bundled product, it shall be the same as exists currently for package products.

(v). The format given in **Annexure C** or **Annexure D** as applicable shall be used for the purpose of filing the Letter of Intent which may be done through e-mail followed up with a physical copy for records. A UIN will be allotted to each insurer immediately on receipt of Letter of Intent, which shall be filed before 30<sup>th</sup> August, 2018

(vi). As far as reckoning the IDV for long-term Package cover is concerned, insurers shall take cognizance of the movement of IDV over time for all relevant purposes including underwriting, pricing and settlement of claims.

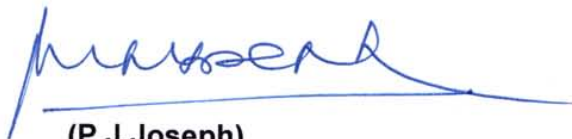
(vi). No Claim Bonus would be applicable on OD component only when the policy term has been completed.

6. Except as provided above, all extant provisions applicable for the Own Damage component of Package Policies shall apply *mutatis mutandis*.

7. While the commission payable for the long-term covers will be prescribed by the Authority separately, the payment of commission in a year shall be only on the Gross Written Premium recognised for the year.

8. Insurers shall ensure that transaction level data pertaining to long term policies—both, Third Party Liability only and Package Policies, apart from Bundled product that includes one year own damage component are submitted regularly, at least by End of Day (EoD) to Insurance Information Bureau of India (IIBI). We are requesting IIBI to enable uploading of data for these categories in addition to the existing ones.

Please acknowledge this circular and confirm having noted its contents. Insurers shall ensure strict compliance with the Directions/Guidelines given herein.



**(P.J. Joseph)**  
**Member (Non-life)**

CC: 1. Secretary General, General Insurance Council, Mumbai  
2. Chief Executive Officer, Insurance Information Bureau of India, Hyderabad

**Annexure A**

**Long Term Motor TP Premium for the policies sold during the period 1st  
September 2018 to 31st March 2019**

**(A) Private Cars**

<b>Vehicle Category</b>	<b>Long Term Premium Rates for a 3 year Motor TP policy sold during the period - 1st Sep 2018 to 31st Mar 2019 (in Rs.)</b>
Not exceeding 1000 cc	5,286
Exceeding 1000 cc but not exceeding 1500 cc	9,534
Exceeding 1500 cc	24,305

**(B) Two Wheelers**

<b>Vehicle Category</b>	<b>Long Term Premium Rates for a 5 year Motor TP policy sold during the period -1st Sep 2018 to 31st Mar 2019 (in Rs.)</b>
Not Exceeding 75 cc	1,045
Exceeding 75 cc but not exceeding 150 cc	3,285
Exceeding 150 cc but not exceeding 350 cc	5,453
Exceeding 350 cc	13,034



**Annexure B**

Insurance Regulatory and Development Authority of India  
Survey No: 115 / 1, Financial District  
Nanakramguda, Gachibowli  
Hyderabad, Telengana.

**Sub: Letter of Intent to offer Long Term Motor Third Party Insurance cover for new Private Cars/ Two-Wheelers**

This has reference to Circular Ref No-----dated -----notified by the Authority. In accordance with clause 2(vi) of above circular, we hereby intend to offer the following products for new Private Car for 3 Years / Two Wheelers for 5 Years.

S No	Product Name (Existing product name shall have Suffix/Prefix of 3 Years/5 Years as applicable)
1	
2	

The Company will abide by the following conditions.

1. The product will comply with the provisions of Circular Ref No: -----dated -----
2. This letter of intent may be treated as submission under Guidelines on Product Filing Procedures for General Insurance Products and UIN may be assigned subject to following conditions.
  - a) The Annual product performance report will be submitted to the Authority by AA latest by 30<sup>th</sup> June in respect of the preceding year. The Product Management committee will also review the performance of the product annually.
  - b) There will be clear demonstration in the prospectus / brochure, wordings about the conditions, exclusions necessarily using bold letters.
  - c) The product will comply with IRDA (Protection of Policyholder's Interests) Regulations, 2017.
  - d) The Company will strictly adhere to the provisions in the Insurance Act 1938, IRDA Act 1999, Regulations/ Guidelines and Circulars issued from time to time.



