

TOR INSURANCE

CHAPTER: - 1

INTRODUCTION ON MOTOR INSURANCE

Insurance is a contract between an insurer (company) and the insured under which the insurer undertakes to compensate the insured for loss arising from the risk insured against. In consideration, the insured agrees to pay a sum called as Premium in advance. The instrument containing the contract of insurance is called as Policy. The things, property or life, which forms basis of insurance, is called as subject matter of Insurance.

The Insurance Act, 1938 was passed by the Legislature on 26th February, 1968 and it came into force on 1st July, 1939. It has been amended several times. It extends to whole of India. It is an Act to consolidate and amend the law relating to the business of insurance. Risk is there at every walk of life, also endangers life itself. In the same way all financial deals, as well as possession of money and property goods etc. are fraught with the element of risk. All risks do not actually occur at all the times and hence, it is possible to calculate probable chances of any particular risk materializing. It is quite clear that all the people do not face risks at the same time. Thus, transfer of risk to another i.e. the insurer is in fact a pooling the risks. If insurance did not exist, each individual had to bear the losses on his own. Insurance, in effect means that each one in pool undertakes to bear a portion of the loss. Such an agreement has proved to be advantageous to everyone as it is uncertain as to who will suffer the loss. Thus, in course of time, the idea developed that such a common pool of resources should be managed by experts who would calculate the quantity of the contribution to be levied on each individual.

In this way the idea of Insurance developed. In modern times, the insurance has come to be highly commercial undertaking however, the principle is still the same viz., and the insurer collects premium for a large number of persons and covers them against a large variety of risks.

INTRODUCTION ON MOTOR INSURANCE

Motor insurance is one of the largest non-life insurance of the world. This is because it is statutorily mandated in most parts of the world. All motor vehicles are required to be registered with the road transport authorities and insured for Third Party Liability. The basic premise is that the motor vehicle could either cause injury or to a subject of damage, and thus require insurance.

Motor Insurance originated in U.K. where the first motor insurance policy was introduced into England in 1894 to cover third party liabilities. And in 1899 the policy was extended to cover the accidental damage similar to what is known as comprehensive policy. In 1903, the first company transact motor insurance was Car & General Insurance Corporation. After World War I, there was a considerable increase of motor vehicles in all the countries and an increase in road accidents. This position warranted compulsory Third Party Liability insurance in England through Road Traffic Act, 1930 & 1934 which were subsequently consolidated by Road Traffic Act, 1960.

In India the Motor Vehicles Act was passed in 1939 and in 1946 the third party insurance was introduced compulsorily. The need *for* compulsory motor insurance is obvious. There has been a phenomenal rise in the motor accidents in the last 4-5 years. Much of these are attributable to a sudden spurt in the number of vehicles. Every vehicle before being driven on roads has to be compulsorily insured. The automobile insurance policy represents a combined coverage of the vehicles including accessories, loss or damage to his property or life and the third party cover.

The Motor Vehicle Act, 1939 introduced compulsory insurance to take care of those who may get injured in an accident. The insurance for own vehicle damage is not mandatory. In India the Tariffs Advisory Committee regulates this business

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MEANING

Motor Insurance includes Private Cars, Motorized Two Wheelers and Commercial Vehicles excluding vehicles running on rails.

DEFINITIONS

Motor insurance is also mandatory by the law. It is a legal requirement in India to have insured a minimal level of insurance protection before driving any motor vehicle. A normal motor insurance policy provides coverages for the following damages:

THERE ARE TWO TYPES OF MOTOR INSURANCE

- Liability Only policy
- Package policy

The Liability only policy is mandatory insurance requirement as per the Indian Motor Vehicle Act 1988. This policy insures the liability of the owner of the vehicle against the Third Party.

The Package policy covers the damage to the vehicle apart from the mandatory liability insurance.

BENEFITS OF MOTOR INSURANCE

- The motorbike insurance industry now has the use of a Motor Insurance Database; this holds information of all motor insurance policies including cars, motorbikes, vans, and Lorries. In addition, records of your vehicles MOT and Road Tax are also kept on databases. These are all accessible by the police, to determine whether a vehicle is legally fit to be on the road.
- These databases were created to catch uninsured vehicles on the road, in addition to vehicles that are either untaxed or without a MOT

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certificate. Uninsured drivers alone cost the government on average around 380 million pounds according to the Direct Gov website.

- This money is added to our motorbike insurance policies, and costs the honest motorist on average 30 pounds per policy according to the Direct Gov website. This is called IPT (Insurance Premium Tax) costing you five percent of your insurance premium.
- The database also holds information of whether you have an insurance policy on another vehicle, which entitles you to drive any other vehicle, in the event you are driving a friends vehicle.
- The combination of the insurance and MOT databases, enable us to buy our road tax online, making the whole process much easier, and does not cost us any more money. This is provided that your insurance and MOT information has been stored on the database correctly.
- Motorbike insurance companies check their information against the database on a regular basis, keeping it both up to date and correct. If a customer of bike insurance has for example provided an incorrect registration number, this will be picked up by the checks in a matter of days. The client is then contacted to rectify this error, some of the time it may be that the vehicle has been sold, and the insurance policy has not been cancelled.
- Many vehicles that are sold do not have their insurance policies cancelled. When the new rider or driver then tries to insure the vehicle, this can cause complications, as a vehicle cannot be insured twice. You must always cancel an insurance policy on a vehicle you no longer own, as this can also cause complication for you if the vehicle is involved in an accident.

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- Motorbike insurance companies have the responsibility to keep the database as up to date as humanly possible, meaning that if any information is delayed over a set time, the insurance company can face fines for this.
- This is why the insurers require certain paperwork from customers to be returned within a certain time, and if this is not received, they can invoke cancellation procedures.
- However, there can be delays of a few days before your information appears on the database. The information is transmitted overnight from the insurance companies to the database. So do not expect to tax your vehicle the same day as insuring it, whether you have insured it over the phone, or online.
- The police have the ability to scan vehicle registration number plates, and check the database for insurance, tax, and MOT in a matter of seconds. If your vehicle is found uninsured, the police have the power to seize your vehicle, with the possibility of destroying it in the event no one with valid insurance claims it. This will enable them to crack down on vehicles that are not fit to be on the road.

LIMITATIONS OF MOTOR INSURANCE

- Comprehensive coverage is costlier than the third party cover and varies with each insurer.
- The customer has to do a little bit of research online before taking a comprehensive cover to figure out which company will be cheaper.
- The regulatory authority has given the liberty to the insurers to charge the premiums in this case based on their underwriting experience and risk assessment.

BASIC TERMINOLOGIES IN MOTOR INSURANCE

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DRIVERS CLAUSE

Any person including the insured Provided that a person driving holds an effective driving license at the time of the accident and is not disqualified from holding or obtaining such a license. Provided also that the person holding an effective Learner's license may also drive the vehicle and that such a person satisfies the requirements of Rule 3 of the Central Motor Vehicles Rules, 1989.

LIMITATION AS TO THE USE CLAUSE FOR THE PRIVATE CAR

The Policy covers use of the vehicle for any purpose other than

- Hire or Reward
- Carriage of goods (other than samples or personal luggage) c)
Organized racing
- Pace making
- Speed testing
- Reliability Trials
- Uses in connection with Motor Trade Similarly there are different wordings for different class of the vehicle.

IMT Endorsements There are 65 endorsements signifying the benefits and the limitations of every extensions or deletions made under the policy and they actually define the coverage under the endorsements.

EXAMPLE

Assuming that you insure a CRANE under motor policy and the cover is extended to include the risk of overturning then you have to use IMT47 to define the cover. The legal liability to the paid driver of a commercial vehicle is as per the IMT40 wordings. If the Car Tape is covered then the insurance is defined by IMT24 and hence has to be attached to the policy.

DEDUCTIBLES

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The tariff provides for compulsory excess to be borne by the insured in the event of any loss or damage claimable under the policy. IMT 21 & 22 to be used.

TRANSFER

When the vehicle is sold the policy is transferred to the new owner and transfer fee of Rs.50/- is collected to issue a new certificate of insurance.

SUBSTITUTION

When the owner buys a new vehicle then the new vehicle can be insured under the same policy by substituting the old with the new vehicle. This is done after ensuring that the old vehicle has the compulsory Liability Only insurance.

DOUBLE INSURANCE

Occasionally vehicles are insured twice and tariff provides for refund of premium under one of the policy.

- The most tangible effect of the general insurance product is claim settlement.
- Under the motor insurance policy most of the claims are arising out of vehicular accident and secondly because of theft. Pure Fire losses are rare.
- All accidents do not result in third party claim but there is definitely an own damage claim. “Own Damage” means damage to the vehicle insured.
- Third party claims are handled by the designated court called Motor Accident Claim Tribunal – MACT.
- The quantum of the own damage claim have to be assessed and the job is done by the independent surveyor which in our case will be Cunningham Lindsay.
- Motor claims are reimbursement based & hence repair &/or the replacement bills are to be collected for the assessed loss/damage.

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TPPD

The Act prescribes for two Act liabilities i.e TPPI & TPPD and whereas the TPPI is unlimited the TPPD is limited to Rs.6000/-. The tariff permits the TPPD coverage up to Rs. 7.5 Lacs as in built cover but for reducing the same to Rs.6000/- there are discounts prescribed. Use confined to site/premises: Many industrial motors/movable plants are used within the site only hence 33.33% discount is granted

THERE ARE MAINLY TWO TYPES OF LOSSES OR DAMAGES,

➤ TOTAL LOSS(TL)/ CONSTRUCTIVE TOTAL LOSS(CTL)

Total Loss means either the accidental vehicle is irreparable or that virtually the economical repair cost exceeds the IDV of the vehicle. CTL means that economical repair liability is in excess of 75% of IDV and cost of retrieval or repair is factually more expensive than IDV. A comparison between the repair liability and IDV is necessarily made to arrive at the TL/CTL liability

➤ PARTIAL LOSS

The Partial Loss means the accidental vehicle can be economically repaired. Surveyor is appointed when the loss is intimated and the estimate of loss is received.

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HISTORY OF MOTOR INSURANCE

If we see in real life we can say that Motor Insurance is an important part of General Insurance; it is the fascinating branch of insurance. This type of insurance has come into existence from United Kingdom in the early part of this century. As you must be surprised to know that the first Motorcar was introduced in England in 1894. The first motor policy to provide coverage for third party liability was came into existence in 1895. Third party liability includes third party and liability incurred towards third party. Third Party means any party other then owner /driver or the government, any liability occurring towards third party due to use of motor vehicle is third party liability. It can be in the form of bodily injury to third party or damage to third party property. So at the beginning, only third party insurance came into existence but later on, in U.K they realized the importance of insurance in terms of motor and with this an accidental comprehensive policy also came into existence and later on the lines of U.K. we started using approx the same policy.

In 1903 the Car and General Insurance Corporation limited was established mainly to transact motor insurance, after this company a lot many other companies has come into existence to transact this business. It has been

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realized that after World War I, there was a considerable increase in the number of vehicles on the road and when we have the number of the vehicles on the road there is an increase in the number of accidents. As the concept of insurance was not that much in existence so lot of accidental damages were not at all recovered and the motorists faced a lot of problems for getting their treatments and damages to their vehicles. After realizing this introduction of compulsory third party insurance through the passing of the Road Traffic Acts 1930 and 1934 was done. Later on these Acts have been consolidated by the Road Traffic Act 1960.

HOW THE CONCEPT OF MOTOR INSURANCE HAS COME INTO EXISTENCE?

In 1939, India has also realized the importance of Motor Insurance and Motor Vehicle Act was passed and came into existence in 1939. Earlier, only few people knew about motor insurance but later on compulsory third party insurance was introduced by the Act on 1st July 1946. We in India follow the same practice as that of U.K.. As Motor Vehicles Act laid the provisions in 1939 and it required some amendments that were implemented by the Motor

Vehicles Act 1988 and it became effective from 1st July 1989 and that's how the insurance concept has come to India.

WHY ONE SHOULD GO FOR MOTOR INSURANCE?

As you all know in our country crores of vehicles are plying on the road and lot of accidents occurred daily, and due to these accidents damages to material and third party occurs. Third party is any person other than the owner. But the question arises how the loss is to be compensated? After realizing all these problems it was made mandatory for all the vehicles which are plying on the road to have an insurance which can provide coverage to general public against the risk of loss or damage to motor vehicles and with this the motor insurance concept has come into existence

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and Act made this insurance compulsory for everyone those who are driving the vehicle on the road so it become quite popular among people and than motor insurance policies become available to provide a comprehensive cover and a third party liability cover.

MOTOR INSURANCE COMPANIES NAME

- ROYAL SUNDARAM ALLIANCE INSURANCE CO. LTD.
- THE ORIENTAL INSURANCE CO. LTD.
- HDFC ERGO GENERAL INSURANCE CO. LTD
- RELIANCE GENERAL INSURANCE CO. LTD.
- BAJAJ ALLIANZ GENERAL INSURANCE CO. LTD.
- ICICI LOMBARD GENERAL INSURANCE CO. LTD.
- TATA AIG GENERAL INSURANCE CO. LTD.
- IFFCO TOKIO GENERAL INSURANCE CO. LTD.
- UNITED INDIA INSURANCE CO. LTD
- NATIONAL INSURANCE CO. LTD.
- FUTURE GENERALI INDIA INSURANCE COMPANY LIMITED
- THE NEW INDIA ASSURANCE CO. LTD

CHAPTER:-3**PRINCIPLES OF INSURANCE****UTMOST GOOD FAITH**

As a client it is your duty to disclose all material facts to the risk being covered. A material fact is a fact which would influence the mind of a prudent underwriter in deciding whether to accept a risk for insurance and on what terms. The duty to disclose operates at the time of inception, at renewal and at any point midterm.

- Both the parties i.e. the insured and the insurer should a good faith towards each other.
- The insurer must provide the insurer complete, correct and clear information of Subject matter, regarding terms and condition of the contract.
- This principle is applicable to all contracts of insurance i.e. life, fire and marine insurance

INDEMNITY

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On the happening of an event insured against, the Insured will be placed in the same monetary position that he/she occupied immediately before the event taking place. In the event of a claim the insured must:

- 1) Prove that the event occurred
- 2) Prove that a monetary loss has occurred
- 3) Transfer any rights which he/she may have for recovery from another source to the Insurer, if he/she has been fully indemnified.

- Indemnity means a guarantee or assurance to put the insured in the same position in which he was immediately prior to the happening of the uncertain event. The insurer undertakes to make a good loss.
- It is applicable to fire, marine and other general insurance.
- Under this the insurer agrees to compensate the insured for the actual loss suffered.

SUBROGATION

The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in his name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy.

In the context of insurance subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under his insurance (where that represents the full amount of his loss) and enables his insurer to recover or reduce its loss.

- As per this principle after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes on to the insurer.
- This principle is corollary of the principle of indemnity and is applicable to all contracts of indemnity.

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CONTRIBUTION

The right of an insurer to call on other insurers similarly, but not necessarily equally, liable to the same insured to share the loss of an indemnity payment i.e. a travel policy may have overlapping cover with the contents section of a household policy. The principle of contribution allows the insured to make a claim against one insurer who then has the right to call on any other insurers liable for the loss to share the claim payment.

- The principle is a corollary of the principle of indemnity.
- It is applicable to all contracts of indemnity.
- Under this principle the insured can claim the compensation only to the extent of actual loss either from any one insurer or all the insurers.

INSURABLE INTEREST

If an insured wishes to enforce a contract of insurance before the Courts he must have an insurable interest in the subject matter of the insurance, which is to say that he stands to benefit from its preservation and will suffer from its loss. In non-marine insurances, the insured must have insurable interest when the policy is taken out and also at the date of loss giving rise to a claim under the policies.

- The insured must have insurable interest in the subject matter of insurance.
- In life insurance it refers to the life insured.
- In marine insurance it is enough if the insurable interest exists only at the time of the occurrence of the loss.
- In fire and general insurance it must be present at the time of taking policy and also at the time of the occurrence of the loss.
- The owner of the party is said to have insurable interest as long as he

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- is the owner of it.
- It is applicable to all contracts of insurance

PROXIMATE CAUSE

An insurer will only be liable to pay a claim under an insurance contract if the loss that gives rise to the claim was proximately caused by an insured peril. This means that the loss must be directly attributed to an insured peril without any break in the chain of causation.

- The loss of insured property can be caused by more than one cause in succession to another.
- The property may be insured against some causes and not against all causes.
- In such an instance, the proximate cause or nearest cause of loss is to be found.

If the proximate cause is the one which is insured against, the insurance company is bound to pay the compensation and vice versa

PRINCIPLE OF LOSS OF MINIMIZATION

Under this principle it is the duty of the insured to take all possible steps to minimize the loss to the insured property on the happening of uncertain event.

CHAPTER:-4

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

IRDA is formed as an authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry.

With the Insurance Regulatory and Development Act, the focus shifted to the

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- The Insurance Regulatory and Development Authority (IRDA) should give priority to health insurance while issuing certificates of registration
- Policyholder's funds will be invested in the social sector and infrastructure. The percentage may be specified by the IRDA and such regulations will apply to all insurers operating in the country;
- Insurers will be expected to undertake a certain percentage of business in the rural or social sector and provide policies to persons residing in rural areas, workers in the unorganized and informal economically back;
- In case the insurers fail to meet the social sector obligation a fine of Rs.2.5 mn would be imposed the first time. Subsequent failures would result in cancellation of Licenses.

DUTIES, POWERS AND FUNCTIONS OF IRDA

The following are the powers and the functions of the IRDA are as follows

- The IRDA issues, modifies, renews, suspends, withdraws and cancels all certificate of registration for all parties that apply.
- They are also responsible for the protection of the interests of the holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance.
- It also specifies the code of conduct for surveyors and loss assessors.

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- The IRDA specifies requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents.
- The IRDA has been given the responsibility of promoting efficiency in the conduct of insurance business.
- It is in charge of promoting and regulating professional organisations connected with the insurance and re-insurance business;
- It has been entrusted with the control of the Insurance sector by calling for information from, undertaking inspection of, conducting inquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;
- It will also be responsible for the control and regulation of the rates, advantages, terms and conditions that may be offered by insurers.
- The IRDA will specify the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries.
- One of the most important functions is that of regulating investment of funds by insurance companies and the maintenance of margin of solvency.

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- The other function is that of adjudication of disputes between insurers and intermediaries or insurance intermediaries.

ROLE & FUNCTIONS OF IRDA

Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA.

- 1) Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.
- 2) Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include,
 - a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration
 - b) Protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance
 - c) Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents
 - d) Specifying the code of conduct for surveyors and loss assessors
 - e) Promoting efficiency in the conduct of insurance business
 - f) Promoting and regulating professional organizations connected with the insurance and re-insurance business
 - g) Levying fees and other charges for carrying out the purposes of this Act

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- h) Calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;
- i) Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938)
- j) Specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries
- k) Regulating investment of funds by insurance companies;
- l) Regulating maintenance of margin of solvency;
- m) Adjudication of disputes between insurers and intermediaries or insurance intermediaries
- n) Supervising the functioning of the Tariff Advisory Committee
- o) Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in clause (f)
- p) Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector
- q) Exercising such other powers as may be prescribed.

IRDA RELEASES NEW GUIDELINES FOR MOTOR INSURANCE DECLINED POOL

IRDA wide its circular has created a Declined Risk Pool for Act Only Commercial Vehicle Third Party Insurance with affect from 1.4.2012.

The framework for Indian motor third party declined risk insurance pool for commercial vehicles are as below:-

- The purpose of creating the Indian Motor Third Party Declined Risk Insurance Pool for commercial vehicles is to have equitable and fair sharing by all insurers, simplicity to administer and to bring claims management efficiency.
- The declined risk pool shall apply to commercial vehicles for standalone third party insurance (act only insurance) . No comprehensive motor insurance policy or part thereof shall be ceded to the pool.
- Miscellaneous and special class of vehicles falling underclass code 23 of the all India motor tariff shall also be excluded from the scope of the pool.
- All existing general insurers shall be admitted as a member of the new pool.
- Specialist insurer not licensed for the motor insurance business shall not be members of the declined risk pool.
- The sessions to general insurance Corp shall be in accordance with the obligatory cessions which currently stand at 10%.

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- General insurance Corp shall act as administrator of the declined risk pool.
- IRDA has defined the role and responsibilities of declined risk pool administrator and insurer.
- The premium in the pool shall be reviewed annually based on formula notified by the authority in its order dated 15 April 2011.
- The premium for declined risk pool shall be determined in accordance with the actuarial principles which shall be used by all insurers and shall be notified by the authority from time to time.
- An agency commission or brokerage not more than 1% shall be paid for third party motor insurance commercial vehicles.
- No ceding commission in respect of the business ceded to the declined risk pool shall be paid.
- GIC as administrator shall be paid a fee on actual cost basis.
- Any general insurance not willing to write the third party insurance shall refer to the declined risk pool.
- No insurer can refuse to write the risk.
- IRDA has defined the parameters for ceding the proposals to the declined risk pool
- Premium for motor third party insurance or commercial vehicle shall be same whether underwritten to its net account or ceded to the declined risk pool.
- IRDA has also specified the manner of calculating the obligations.

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- Every general insurance shall appoint a Grievance Redressal officer to look into grievance of policyholder in respect of non-availability of motor third party insurance

CHAPTER:-5

THE MOTOR VEHICLES ACT

MOTOR VEHICLE ACT, 1939

The government is concerned with the liability of motor vehicle owners who in course of the use of their vehicles cause accidents which result in death and/or injury to third parties, either: pedestrians or passengers traveling in the vehicles. It is found that, motor vehicle owners and persons who drive the vehicle on their behalf quite often are not in a position to meet the liability arising out & death and injury and loss or damage the property.

Therefore, the government thought that the only way of ensuring victims of road accidents due to use of motor car in public places is to introduce compulsory insurance for the benefit of the third parties. A person who owns a motor vehicle is definitely in a position to pay for insurance instead of keeping the risk on him. To ensure automatic payment of premium for insurance policy and its renewal, it is linked to the payment of road tax collected by the government.

In India, the Motor Vehicle Act, 1939 was passed dealing with various aspects of the use of motor vehicle in public places. In this Act, sections were enacted for insuring third-party liability which is made compulsory. It is optional to take insurance for motor vehicle also, along with other benefits like personal: accident, medical benefits to which are added by the insurance companies to make the policy more useful and attractive.

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The detailed provisions of the Motor Vehicle Act, 1939 as far as compulsory insurance is concerned, are given below in brief.

NECESSITY FOR THIRD-PARTY INSURANCE

Section 146 of the Motor Vehicle Act, 1988 provides that no person shall use a motor vehicle except as a passenger,' or allow any other person to use, in a public place unless the vehicle is covered by a policy of insurance complying with the requirements of the Act. This section is amended (by the Amendment Act, 1994) to cast an additional duty that the owner of the vehicle carrying dangerous or hazardous goods shall also go in for a policy of insurance under the Public Liability Insurance Act, 1991. "Public place" has been defined as a "road, street, way or other place, whether a thoroughfare or not, to which the public have a right to access and includes any place or stand, at which passengers are picked up or set down by a stage carriage". "It is to be noted that it is not only driving of the vehicle without insurance that will contravene the Act. The mere presence of a motor vehicle in a stationary condition in a public place will constitute the 'use'. Secondly, the use should be made in a "public place" as defined earlier. Any place where the public have a right to access is constituted as a "public place".

Section 146 seeks to protect the members of public traveling in vehicles or those using the roads from the risks attendant upon the user of motor vehicles on the roads. "The motor vehicle can be likened to a wild animal; whosoever keeps it, does so at his risk" ". A court can only pass an award or decree. It cannot ensure that such an award or decree results in actual payment, because the person held liable may be insolvent or may not have sufficient resources to meet the award. To overcome this situation, the law had made it obligatory that no motor vehicle shall be used unless third-party insurance is taken. Doing so will be a penal offense.

All motor policies, therefore, contain a clause called "Avoidance of certain terms and rights of recovery" reading as under:

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“Nothing in this policy or any endorsement hereon shall affect the right of any person to recover an amount under or by virtue of the provision of the Motor Vehicles Act.

But the insured shall repay the company all sums paid by the company, which the company would *not* have been liable to pay but for the said provisions”.

REQUIREMENT OF POLICIES

The policy is required to be issued by an ‘authorized insurer’, i.e., an insurer in whose case the requirements of the Insurance Act, 1938, are complied with. Section 147 of the Motor Vehicles Act, 1938 requires that the policy of insurance must provide cover

- Against any liability which may be incurred by the insured with respect to death of or body injury to any person, including the owner of the goods or his authorized representative carried in the carriage, or
- Against damage to any property of third-party; or
- Against death or body injury to any passenger of a public service vehicle, caused by or arising out of the use of the vehicle in a public place.

THE POLICY, HOWEVER, SHALL NOT BE REQUIRED TO COVER

- Any contractual liability; or
- Any liability with respect to death arising out of and in the course of employment of the employee of the insured, or with respect to body injury sustained by such employee arising out of and in the course of his

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employment. The policy must, however, cover liability arising under the Workmen's Compensation Act, 1923 with respect to death or body injury to any such employee

- a) Engaged in driving the vehicle, or
- b) Engaged as conductor or ticket examiner in a public service vehicle,
- c) Being carried in the vehicle, if it is a goods carriage.

TRANSFER OF CERTIFICATE OF INSURANCE

Under Section 103-A of the 199 Act, insurance companies had a choice of refusal to transfer the certificate of insurance and issuing of new policy in the name of the new owner, if the driving history and other features of the risk become undesirable and adverse. This right of refusal has been taken away in terms of the provisions of Section 157 of the new Act (19:38). This section lays down that, where a person in whose favor a certificate of insurance has been issued, transfers to another person the ownership of the motor vehicle with respect to which the insurance was taken, then the certificate of insurance and the relative policy shall be automatically deemed to be transferred in favour of the new owner from the date of transfer of ownership of the vehicle.

The transferee should apply within 14 days from the date of transfer on the prescribed form to the insurer, for making the necessary changes in the certificate of insurance and in the policy, and the insurer is obliged to make such changes in the said documents to effect title transfer of insurance.

The Motor Vehicles (Amendment) Act, 1994 added an explanation in Section 157 (1) stating that such transfer shall include transfer of rights and liabilities of the said certificate of insurance and policy of insurance. The

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provisions of the Section are thus applicable not only in case of third risks but also to own damage risks.

DUTY OF INSURERS TO SATISFY JUDGMENTS

Section 149 of Motor Vehicles Act, 1988 provides that ‘If, a certificate of insurance complying with compulsory insurance provisions of the Act has been issued and judgment with respect to compulsory third-party liability is obtained against an insured person, then the insurer has to pay to the third party the amount decreed plus costs and interest awarded, subject to the sum insured under the policy’. The important point to be noted here is that the insurers have to pay the third parties, even though they may be entitled to avoid or cancel the policy or may have avoided or cancelled the policy. However this section provides certain rights to the insurers before the commencement of the proceedings the insurers are entitled to receive notice through the court or the claims tribunals, as the case may be, of the bringing of the proceedings or with respect to any judgment awarded so long as execution is stayed thereon pending an appeal.

THE MOTOR VEHICLES ACT, 1988

The Motor Vehicles Act, 1988 (Act No. 59 of 1988) is the outcome of the recommendations proposed by various Committees. It has replaced the earlier 1939 Act and it became effective from 1st July 1989. Some of the more important provisions of the Act provide for the following matters: -

- Rationalization of certain definitions with additions of certain new definitions of new types of vehicles.
- Stricter procedures for grant of driving license and period of their validity.
- Laying down of standards for the components and parts of motor vehicles.
- Standards for anti-pollution control devices.
- Provisions for issuing fitness certificates of vehicles also by the authorized testing stations.

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- Enabling provision for updating the system of registration marks.
- Liberalized schemes for grant of All-India Tourist permits as also national permits for goods carriages.
- Administration of Solarium Fund by General Insurance Corporation.
- Maintenance of State registers for driving licenses and vehicle registration.
- Constitution of Road Safety Councils.
- Seeking to provide for more deterrent punishment in cases of certain offences.

NO FAULT LIABILITY

Section 140(1) of Motor Vehicles Act, 1988 provides as follows:

“Where the death or permanent disablement of any person has resulted from a accident arising out of the use of a motor vehicle, the owner of the vehicle shall or, as the case may be, the owners of the vehicle shall, jointly and severally, be liable to pay compensation in the respect of such death or disablement in accordance with the provisions of this section”.

The material change in the law is that the negligence of the owner of the owner or ser of the motor vehicle is no longer relevant to decide the question of liability. In fact section 140 (3) specifically provides when the claimants shall not be requires to plead and establish that the death or permanent disablement in respect of which the claim has been made due to any wrongful act, neglect or default of the owner, owners, of the vehicle, or vehicles concerned or any other person. This concept is known as No Fault Liability.

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However the amount of compensation payable is restricted to Rs.50, 000/- in the case of death and Rs.25, 000/-in the case of permanent disablement to motor vehicle act 1988. Earlier, it was Rs. 25,000/- for death and Rs. 12,000/-for permanent disablement.

PERMANENT DISABLEMENT IS DEFINED AS ANY INJURY OR INJURIES INVOLVING;

- Permanent privation of the sight of either eye or the hearing either ear, or privation of any member or joint; or
- Destruction or permanent impairing of the powers of any member on joint
- Permanent disfiguration of the head or face.

HIT AND RUN ACCIDENTS

Hit and run accident is “an accident arising out of the use of a motor vehicle or motor vehicles the identity whereof cannot be ascertained in spite of reasonable efforts for the purpose.”

Section 163 provides that the central government may establish in fund known as Solarium Fund to be utilized for paying compensation in respect of death or grievous hurt to persons resulting from Hit and Run Motor accidents.

It is provided that grievous hurt shall have the same meaning as in the Indian Penal Code. According to section 320 of the Indian Penal Code the following kinds of hurts are designed as grievous:

- Permanent Privation of the vision of either eye.

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- Permanent Privation of the hearing of either ear.
- Privation of any member or joint.
- Permanent disfigurement of the head or face.
- Fracture or dislocation of a bone or tooth.

Any hurt which endangers life or which causes the sufferer to be during the space of twenty days in severe bodily pain or unable to follow his ordinary pursuits.

The compensation payable from death claims is fixed at Rs. 25,000/- and in respect of 'grievous hurt' Rs.12, 500/-after the amendment to Motor Vehicles Act 1988. (Earlier to amendment, it was Rs.8500/- for death and Rs. 2,000/-for grievous hurt.

The payment of compensation for Hit and Run Accidents is subject to the condition that if any compensation is awarded for such death or grievous hurt under any other provisions of the Motor Vehicles Act or any other law under Hit and Run Accident has to be deduced from such compensation.

GENERAL REGULATIONS AS PER INDIAN MOTOR TARIFF

UNDER GR.7. OF INDIAN MOTOR TARIFF IT IS DEFINED AS

Under an agreed value Policy a specified sum agreed as the insured value of the vehicle is paid as compensation in case of Total Loss/ Constructive total Loss of the vehicle without any deduction for depreciation.

It is not permitted to issue to Agreed Value Policies under this tariff excepting for policies covering vintage cars as defined under above.

For such policies, Endorsement IMT – 2 is to be used

THE EXTENSION OF GEOGRAPHICAL AREA

Under Motor Insurance the extension of area is provided to take a motor insurance policy. It can be extended to provide coverage to include Bangladesh, Bhutan, Nepal, Pakistan, and Maldives & Sri Lanka.

TOR INSURANCE

**UNDER GR.4. OF INDIAN MOTOR TARIFF IT IS DEFINED AS:
THE GEOGRAPHICAL AREA OF MOTOR POLICIES MAY BE
EXTENDED TO INCLUDE**

- Bangladesh
- Bhutan
- Nepal
- Pakistán
- Sri Lanka
- Maldives

As the case may be, by charging a flat additional premium, as stated below
For the period not exceeding 12 months:

For package policy.	Rs. 500/- per vehicle, irrespective of the class of vehicle.
For policies other than Package policy	Rs. 100/- per vehicle, irrespective of the class of vehicle.

CHAPTER:-6

TYPES OF MOTOR INSURANCE POLICIES

The All India Motor Tariff governs motor insurance business in India. According to the Tariff, all classes of vehicles use two types of Policy Forms. They are Form A and Form B. Form A, or what is commonly known as Act Policy, covers Act Liability, which is a compulsory requirement of the Motor Vehicles Act. No vehicle can be used without this minimum insurance cover. Use without such insurance is a penal offence.

THE FOLLOWING LIABILITIES CAN BE COVERED IN THIS POLICY

Unlimited liability towards Third Party bodily injury; Liability towards Third Party Property Damage to the extent of Rs.6000/- only; Unlimited liability towards Bodily injury of passengers of the vehicle; Liability towards employees of the owner of the vehicle while traveling in or using it, against bodily injury, to the extent required under the Workmen's Compensation Act.

Form B, or what is commonly known as Comprehensive Policy, is an optional cover, which takes care of the following additional losses and liabilities

- Loss or damage to the vehicle and its accessories and extra *fittings*, protection and removal costs, and towing disabled vehicles (only for commercial vehicles).
- Liability towards Third Party Property Damage, in excess of Rs 6000/-
- Liability towards employees under Common Law and Fatal Accidents Act, over and above the liability under Workmen's Compensation Act.
- Personal Accident Benefits for the owner, passengers and employees.

The above losses or liabilities can be separately covered in conjunction with the liabilities covered under the Act Policy, by taking a Comprehensive Policy paying an additional premium.

FORM A POLICY

As per the provisions of Motor Vehicles Act, all the vehicles plying in the Territorial Limits of India must possess an ACT POLICY at all times. The violation is punishable with fine etc., as per Motor Vehicle Act (as prevalent at the time of detection). As described earlier, this policy covers

- 1) Third Party Property Damage / Bodily Injury (Fatal or Non fatal) when Insured vehicle is used in a public place,
- 2) Insured's legal liability, as per Motor Vehicle Act, arising out of accident caused by or arising out of the use of the vehicle anywhere in India, and
- 3) Such liability as above in respect of injury (fatal or non fatal) to any third party and damage to any third parties' property. The owners of the vehicle having insurable interest in it undertake this policy. The period of the cover is generally a period of 12 months from the date of inception. However; Short period covers are also available at higher rates. Subject to limit of liability laid down in the Motor Vehicle Act, the policy pays the insured's legal liability for death/disability for third party, loss or damage to third party property. Also, the liability for claimant's cost is also met (Maximum Rs. 6,0001..) unless additional premium for opting unlimited cover is paid. In addition, all costs and expenses incurred with insurer's written consent are paid.
- 4) In case of death of the Insured/Person entitled to compensation for a liability incurred under this policy, his legal heirs will be indemnified as in the case of the Insured, subject to the limitations of use of the vehicle provided that the Driver was holding a valid and effective driving license. Third Party (A person other than Insured and the Insurer) who is injured/dies due to an accident with the Insured Vehicle, the amount of compensation adjudged by the Motor Accident Claims Tribunal is made good by the insurers and is payable

to the legal heir of the deceased or the injured The amount of compensation is unlimited! Has no preset limit.

- 5) All costs and expenses are incurred by the insured with Insurer's written consent The compensation payable to Third Party for damage to its property (movable or fixed) is restricted to Rs. 6000/- {Rupees Six Thousand Only), irrespective of the amount adjudged by the Motor Accident Claims Tribunal] J Court. This compensation limit can be increased to Unlimited by paying of an additional Premium at the time of taking insurance All costs and expenses incurred by Insured with Insurer's written consent Claims arising out of and in the course of employment of a person in the employment of the Insured are compensated to the extent of Rs. 20,000 when an Employee (other than paid driver) is in the driving seat When vehicle is used outside the geographical area, when used contrary to limitation as to use, driven by a person other than the driver as stated in the clauses mentioned in the policy of insurance.

FORM B POLICY

Form B is an optional cover, which offers some specific advantages. Although the Act Policy Form A is identical for different classes of vehicles, the comprehensive policy cover differs for various classes of vehicles. For private cars and motorcycles, there are two Sections in the Comprehensive Policy. Additionally, Section III is provided for commercial vehicles. Comprehensive Insurance covers loss or damage to a vehicle due to 'own damage' apart from the third party insurance. Loss or damage to a vehicle is included in the 'Own damage' form of insurance when the contingency is caused by the following perils:

➤ SECTION 1

❖ It concerns loss or damage to the vehicle and covers the risks like

- Fire, Explosion, Self-ignition and Lighting
- Burglary, Housebreaking and Theft
- Riot, Strike, Malicious and Terrorism Damage
- Earthquake
- Flood, Typhoon, Hurricane, Storm, Tempest, Inundation, Cyclone, Hailstorm.

❖ Accidental External Means

- Transit by road,
- rail,
- inland
- waterway,
- lift, elevator
- air.

For motorcycles and commercial vehicles, the risk of frost damage is also covered. From the above coverage, for all classes of vehicles, the risks of riot, strike, malicious and terrorism damage, earthquake and flood and storm, can be opted out of with a subsequent discount in premium. In addition to these, cover is also available for 'Protection and Removal Costs' and 'Authorization of Repairs'. If a motor vehicle is disabled as a result of loss or damage due to the perils mentioned above, the insurance company bears the reasonable cost of protection and removal to the nearest repairer and the cost of redelivery to the owner/insured subject to a maximum limit, in respect of any one accident. The limits for various classes of vehicles are as follows: Motor Cycles/Scooters Rs 300, Private Car & Taxis Rs 1,500, Other Commercial Vehicles Rs 2,500. The owner/insured is also allowed to authorize repair expenses up to Rs 500/ per accident.

➤ SECTION II

It covers the liabilities towards third parties, i.e., liabilities of bodily injuries property damage.

➤ SECTION III

It is applicable to commercial vehicles. It covers the vehicle while it is being used for the purpose of [Towing Disabled Vehicles.' This section covers Third Party Liability' that the insured vehicle or the one being towed for reward/remuneration. Further, if insurance company is also not liable for damages to the towed vehicle or any property being conveyed thereb

When you buy a motor vehicle, you need to buy a motor insurance. There are, however, many types of motor insurance policies available. The common types are:-

- a) Third party cover** - This policy insures you against claims for bodily injuries or deaths caused to other persons (known as the third party), as well as loss or damage to third party property caused by your vehicle.
- b) Third party, fire and theft cover** - This policy provides insurance against claims for third party bodily injury and death, third party property loss or damage, and loss or damage to your own vehicle due to accidental fire or theft.
- c) Comprehensive cover** - This policy provides the widest coverage, i.e. third party bodily injury and death, third party property loss or damage and loss or damage to your own vehicle due to accidental fire, theft or an accident.

CHAPTER:-7

TYPES OF VEHICLES

There are various motor vehicles playing on the road but for the purposes of insurance, the Indian Motor Tariff, which governs the Motor Insurance business in India, and revised with effect from 1st July 2002, classifies the motor vehicles broadly in 3 categories, viz.,

- Private Cars,
- Motorized Two Wheelers and
- Commercial Vehicles.

➤ PRIVATE CARS

Private Car type vehicles are used for social, domestic and pleasure purposes and sometimes for professional purposes of the insured or used by the insured's employees for such purpose. It excludes use for hire or reward, racing, pace making, reliability trial, speed testing and sue for any purpose in connection with the motor Trade.



It also excludes carriage of goods other than samples. Motorized three wheeled vehicles (including motorized rickshaws/ cabin body scooters) are used for private purpose only. Trial, speed testing and used for any purpose in connection with the Motor Trade is excluded..

➤ MOTORIZED TWO WHEELERS

Motorized two wheelers it can be with or without sidecar, which is used for social, domestic and pleasure purposes and also for professional purposes. It excludes carriage of goods other than samples of the insured or used by the insured's employees for such purposes but excluding use for hire or



reward, racing, pace making, reliability trial, speed testing and use for any purpose in connection with the Motor Trade.

➤ **COMMERCIAL VEHICLES**

Goods carrying vehicles (own goods): such as trucks and trolleys, which carry goods for their own purposes or for their private use. These are vehicles used under a Private Carrier's permit within the meaning of the Motor Vehicles Act 1939. The Act defines a "private carrier" as "an owner of a transport vehicle other than a public carrier who uses the vehicle solely for the carriage of goods which are his property or the carriage of goods which belong to him and is necessary for the purpose of business to carry the goods and not being a business of providing transport".



FOR EXAMPLE.

I own AXC Co. Ltd at Delhi and I have to send my own goods to my manufacturing unit at Meerut so for this purpose if I use my own truck to carry my own goods, it means this vehicle is under the category of Private carrier vehicle

Goods carrying vehicles (General Cartage): These are the vehicles which are used under a Public Carrier's permit within the meaning of the Motor Vehicles Act 1939. The Act defines a 'public carrier' as "an owner of a transport vehicle who transports or undertakes to transport goods or any class of goods, for another person at any time and in any public place for hire or reward, whether in pursuance of the terms of a contract or agreement or otherwise."

When the Motor Vehicles Act (of 1988) was amended it did not have this category, all goods carrying vehicles are called "Goods Carriage" and they did not categories' them into Public carrier and Private carrier. Motor Tariff Categorized the Goods Carrying Vehicle as 'Own Goods Carrier' and 'General Cartage Carrier' separately for rating purpose

But this was not the right way to charge premium, as people who were using it for personal use and people those who were using it for business purposes were paying the same premium

After realizing this, when the tariff was revised in 1.7.2002, T.A.C. it renamed as Public carrier and Private carrier for rating purpose.

➤ Trailers

These are any truck, cart, carriage or other vehicles without means of self-propulsion including agricultural implements drawn or hauled by self-propelled vehicle.



VEHICLES USED FOR CARRYING PASSENGERS FOR HIRE OR REWARD.

➤ PASSENGERS CARRYING VEHICLES

These are the vehicles which are used for carrying passengers for hire or reward.



PASSENGER CARRYING VEHICLES MAY BE 4 WHEELED OR 3 WHEELED FOR HIRE OR REWARD



- 1) Taxis or Private Car Type Vehicles, which are plying on road for public hire.
- 2) Private Type Taxis which are let out on Private hire direct from the Owner with or without meters and driven by the Owner or an employee of the Owner.
- 3) Private Car type vehicles let out on Private Hire and driven by the Hirer or any driver with his permission.
- 4) Private Car Type Vehicles, which are owned by Hotels and hired by them to their guests.
- 5) Passenger Carrying Vehicles.
- 6) These are the other vehicles which are used for carrying passengers and for doing this work they get a payment to carry passengers.

THE OTHER MISCELLANEOUS AND SPECIAL TYPES OF VEHICLES WHICH WE CAN FIND ARE

- Tower Wagons
- Agricultural Tractors

- Ambulances
- Bulldozers, Bull graders
- Cinema Film Recording and Publicity Vans.
- Compressors
- Cranes

CHAPTER:-8

DOCUMENTS RELATED WITH MOTOR INSURANCE

PROPOSAL FORM

The proposal form is the basis of insurance. It is so desired as to elicit all information necessary for a proper evaluation of the risk and for rating. Specimen of the proposal forms are given in Section 5 of the Tariff.

The queries made/details stated in the Proposal form are the minimum requirements to be furnished by a proposer. The insurer may seek any other information as desired for underwriting purposes.

THE QUESTIONS COMMONLY ASKED ARE:-

➤ Particulars about the proposer

- Proposer's name in full to establish the identify of the insured who is one of the parties of the contract, and may place the insurer on enquiry concerning the moral hazard.
- Address: The proposer's address is necessary for communication and is a cross checks on the area of use of the vehicle
- Occupation: The answer to this question is important for underwriting private car and commercial vehicle risk and has an important bearing on the moral hazard. The answer is fair indication of the social status of the proposer and it will provide some indication of the ex-tent and for what purpose the vehicle is likely to be used.
- Physical disability and mental infirmity- The answer to these questions are important, but it is difficult to get precise answers particularly in respect of persons other than the insured who may drive the car.
- Previous convictions: A record of convictions for driving offences requires close investigations. The enquiry is generally limited to a period of five years.

- Registration letters and number – For identification of the vehicles.
- (Make of the vehicle – Engine and Chassis numbers – These are required for verification in case of accident.
- Year of manufacture - This is necessary because some insurers do not give comprehensive cover for vehicles manufactured earlier than a predetermined period or impose restrictions on older vehicles.
- Type of body, Seating Capacity and Cubic Capacity for private cars- Rating is based on value and cubic capacity and Licensed Carrying Capacity (goods or Passengers), as the case may be, in case of commercial vehicles.
- Date of Purchase and Price
- Insured's declared value of the vehicle
- Details of other vehicles owned by the proposer and details of accidents during the past 3 to 5 years. These details give some idea about the physical and moral hazard.
- Details of insurance history - This is required to ascertain whether there were any adverse features, such as declinature, cancellation or imposition of special terms and conditions.
- Questions relating to extra benefits, for which additional premium is charged and of information for which discount of premium is granted, such as no claim discount earned voluntary excess to be borne, etc.

The answers to the questions are followed by declaration in the nature of a warranty that the answers are correct and shall form the basis of contract with the company.

CERTIFICATE OF INSURANCE

This is the document evidencing that a motor vehicle is insured against third party liability as required under the Motor Vehicle Act, 1988. It is an offence to use a vehicle without a proper certificate of insurance issued by

an authorized insure. The only exceptions are Government vehicles and such other vehicles as may be specifically excluded by the Government. The form of the certificate of insurance is prescribed in the Act (in FORM 51). Certain common features appear in all types of certificates of insurance. These are

- 1(a) Certificate number.
- 2(b) Registration mark and number or description of the vehicle insured.
- 3(c) Effective date of commencement of insurance for the purpose of the Act.
- 4(d) Date of expiry of insurance;
- 5(e) Persons or classes of Persons entitled to drive;
- 6(f) Limitations as to use;

These are followed by a certificate signed by the Authorized Insurer to the effect that the policy and the Certificate of Insurance are issued in accordance with the provisions of the Chapter X & XI of the Motor Vehicle Act, 1988.

The differences in the Certificate of Insurance for different types of vehicles are to be found in the items (e) and (f) above. The wordings for private car and motorcycle certificate of insurance are as follows:

PERSONS OR CLASSES OF PERSONS ENTITLED TO DRIVE: ANY OF THE FOLLOWING

1

- 2(a) The Insured.
- 3(b) Any other person who is driving on the Insured's order or with his permission-

Provided that the person driving holds or had held and has not been disqualified from holding an effective driving license with all the required endorsements there on as per the Motor Vehicles Act and the Rules made there under for the time being in force to drive the category of motor vehicle insured hereunder.

LOST, DESTROYED OR MUTILATED CERTIFICATES

Lodges with an insurer a declaration in which he declares that a Certificate of Insurance issued to him by such Insurer has been lost, destroyed or

mutilated and sets out full particulars of the circumstances connected with the loss or destruction of the Certificate and the efforts made to find it; or Returns to the Insurer the Certificate of Insurance issued to him by such Insurer in a defaced or mutilated condition; and Pays to the Insurer a fee of Rs. 50/- in respect of each such certificate. The Insurer, shall if reasonably satisfied that such Certificate has been lost and that all reasonable efforts have been made to find it, or that it has been destroyed, soiled or is defaced or mutilated as the case may be, issue in lieu thereof a duplicate certificate of Insurance or cover note with the word 'DUPLICATE' prominently endorsed to that effect.

COVER NOTE

-
A cover note is usually issued when the policy and certificates of insurance cannot be immediately issued for any reason.

- Cover Notes insuring Motor Vehicles are to be issued only in Form 52 in terms of Rule 142, Sub Rule (1) of the Central Motor Rules 1989.
- It terms of Rule 142, Sub-Rule (2) of Central Motor Vehicle Rules 1989, a Cover Note shall be valid for a period of sixty days from the date of its issue and the insurer shall issue a policy of Insurance before date of expiry of the Cover Note.

The cover is worded along the following lines as prescribed by the Tariff:
The insured described in the Schedule below having proposed for insurance in respect of the Motor Vehicle (s) described in the Schedule below and having paid the sum ofthe risk is hereby held covered in terms of the Company's usual form ofpolicy applicable thereto (subject to any special conditions or restrictions which may be mentioned overleaf) for the period between the dates specified in the Schedule unless he cover be terminated by the company by notice in writing, in which case the insurance will thereupon cease and proportionate part of the annual premium otherwise payable for such insurance will be changed for the time the Company has been on risk.

- Registered Mark and No. or description of the vehicle (s) insured, Engine no., chassis No.
- Make and cubic capacity, type of vehicle (s) etc.
- Name and address of Insured.

- Effective date of commencement of Insurance for the purpose of the Act a.m./ p.m. on
- Date of Expiry of insurance.
- Persons or classes of persons entitled to drive.
- Limitations as to use.
- Additional Risks if any.
- Special Conditions

THE COLUMN PROVIDES ARE

- Policy No.
- Name of the Company
- The Insured's name and address and Business or
- Occupation;
- Period of Insurance
- Geographical Area.
- Registration mark and other details of the vehicle
- Limitations as to use
- Driver.
- Premium Computation.
- Date of signature of Proposal and declaration.
- Signature of Authorized Officer.

RENEWAL RECEIPT

This is a document which is issued in lieu of the policy at renewal. As a measure of economy and quick service, these Receipts are issued. This is a simpler document than the policy.

ENDORSEMENT

An endorsement is a document, which incorporates change in the terms of the policy. An endorsement may be issued at the time of the policy to provide additional benefits and covers (e.g. Legal Liability to Driver) or to impose restrictions (e.g. excess accidental damage in a public carrier policy) the wordings of these endorsement are provided in the Tariff. An endorsement may also be issued subsequently to record changes such as change of address, change of name, change of vehicle etc. The present form of the Tariff contains 65 Endorsement.

RENEWAL NOTICE

It is the practice of companies to issue Renewal notice to the insured usually one month in advance of the date of expiry of the policy. This notice provides details of renewal premium, including No Claim discount, if earned.. As notice is prepared in advance, there could be a claim between the date of preparation and the date of expiry. The renewal premium invited is subject to the provision that in the event of a claim suitable adjustments will be made in the premium.

CHAPTER:-9

UNDERWRITING

The underwriting approach differs according to the type of vehicle. As seen earlier vehicles are classified, according to their use, into private cars, motor cycles and scooters and commercial vehicles.

The first important point to be considered is the year of manufacture, the purchase price and the insured's declared value (IDV) of the vehicle based on the depreciation table provided in the Tariff/ Policy. If the vehicle is older than 5 years old, the IDV of the vehicle is fixed on the basis of understanding between the insurer and the insured. Thus the changes of under insurance are minimal. It may be noted that a vehicle will be considered to be a Constructive Total Loss, where the aggregate cost of retrieval and/or repair of the vehicle subject to the terms and conditions of the policy exceeds 75% of the IDV.

The age of the vehicle is important from the underwriting point of view. It is natural that, as a vehicle becomes older, defects appears more frequently and metal fatigue sets in. The under writing guidelines adopted differ from insurer, but there is broad agreement in the approach adopted.

Private cars which are over 15 years old are not accepted on comprehensive terms but for third party risks only. Fire and Theft risks may however be covered. Cars which are Over 10 years and less than 15 years old are accepted for Comprehensive risks subject to satisfactory inspection report by the insurer's automobile engineers or other officials.

Insurance on imported cars presents several problems; there is a problem of obtaining spare parts. The cost of repair of an imported car also high, not only because of the cost of materials but because of the intricate design which would mean more time to spend on dismantling. Imported cars over 10 years and less than 15 years old are accepted on comprehensive terms with a higher excess. Such cars over 15 years old are accepted for Third Party risks only. ‘

Sports cars are considered to be heavier risks than other cars of the normal type. The repair costs are likely to be higher. These cars which are specially designed for high speed are usually driven by young drivers from affluent families.

The loss severity will be high because of the high speed. Each case is decided on the individual merits and acceptance is subject to an excess, exclusion of personal accident benefits and loading of premium. In some cases, driving may be restricted to named persons. If the car is fitted with luxury items e.g. radios, record players etc. then there is the additional risk of the theft. Before acceptance, full details of the luxury fittings including the make and model and separate value for each item are obtained.

TAXIES

Fresh Acceptances – Comprehensive Cover

- Up to 3 years for comprehensive cover.
- Up to 5 years subject to inspection and satisfactory claims experience
- Over 5 years, up to 7 years, on inspection with a further compulsory excess of Rs. 500/- without any discount); over 7 years Liability only.
- Renewal is on normal terms subject to satisfactory claims experience up to 10 years old vehicles; over 10 years renewals are offered on Liability only.

1

COMMERCIAL VEHICLES AND GOODS CARRYING VEHICLES:

1(A) Private Carriers

- Up to 5 years for comprehensive cover.
- Over 5 and 7 years subject to satisfactory inspection report
- Over 7 years and up to 10 years subject to satisfactory Inspection and a compulsory excess of Rs. 2500/- over 10 years Liability only.
- Disposal vehicles on inspection and subject to further compulsory excess of Rs. 500/- without any discount).
- Renewal to be offered with normal terms subject to satisfactory claims experience up to a period of 12 years; over 12 years renewals will be on Liability only.

2(B) Public Carriers

- Upto 5 years for comprehensive cover.
- Over 5 years and up to 6 years, subject to inspection and satisfactory claims experience or additional compulsory excess without discount.
- Over 7 year's liability only.
- Renewals to be offered with normal terms subject to Satisfactory claims experience up to a period of 10 years.

- Over 10 years renewals will be on liability only.

HOW THE UNDERWRITING IS DONE THE USE OF THE VEHICLE

The risk exposure due to the purpose for which the vehicle is used is taken care of in the rating systems adopted by the traffic. The use to which vehicles are to be put, even those of the same class, is a deciding factor in the relative degree of risk involved. Private Cars represent a lighter risk than taxies which are subject to optimum utilization.

Private carriers are a better risk than public carriers. The use of the former is limited to carriage of own goods whereas public carriers, like the taxies, are subject to optimum utilization including driving during night, thus exposed to greater incidence of accidents and wear and tear. Private carriers are also better maintained.

Even in same class of vehicles, one risk may differ from another, A goods carrying vehicle used for delivery of aerated water bottles from door to door in a city will not be such a heavy risk as a lorry engaged in inter-state transportation of goods. The general nature of the goods carried is important for underwriting purposes, especially if they are flammable or likely to explode.

THE AREA OF OPERATION

The area of in which the vehicle is used has a direct bearing upon the risk under all sections of cover of the comprehensive policy. This aspect of physical hazard is also taken care of in the rating system adopted I the Tariff for all type of vehicle. For these vehicles, rates differ according to the zones in which it is used. This differential rating takes into account the density of population, density of road traffic, etc.

THE DRIVER OF THE VEHICLE

Apart from the physical aspect of the vehicle and its usage, the personal element is a dominating feature in relation to motor insurance which has an important bearing upon the loss ratio. The physical aspect is taken care of in the rating system but just as important is the personal hazard of the driver which is not dealt with in the rating system.

It is essentially the driver who is responsible for good or bad claims experience in motor insurance. By careful driving and by taking a pride in his vehicle, an insured can substantially reduce loss possibilities. On the

other hand, neglect and carelessness are two factors which are responsible for bad claims experience.

Therefore, the concerns of underwriting are – how to deal with a young driver or a new driver, or what should be done with the owner who is known to be a careless driver or the insured who pays scant attention to the mechanical condition of the car so as long as it is reasonably fit for his purposes. It may be mentioned that these cases could be regarded as a moral hazard in the wider sense of carelessness can dealt with by the underwriter. The hazard arising from the driver can be accessed from the point of view of his age, physical condition, driving experience and occupation.

THE CLAIMS EXPERIENCE

All proposal forms elicit full particulars of settled and outstanding claims in connection with any motor vehicle owned or driven by the proposer during the last preceding 3 to 5 years. Information is required to be submitted separately for ‘own damage’ claims, third party claims and other claims. Claims experience has also to be considered at the time of renewal. The approach adopted for acceptance of new proposal is equally applicable for renewal business. If the loss experience on ‘own damage’ claims is bad, then renewal will have to be offered on the basis of ‘excess’ or restricted cover.

MORAL HAZARD

Moral hazard is, perhaps, more important in underwriting motor insurance than in other classes of insurance. As mentioned earlier, the owner or driver of a motor vehicle is more responsible for bad claims experience than the physical condition of the vehicle or the use to which it is put or the area in which it is used.

It is rare cases that mechanical breakdown causes road accidents. It is the attitude, the temperament and the personality of the driver, that is responsible for accidents. While considering acceptance of new business proposals it may not be easy to ascertain all aspects of moral hazard. But his behavior and attitudes during the currency of the policy and, when a claim arises, will be indicative of bad moral hazard. And this aspect will have to be borne in mind at the time of renewal.

NO CLAIM DISCOUNT

Insurers have found that the granting of no claim bonus discount is a powerful strategy to improve underwriting experience. Today it forms an integral part of rating systems. However, over the years, it has been a subject of controversy. There are many arguments both for and against.

THE ARGUMENTS AGAINST ARE:-

- It creates extra clerical work for insurers in calculation of premiums and preparation of renewal notices – work which is out of all proportion to its value.
- It leads to many disputes between the insured and insurer, e.g. claims settled under knock-for-knock agreement. The insured who considers himself blameless would resent the forfeiture of his discount.
- At any rate the policy contains a condition that the insured shall take all reasonable steps to safeguard the vehicle from loss or damage and maintain it in efficient condition. He has also to act, under Common Law, as if is uninsured, it is therefore, inconsistent to offer a further incentive to care.
- The arguments for the no claim discounts are :-
 - There have been innumerable instances of insured bearing the cost of a small accident in preference of forfeiting his discount because the amount of the prospective discount or because he was desirous of maintaining a good record. Thus the discount acts as an effective incentive to the insured to exercise care.
 - Indirectly, the discounts help towards contribution to the object of road safety.
 - The disputes between the insured and the insurers are not a common thought of. At any rate, the tariffs permit discretion to the insurers to allow no claim discount when they are satisfied that the claim is being solely by virtue of the knock-for-knock agreement and that the insured was free of blame for the accident.

CHAPTER:-10

PROCEDURES OF MOTOR INSURANCE

The proposal form is completed for making proposal for motor insurance. The form is divided into three parts—

1) Identification of vehicles

Registered number, horsepower, shape and size, model, etc.

2) Risk-information

Past insurance, type of policy got previously, equipments, vehicles.

3) Declaration

The declaration of true and full statement of the questions is made at the end of the policy.

RATING THE MOTOR INSURANCE

Since the motor insurance is subject to tariff, the tariff association determines basic premium. Additional premium is added to the basic premium on the basis of shape, size, horsepower, use, value of the motor car, etc. The higher the risk, the more will be the amount of premium. Rebate in premium is allowed if the insured has more than one car, is a member of Automobile Association and there was no loss in the previous years. The car was under the personal use and care of the owner.

ISSUE OF POLICY

As soon as the proposal form is accepted, cover note is issued. The cover note is a certificate of insurance although it cannot be used as a proof of insurance in a court of law. As soon as the policy is issued, the cover note is cancelled.

TERM OF INSURANCE

The motor insurance policy is issued generally for one year. However, the policy can be issued for less than one year but the premium rate will be higher, e.g., the premium rate is three-fourths of annual premium of the policy issued for six months.

