

5th Seminar on Current Issues in General Insurance

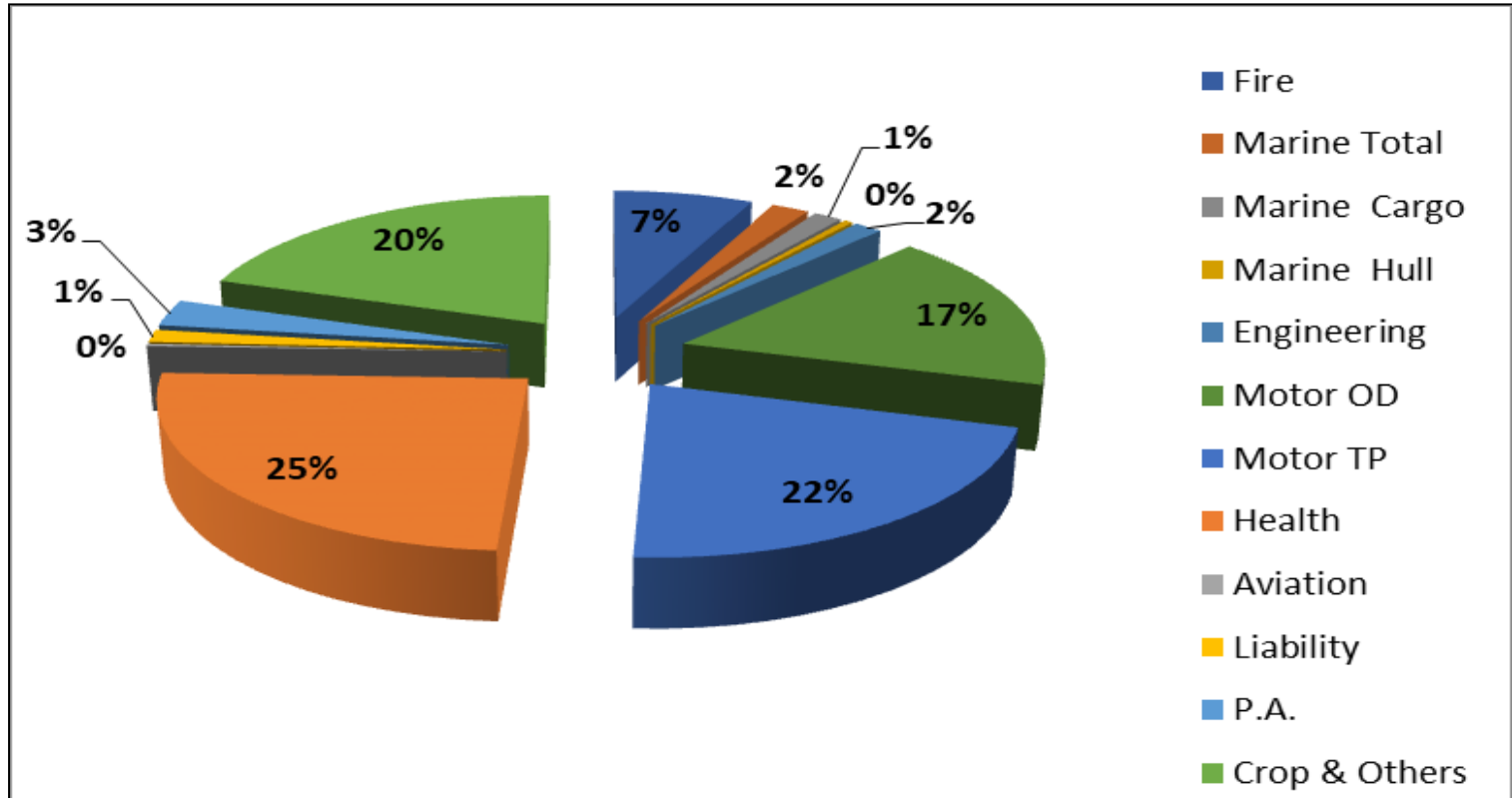
Motor TP market Overview and Impact of Recent Changes in the Legislation