- e) The policy wordings of the product will be sent to the Authority within 7 days of receiving UIN.
- f) The UIN will be used for all documents and publicity materials relating to the above product.

The details of the products are provided in the prescribed BAP product master template.

The statements made above are true and correct. The requirements of the Guidelines on Product Filing Procedures for General Insurance Products have been fully complied with in respect of these products.

Place:

Signature of CEO

Date:



**Annexure C**

Insurance Regulatory and Development Authority of India  
Survey No: 115 / 1, Financial District  
Nanakramguda, Gachibowli  
Hyderabad, Telengana.

**Sub: Letter of Intent to offer Long Term Motor Package Insurance cover for new Private Cars/ Two-Wheelers**

This has reference to Circular Ref No-----dated -----notified by the Authority. In accordance with clause 5(iii) of above circular, we hereby intend to offer the following products for new Private Car for 3 Years / Two Wheelers for 5 Years.

S No	Product Name (Existing product name shall have Suffix/Prefix of 3 Years/5 Years as applicable)
1	
2	

The Company will abide by the following conditions.

1. The product will comply with the provisions of Circular Ref No: -----dated -----  
--.
2. This letter of intent may be treated as submission under Guidelines on Product Filing Procedures for General Insurance Products and UIN may be assigned subject to following conditions.
  - a) The Annual product performance report will be submitted to the Authority by AA latest by 30<sup>th</sup> June in respect of the preceding year. The Product Management committee will also review the performance of the product annually.
  - b) There will be clear demonstration in the prospectus / brochure, wordings about the conditions, discounts and exclusions necessarily using bold letters.
  - c) The product will comply with IRDA (Protection of Policyholder's Interests) Regulations, 2017.
  - d) The Company will strictly adhere to the provisions in the Insurance Act 1938, IRDA Act 1999, Regulations/ Guidelines and Circulars issued from time to time.
  - e) The policy wordings of the product will be sent to the Authority within 7 days of receiving UIN.



- f) The UIN will be used for all documents and publicity materials relating to the above product.

The details of the products are provided in the prescribed BAP product master template.

The statements made above are true and correct. The requirements of the Guidelines on Product Filing Procedures for General Insurance Products have been fully complied with in respect of these products.

Place:

Signature of CEO

Date:





**Annexure D**

Insurance Regulatory and Development Authority of India  
Survey No: 115 / 1, Financial District  
Nanakramguda, Gachibowli  
Hyderabad, Telengana.

**Sub: Letter of Intent to offer Bundled Motor cover for new Private Cars/ Two-  
Wheelers**

This has reference to Circular Ref No-----dated -----notified by the Authority. In accordance with clause 5(iii) of above circular, we hereby intend to offer the following products.

S No	Product Name (Existing product name shall have Suffix/Prefix Bundled as applicable)
1	
2	

The Company will abide by the following conditions.

1. The product will comply with the provisions of Circular Ref No: -----dated -----  
--.
2. This letter of intent may be treated as submission under Guidelines on Product Filing Procedures for General Insurance Products and UIN may be assigned subject to following conditions.
  - a) The Annual product performance report will be submitted to the Authority by AA latest by 30<sup>th</sup> June in respect of the preceding year. The Product Management committee will also review the performance of the product annually.
  - b) There will be clear demonstration in the prospectus / brochure, wordings about the conditions, discounts and exclusions necessarily using bold letters.
  - c) The product will comply with IRDA (Protection of Policyholder's Interests) Regulations, 2017.
  - d) The Company will strictly adhere to the provisions in the Insurance Act 1938, IRDA Act 1999, Regulations/ Guidelines and Circulars issued from time to time.



- e) The policy wordings of the product will be sent to the Authority within 7 days of receiving UIN.
- f) The UIN will be used for all documents and publicity materials relating to the above product.

The details of the products are provided in the prescribed BAP product master template.

The statements made above are true and correct. The requirements of the Guidelines on Product Filing Procedures for General Insurance Products have been fully complied with in respect of these products.

Place:

Signature of CEO

Date:

