

EXPDRFT



Print

Document

Exposure Draft	
Ref: --	Date: 25-11-2019
Exposure Draft - Revisiting the product structure for Motor Own Damage	
<ol style="list-style-type: none">1. Currently, the wordings, terms and conditions in respect of the basic policy for Motor Own Damage cover are driven by the erstwhile India Motor Tariff, 2000. However, insurers have been permitted to sell add-ons to the basic cover within the framework provided under the extant Product Filing Guidelines for General Insurance.2. Considering the various developments in technology relating to motor vehicles as well as the fast changing eco-systems, IRDAI had set up a Working Group to revisit the product structure in respect of motor own damage segment.3. The Working Group made various recommendations, after which it has been decided to work on the product design and draw up the proposed policy wordings, including the terms and conditions in plain language, keeping the large motor segment in mind. Accordingly, the product is being designed and developed.4. We give a summary of recommendations of the Working Group on Product Structure for Motor Own Damage cover below.	
Key Recommendations:	
<ol style="list-style-type: none">1) General Regulation (GRs) have been rationalized and renamed as Motor General Regulation (MGRs) and all pricing related GRs have been deleted.2) The depreciation and Sum Insured calculation has been made simple.3) Vehicle age-based depreciation has been recommended for partial losses to make it completely objective and remove all ambiguity and subjectivity in claim settlement.4) Revised schedule of compulsory deductibles based on Sum Insured has been recommended.5) Standardized NCB grid is introduced for long term policies.6) For brand new private cars, a new Sum Insured option has been recommended where Return to Invoice is a part of basic cover.	

7. Sum Insured:

It is recommended that

a. **For Private cars and Two wheelers (other than brand new)**, the Sum Insured shall represent the current day manufacturer's listed price of the vehicle insured including value of all accessories fitted thereon by the manufacturer, and adjusted by age wise depreciation to arrive at the sum insured as per new depreciation table suggested.

b. **For Private Cars Only**

Brand new Private Car upto 3 years: The Sum Insured shall represent the current day on-road price of the vehicle insured including Invoice value, Road Tax & Registration charges and value of all accessories fitted thereon by the manufacturer. The value of accessories fitted by the Insured shall be separately mentioned.

For vehicles beyond three years: The Sum Insured shall be as per the suggested new depreciation table. Beyond 7th year, Sum Insured shall be arrived at a mutually agreed value between the Insured and the Insurer.

c. **For Commercial Vehicles:** The Sum Insured shall represent the current day invoice value plus cost of body building, if any, and all accessories fitted thereon by the manufacturer adjusted for depreciation at the rate of 10 % per year or part thereof subject to maximum of 75%. For Total Loss, Theft and Constructive Total Loss claims, the amount payable shall be the Sum Insured.

d. **For All classes of Vehicles (Option)**, the WG recommended that Sum Insured shall represent the on-road price of the vehicle insured, at the time of purchase of the vehicle, including Invoice value, Road Tax and all accessories fitted thereon by the manufacturer plus the value of the accessories fitted by the Insured. A new depreciation table is suggested upto 15 years.

8. Depreciation for Partial Loss claims

a. **Partial Loss claims** shall be payable subject to depreciation as per the new scale. Proportionate premium

for reinstatement of Sum Insured from the date of loss till expiry shall be deducted from all partial loss claims.

b. For Commercial and Misc. D & Special Type of Vehicles:

Partial Loss claims shall be payable subject to depreciation as per the different scale suggested. Proportionate premium for reinstatement of Sum Insured from the date of loss till expiry shall be deducted from all partial loss claims.

9. Total Loss / Constructive Total Loss Claims: In addition to the existing provision, it is recommended that in all cases of Total Loss / CTL and Theft claims, the Registration Certificate of the vehicle shall be cancelled and claim shall be settled only after the Insured surrenders such cancelled RC. The policy shall be cancelled without return of premium.

10. Policy Period: It is recommended that the policy can be issued for the period less than 12 months in special circumstances. E.g- Expiry of RC after prescribed age of the vehicle. Short period scale for Liability only policies shall be prescribed by the Authority. In case of long term Liability/ Bundled /Package Covers approved by the Authority, the policy period for such policies shall be as per its approval. Own-Damage only policies may be issued for period less than 1 year to coincide with the expiry of the Liability only policy as per rates filed and noted by the Authority. In case of Standalone Own Damage Covers, the OD cover expiry date shall not be beyond the Liability cover on the same vehicle.

11. It is recommended to revise Minimum Premium, certificate fee and transfer fees.

12. No Claim Bonus:

a. NCB grid for long term policies is recommended.

b. It is however, clarified that the entitlement of No Claim Bonus will be applicable for the substituted vehicle subject to the provision that the substituted vehicle on which the entitled NCB is to be applied is of the same class (as per these Regulations) as the vehicle on which the NCB has been earned and subject to submission of evidence of sale of the vehicle on which the NCB was earned.

c. Where the insured is unable to produce evidence of NCB entitlement from the previous insurer, the claimed NCB may be permitted after obtaining a declaration from

the insured or verification with IIBI database.