CHANGE OF VEHICLE

The insured vehicles can be disposed of along with the policy. The term of policy will remain the same. The policy will continue up to the unexpired period with the purchaser of the car. Similarly the insured can replace another car under the same policy.

FURLOUGH CONCESSIONS

When risk is reduced, the proportionate share of premium is returned or the period of coverage is extended by the excess premium. This is called 'furlough concessions'.

SETTLEMENT OF CLAIMS

As soon as the damage occurs notice of that is given to the insurer The evidence or eyewitness should be placed to the insurer When-the insurer is satisfied with the notice and evidence, he can issue claim form which is returned to the insured after completing it in all respects Personal injury is also made in connection with the personal injury, damage to property, defense and prosecution.

CHAPTER:-11

CLAIMS AND SETTLEMENT

CLAIMS

The process of claims in motor insurance is as follows

- Register the claim: The insured is required to submit a detailed estimate of repairs from any repairer of his choice. The insurer reserves the right to ask for fresh estimates from another repairer if so desired. [
- The reason to ask for a fresh estimate may be moral hazard, business integrity of repairer or competence of repairer.
- A surveyor, to determine the cause and extent of the loss, carries out an assessment. Insurer's own officers could be used to carry out the survey.\

SETTLEMENT

- The insurer examines the report and settlement is made in accordance with the recommendations of the report. The usual practice is to authorize the motor repair garage to carry out the repairs as per the estimate submitted or with suitable amendments.
- If there are no excesses, the repairer is asked to collect those straight from the insured.
- The salvage available is required to be sold to the salvage buyer if so desired, at a pre-determined price.
- After the bill of repairs is raised and the repairer obtains a note of satisfactory repair from the insured, the insurer settles the repairer's bill

- In some case, the insured pays the repairer and then the claim is reimbursed to the insured.
- The documents required in a motor claim are as follows:-
 - a) Driving License
 - b) Registration Book
 - c) Fitness certificate (in case of commercial vehicles)
 - d) Permit (in case of commercial vehicles)
 - e) Police report (if any)
 - f) Final bill from repairer
 - g) Satisfaction note from the insured.
- In case of total loss claims the surveyor's recommendation is the most critical consideration. If the surveyor finds that it is not feasible to repair the vehicle, he may recommend a 'total loss' claim. If the market value of the vehicle is more than the insured value, the settlement will be for the insured value. The insured is paid in cash and the salvage is taken over by the insurer.
- If the salvaged vehicle in case of 'total loss' is beyond repair, the registration book and the keys are returned to the RTO authority.
- Theft claims are also treated as total loss and claim has to be supported by a copy of First Information Report (FIR). Theft claims are settled only after the insurer has established the reasonable time and effort has gone into the investigation and recovery of the vehicle. Usually, these are not paid until 3 or 4 months since the filing of the claim.
- Third Party claims are covered under section 165 of the Motor Vehicles Act, which empowers the State Government to set up a tribunal to adjudicate on the third party claims. The aggrieved party has to file a claim within 6 months of the date of the accident.
- In case of third party settlements where the liability is established, the final amount is usually arrived at as a compromise settlement. The Tribunal plays a role in encouraging such a compromise.

CHAPTER:-12

FRAUDS IN MOTOR INSURANCE

Motor insurance fraud is estimated to cost the UK insurance market over £1 billion annually. Opportunist claims are bad enough; however, many fraudulent motor claims are orchestrated by highly organized and sophisticated criminal gangs.

Hill Dickinson is fraud unit has an unrivalled ability to identify evidence and manage fraudulent motor insurance claims. We provide assistance to the Insurance Fraud Bureau, and a range of clients who have been able to decline millions of pounds of false payments in relation to:

- Staged accidents
- Induced road traffic accidents
- Phantom passengers claims
- Fraudulent injury and special damage claims
- Organized fraud rings

Net foil gives us a unique ability to combat organized motor insurance fraud. Insurer client and data providers derive huge benefit from our ability to identify and evidence fraud rings. Acting for various clients we have prevented payments and recovered damages paid to accident management businesses responsible for orchestrating false claims.

Fraudsters also target legitimate accident management and credit hire organizations. Our proactive approach to fraud identification enables us to highlight fraudsters and bogus referral sources through regular fraud alerts.

STAGED ACCIDENTS

We have an unrivalled ability to advise and manage claims arising out of staged accident. Such claim takes many forms from straight forward opportunist rear shunts, to multi vehicle – multi claimant paper based incidents. We have experience in handling the most straight forward to the most complex contrived accidents.

INDUCED ACCIDENTS

Recent times have seen the emergence of a yet more sinister insurance scam – the deliberately induced accident, or ‘slam-on’. Organised fraud rings, previously content with orchestrating accidents amongst themselves and associates have started to target innocent motorists, provoking collisions to facilitate compensation payments – injury damages, hire, recovery and storage.

COMMERCIAL VEHICLES

Particulated lorries and transit vans are particularly popular targets for the gangs. A common scenario will be the vehicle at a clear roundabout who man oeuvres as if to proceed only to ‘slam-on’ the brakes in front of the innocent driver.

Often the apparently innocent collision will be provoked by another vehicle, the driver acting in conjunction with the claimant, as it swerves into the path of the parties causing abrupt and apparently innocent braking.

Dealt with in isolation such claims can be difficult to identify and even harder to defend. Net foil and our Intelligence Analysts have a singular ability to identify claim patterns, and bring similar fact evidence before the court to defeat these claims and to identify the criminals organizing these scams.

PHANTOM PASSENGER CLAIMS

Opportunist and organized phantom passenger claims are not uncommon, and arise as a result of both genuine and staged accidents. Many of the induced accidents we encounter feature vehicles packed with claimants, all of who claim to have been injured. Frequently, the number of claimants, or their age, sex and description does not accord with the evidence of the innocent motorist.

We have the expertise and knowledge to advice on such claims assisting not just the compensator but the innocent driver through the experience.

FRAUDULENT INJURY AND SPECIAL DAMAGE CLAIMS

Regrettably exaggeration of claims arising of road traffic accidents is all too common. Exaggeration of injuries can often be accompanied by inflated and wholly fictitious claims for loss of earnings, medical expenses, physiotherapy and the like.

Fraudulent road traffic accidents, both staged and induced accidents are regularly accompanied by inflated and bogus claims for credit hire, storage, recovery, repair, translation fees.

On occasion this activity is encouraged by claimant solicitors and those associated with the management of the claim.

Net foil data analysis enables us to identify previous claims, and allows us to proactively warn our data provider and insurer clients of those solicitors and high street accident management businesses responsible for these claims.

ORGANIZED FRAUD

Insurers, credit hire organizations, and the genuine accident management businesses are all potential targets for organized insurance fraud rings. Hill Dickinson's fraud unit has developed the most sophisticated counter fraud solution available to the UK Insurance and claim management market. We act on behalf of Insurers, Lloyd's syndicates, credit hire organizations, commercial clients, and accident management business to avoid and manage insurance fraud.

Net foil captures detailed data in relation to over 40 million claim records. Over six years our intelligence unit has developed data mining techniques providing a singular ability to identify organized motor insurance fraud. Our clients and data providers benefit from regular fraud alerts highlighting the activities of rogue accident management businesses and serial claimants.

When clients identify insurance fraud traditional methods of investigation can be hugely expensive and take many months, often wasting more resource than is ultimately saved.

CHAPTER:-13

TRENDS IN MOTOR INSURANCE

CURRENTSCENARIO

India is witnessing a boom in car and bike sales and it could not have come at a better time. The burgeoning middle class and the improvement in roads and highways have only accentuated the vehicle sales. The spillover effect of this boom has let the motor insurance portfolio of insurance companies also on the growth highway.

The scenario is much different today and motor insurance gets its due importance. Motor insurance today constitutes 60% of the portfolio for most of the general insurance companies in the world. The trend would be the same in India also. In 5 years, the motor insurance is slated to increase from Rs. 8,000 crores to Rs. 20,000 crores. Currently, it is 41 % of the total general insurance business up from 36% five years back. The current state of motor insurance as prevailing today can at best be summarized as below

I am often asked what would be the impact of de-tariffing on the motor insurance portfolio, for which I have this standard answer - A known devil is better than the unknown. I would say that the actual impact can only be felt when it actually happens, as the depth of the water can only be felt when we swim in it.

Nevertheless, some learning from other countries would help so that we can prepare for the eventuality. As experienced in other countries, the premium rates can plummet and sometimes unrealistically. When motor insurance is an additional and consistent revenue stream for the dealers, one can imagine the impact, which can be dreadful. So, I feel customer segmentation is the only way to survive in a priced river market.

Country like Italy, which was de-tariffed in mid-nineties, provides some good learning points. The size of the country would be smaller than any of an average Indian state; however, the country has been divided into 620 geographic risk zones for insurance rating purpose and insurance companies use up to 76 variables for rating. In contrast, India has only 2 zones so far. Further, there are no proper tariffs available.

One thing that is certain among all the uncertainties is that de-tariffing would change the scenario dramatically and may also impact the biggest profit driver for the dealer. Some of the changes that I foresee areas below –

- Premium rates could vary significantly based on make, model & geographic zones
- Dealers will face increased competition from agents in renewals as "information" in proposal forms is much better at the agent's hand.
- Insurers may be forced to develop non-dealer channels to reduce commission & average claim size as pressure on margin will increase
- Insurance has become the important driver for dealer profitability and customer satisfaction;
- Motor insurance especially private cars, is an area which all insurers want to develop;
- ➤ Continuous increase in cost and charges for labour & parts and higher awards for third party claims are pushing the claims ratio up.

The next paradigm shift could happen when de-tariffing happens. The fastest growing regions are Delhi, Andhra Pradesh, Karnataka, Maharashtra and Gujarat

FUTURE SCENARIO IN MOTOR INSURANCE IN INDIA

The recent announcement of a hike in car insurance premium is just the tip of the iceberg. The Insurance Regulatory and Development Authority (IRDA) have now raised the amount of compulsory deductible you need to pay.

The deductible has been revised after 10 years and will kick in from April 1, 2012.

“Considering the inflation and increase in administrative costs of insurance, the value of deductibles in real terms has diminished. Hence, the regulator feels a necessity of revision in the amount of compulsory deductibles,” IRDA said in a circular sent to insurers.

Once the new guidelines take effect, one has to pay depending on the engine capacity — denominated in cubic centimetre or ‘cc’ displacement — of the vehicle they own. So, owners of three-wheelers rated as private cars with an engine not exceeding 1,500 cc cannot claim anything less than Rs1, 000. And in case vehicles exceed the 1,500 cc specification, Rs2, 000 has been set as the standard deductible amount. For owners of two-wheelers, the minimum claim amount has to be Rs100.

A deductible, or an excess, is the minimum amount you need to bear while making a claim. For instance, if you make a claim of Rs5, 000, the applicable deductible is excluded by the car insurance company and you can claim only the amount over and above the threshold.

Motor insurance companies are apparently on cloud nine as the decision came close on the heels of the hike in the third party premium this week.

“This is a step in the right direction. It will help motor insurance companies contain their losses to some extent. Also, the revised deductible will make the policyholders more responsible and cautious,” said Amarnath Ananthanarayanan, MD & CEO, Bharti Axa General Insurance.

IRDA has pegged the ultimate loss ratio at 145% for 2011 and asked motor insurers to make provisions accordingly. This step will ensure insurance companies bring down their losses from around Rs10, 000 crore compared to the past year.

KG Krishnamurthy Rao, MD & CEO of Future Generali India, says, “This will help us bring down the claim ratio by 1-2%.” He adds: “This move will also deter consumers from making claims for a small amount, thereby bringing down transaction costs.”

Experts throw in a bit of caution, saying customers should avoid making claims for small amount as they stand to lose out on the no-claim bonus which can bring down the premium amount by up to 50% in subsequent years.

This apart, IRDA has revised premium coverage of paid drivers, conductors and employees of the insured motor vehicles from Rs25 to Rs50 per capita.

This is a legal liability cover coming under Workmen's Compensation Act on payment. The revision of this rate has been effected after a spell of 15 years.

CHAPTER:-14

CASE STUDY

UNITED INDIA INSURANCE CO. LTD. v/s DEEPAK KUMAR MANUBHAI PATEL

The complaint had a Maruti car insured with the United India Insurance Co. which was stolen during night time in September 90.

The insurance co. repudiated the claim of the insured on the ground that the said vehicle was being used for commercial purpose by giving the same for hire. The insurance policy clearly provided the limitation as to use of the said vehicle being limited to social, domestic and pleasure purpose. The district forum held that the vehicle being stolen could not be connected with its being given on hire. The main contract of insurance could not be terminated in the manner in which the insurer had done and therefore allowed the claim the complainant. In appeal before the state commission the court took into consideration a number of decisions of the Humble Supreme Court and observed that the policy of insurance in the present case was for a vehicle meant for private use, which differs from the insurance policy meant for a vehicle for commercial use in respect of the following:

- Premium amount.
- Permit regulation under Motor Vehicle Act.
- Driving License of the driver is also different in both cases.

The present policy also clearly highlighted the nature of use of the vehicle in question. The court also observed that it amounted to the fundamental breach on the face of agreement. It could be visualized that if a private vehicle is given for hire purpose, the vehicle is apparently exposed to the risk of being stolen where unknown passengers are taken for hire in the vehicle. This exactly happened in the case above. The driver of the vehicle was carrying such unknown passenger for hire and they had stolen the car. Thus it was held that the breach of the basic condition of the policy of insurance in question is fundamental in nature on the face of it.

HELD: THE COMPLAINT OF THE INSURED WAS DISMISSED AND APPEAL OF INSURANCE COMPANY ALLOWED

MARUTI'S AUTOMOBILE INSURANCE SYSTEM

INTRODUCTION



Our client Maruti Udyog Limited (MUL) has tied up with National Insurance Company, Bajaj Allianz, New India Assurance and Royal Sundaram to bring Maruti Insurance services to all its customers. They are providing a single window solution to meet all car insurance needs of their valued customers, and create value chain.

THE CHALLENGE

Consistent hassle free service is demand of the hour. It is more important than the glimpse of occasional brilliance every now and then. MUL was aware of the need of availability of IT services round the clock, to be able to provide better customer service. So developing a secure, robust and scalable application was a big challenge on one hand, and providing a consistent service was even bigger challenge on the other hand.

THE SOLUTION

Binary provided a framework that seamlessly integrated MUL and their distribution and insurance partners, to enhance the availability of crucial customer information 24/7 across the network. The completely integrated web-enabled system ties all the departments of Maruti Insurance and provides a common platform for data exchange and retrieval. Developed using Microsoft framework and technologies like: ASP, SQL Server, and XML, the application interacts with dealers at one-end and maruti insurance alliance partners at the other-end.

THE BENEFIT

Binary's Automobile Insurance solution formed the basis of service oriented business architecture of Maruti Insurance. Some of the key outlined benefits of the application are as follows:

- Hassle free, 24/7 availability of enterprise data
- Insurance Sales-cycle analysis
- Integration to back-office accounting system
- Seamless flow of information between corporate systems and remote dealers
- Real-time reporting and analysis

Advocates suggest surfing online, contacting insurance agents or working with references ought to provide all answers and a panacea to all problems related to auto insurance. The plethora of information available is so mind-boggling, besides, certain terminology is not of current usage or in layman's terms proves to be cumbersome to be read and comprehended.

Online sites do offer an option of frequently asked questions along with the answers to take care of most often asked common queries. Yet at times, even the answers provided do not suffice to throw light with clarity on the subject matter. Hence, I endeavor to simplify the common doubts that arise on reading about auto insurance coverage details, options, and clauses.

Umbrella policy as the name suggests extra cover on your auto insurance policy and homeowner's insurance policy, to cover all those aspects, which do not fall within the purview of the insurance cover offered individually by the respective policies. Auto insurance expenses are high and yet at times the cover offered falls short of the actual damages. In these circumstances it pays to take an umbrella cover, which by paying a one-time premium ranging from \$200 to \$300 takes care of the extra coverage and all your damages in case of an accident. The insured amount can be high as one million to five millions of dollars.

Acting like a safety net, this cover gives you much needed peace of mind in these days of stress. Comprehensive cover and collision cover as the very words suggest literally - provide protection accordingly. In case of comprehensive insurance, the cover would deem to include damage arising out of naturally occurring disasters - example fire, hail, storm, etc. Whereas collision cover would deem to mean cover for damages arising out of collision - to be precise an accident cover only. Most lenders and banks mandate the purchase of both comprehensive and collision cover which may

vary from state to state. To illustrate Katrina would affect one particular state more than the others.

Most states do not allow the addition of teenagers who have a drivers permit to the insurance policy cover. Exception to this would be, if an insured driver accompanies them. In this case, they would be automatically covered under the insured driver's policy. On receiving their license though, teenagers are required to obtain their own insurance cover.

Out-of-state tickets received will show up on your DMV records if that particular state happens to fall within the purview of the Driver's Licence agreement (DLA). Therefore, the insurance company would have access to all your DMV records from all those states that are a part of the DLA.

When purchasing a new car on borrowed money it makes sense to go in for gap insurance. In the event of an accident to your new car where it is damaged fully, the insurance cover would stretch up to a maximum to include the total outstanding dues of the borrowed money. That means over and above the insured amount, in case there is outstanding dues left to be paid off on the auto finance, gap insurance would take care of the difference.

Remember; look out for the type of insurance that fits you. Compare quotes online and locally then make your most important decision on what kind of insurance you would buy.

SURVEY IN FRAUD

Whatever is practiced in west easily find its way to India. A recent survey has shown that more than 50% of the TP claims in India are bogus. There are several claims that are based on bogus accidents carried out with the connivance of law enforcing agencies.

In India one public sector insurance company become richer by around Rs.184 Crores due to withdrawal of 427 number of Motor Third Party claim cases, including 40 cases where award have been made, fearing action following investigation by the CBI in pursuance to the direction of the Madras High Court.

Last year it is reported that the Insurance companies were defrauded of around Rs.500 Crores for over five years in seven South Bengal districts. It is apprehended that the figures could be around Rs.1500 Crores over the past ten years. (Times of India Mumbai Edition dated 25-07-2007)

Mr. Shankar died in an accident when his car was hit by an Ambassador car. Investigation revealed that he died in an accident when his car hit a tamarind tree. There was no involvement of any Ambassador car.

Mr. Periya swami was injured in an accident when his two-wheeler hit by an auto-rickshaw. Investigation revealed that he was allegedly driving under the influence of alcohol and fell off his bike.

Fraud on grand scale committed in MACT and labour Courts in the State of Gujarat by invisible Advocates reports Yong Lawyers.

CBI books Ambala based advocate for insurance frauds to the tune of Rs. 200 Crores reports Hindustan Times.

Filing cases without consent of the claimants and in the name of advocates who do not exist had been widely prevalent. Filing of bogus injury report / medical certificate etc. to inflate compensation considered to be a right.

FIR filed against a Doctor from Godhra General Hospital for issuance of false certificate to get compensation u/s 161 / 167 / 193 / 196 / 197 / 198 / 199 / 200 / 406 / 417 / 420 / 465 / 471 / 472 / 476 / 474 / 475 IPC

CONCLUSION

Motor insurance is one of the largest non-life insurance businesses in the world. Motor insurance is an important tool providing financial security to the motor vehicle owners. The number of motor vehicles in India has seen a phenomenal increase in recent years due to the increasing income levels of the middle class, coupled with the liberalization policy adopted by the government.

There has been a phenomenal rise in the motor accidents in the past few years. Much of these accidents are attributable to a sudden spurt in the number of vehicles. Every vehicle before being driven on roads has to be compulsorily insured. All motor vehicles are required to be register with the road transport authorities and insured for third party liability. The reason is principally the third party liability that could arise due to accidents and subsequent damage to innocent bystanders and people on the road.

If the motor insurance is not made compulsory, there is a strong possibility that some may not buy these voluntarily. This is because most of them think that the cost of accidents or losses will fall on others or they under estimate the risk of loss.