13. **Compulsory Deductibles:** Renamed as Standard Deductibles and it is recommended that there shall be no waiver of the standard deductibles and the revised deductibles have been suggested.
14. It is recommended to issue restricted covers such as (i) Liability and Fire/Theft, (ii) Liability, Fire and Theft, (iii) Liability and Total Loss and (iv) Liability, Fire/ Theft and Total Loss.
15. It is suggested to revise the Towing charges for vehicles which have met with an accident as(i) For Two Wheelers: INR 500/-, (ii) For Private Cars and Three Wheelers: INR 2000/- and (iii) For all other classes of vehicles: INR 4000/-.
16. It is recommended that the alteration of coverage under Standardized Add-Ons shall not be permitted.
17. **Classification of Products:**
 - i) It is recommended that the basis for rating shall be the torque of the vehicle rather than the cubic capacity(CC).
 - ii) Educational institutions/Staff buses are in a distinct risk category and are accordingly recommended to be treated as separate category.
 - iii) Electrically powered vehicles may be classified in the respective categories based on the usage as per registration certificate.
 - iv) Goods carrying vehicles have only one permit and the distinction of private and public carriers may be done away with in due course.
 - v) Two-Wheelers employed by e-retailers including App based food delivery companies are separate risk category but under the current MV Act there is no provision for their registration as goods carrying vehicles.
 - vi) Private Cars type vehicles with carrying capacity upto 13 (including driver), i.e Maxi cabs should also be categorized as Taxies.
 - vii) It is recommended that the Authority may consider taking up with the Government of India regarding capturing of torque in registration certificates, classifying Educational Institutional Buses and Staff Buses, registration of goods carrying Two-Wheelers as separate categories and for reclassification mentioned.
 - viii) The list of miscellaneous and special types of vehicles have been updated by including new types of vehicles

and deleting the obsolete models.

18. **It is recommended** to issue the following covers:

- a. **Stand Alone OD (Own Damage) Cover:** Standalone OD cover may be allowed where long term liability policy is mandated. The expiry of the OD cover should not be later than the expiry of the liability policy. All the details of the liability policy (including name, policy number and period) should be captured in the OD policy schedule. IRDAI may issue regulation on obligations to insure liability policies vehicle class wise to ensure that there is no avoidance of liability only cover.

(New guidelines effective from 1st Sept, 2019 has already been issued in this regard by the Authority)

- b. **Pay as you drive and Pay how you drive covers:** Based on data gathered, Insurers shall consider development of such products.
- c. **Total Loss cover only:** The WG recommends to have Total loss only cover as one of the cover options for the consumers to choose from.
- d. **Named Driver policy:** The WG recommends Named Driver policy as an option for private car and two wheeler policies. The details of the drivers may be incorporated in the Policy schedule.

19. It is recommended to adopt **Telematics for Motor Insurance**. A central repository of telematics data can be created where data from various sources flows to create a common pool. IIBI which acts as data repository for insurance companies can manage the data and its protection.

20. **Revised** proposal forms, revised Policy Wordings and revised policy schedules have been drafted in line with the recommendations of the WG. The summary of the changes are:

- a. Subsidence included in list of perils
- b. Age wise Depreciation Introduced for partial loss claims
- c. Reinstatement of Sum Insured by charging proportionate premium from date of loss till policy expiry is introduced for partial loss claims
- d. Clarificatory Note on Consumables
- e. Breakdown of Computerized parts excluded
- f. Loss / damage caused by insured or any person driving with

- the consent of the insured s under the influence of psychotropic or narcotic substances is excluded
- g. Clarificatory note on damage to engine parts, gear box parts and transmission arising out of ingress of water due to accidental means is included
 - h. New Options for SI determination suggested
 - i. New Deductible structure linked to Sum Insured is recommended
 - j. Claim Intimation period specified as 24 hours
 - k. Condition of Compliance with provisions of MV Act and MV Rules included
 - l. Towing Expenses Limits increased
 - m. Right to Survey: Specifically mentioned under new Condition
 - n. Cancellation Clause: Modified to include cancellation provision for long term policies
 - o. Minimum Premium: Limits enhanced
 - p. No Claim Bonus (NCB): New NCB grid recommended for long term policies and revised NCB for annual policies
21. The existing IMTs are renamed as 'Motor Endorsements' (MEs) and the WG recommends to revise the wordings of IMT 21, 22, 23 and 47.
22. It is recommended that all the occupants traveling in Motor vehicles shall have Rs. 25,000/- medical expenses coverage arising out of an accident to the insured vehicle covered under the basic policy & appropriate premium for this shall be charged by the insurers.
23. The working group perceived Geographical Extension cover as a pricing matter which would be better decided by Insurers as per their internal guidelines.
24. WG was of the opinion that cover for damage by Rodents or insects is part of the basic policy under accidental and external means. Further, WG was of the opinion that losses arising out of damage to the engine parts due to water ingress are part of the basic policy.

We urge all stakeholders to offer their valuable comments pointed to these 24 key recommendations **on or before 16th December, 2019** in the attached format to the following e-mail ids:

nl-products@irdai.gov.in
pradeep.singh@irdai.gov.in

(T. L. Alamelu)
Member (Non-life)

Format

Name/organisation:		Address & contact no:	Date:
Recommendations no (1-24)	Context/Subject matter	Comments	Reasons

All Copy Rights Reserved. 2013 IRDA