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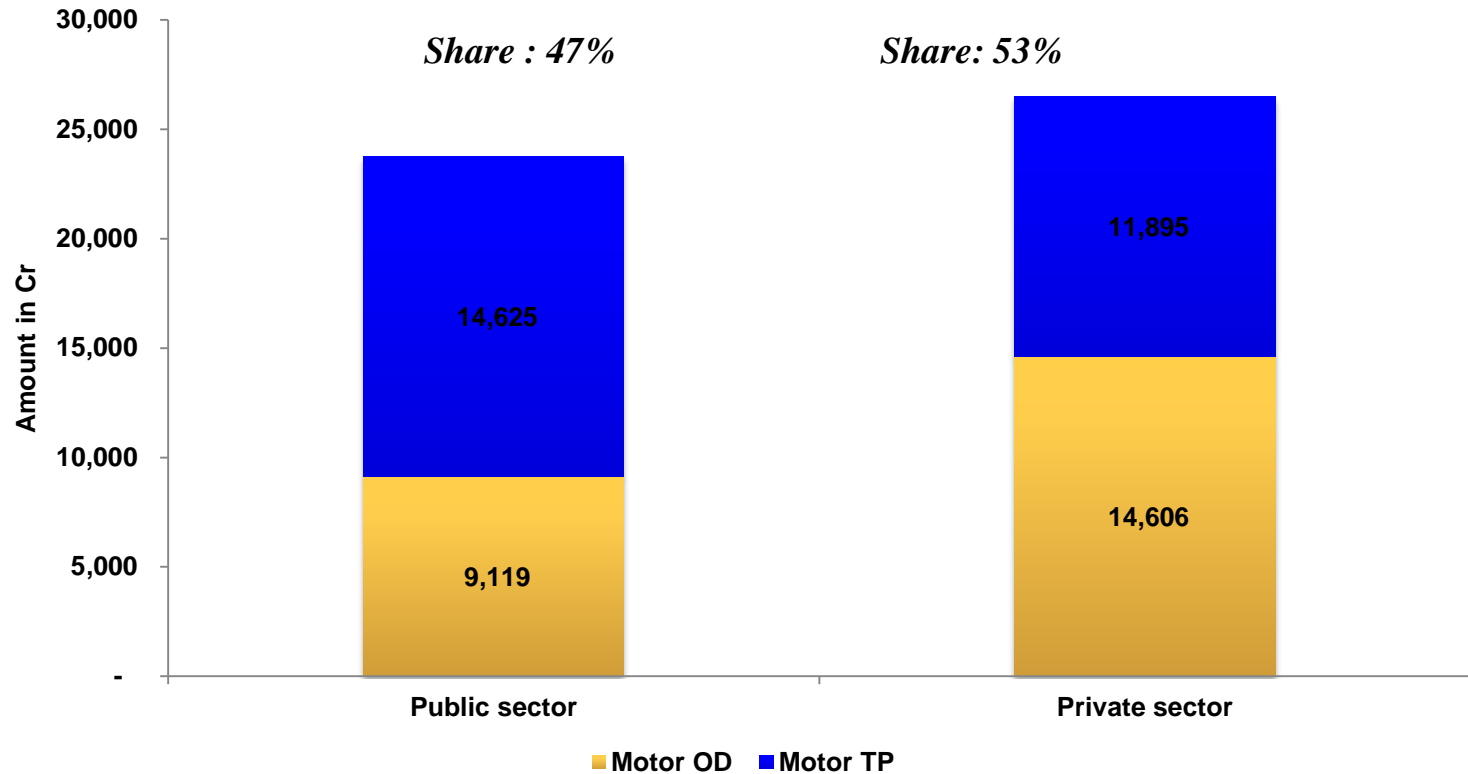
Motor Industry Overview

Total Industry GWP – 1,53,000 Crore



GWP by Line of Business – FY 2017-18

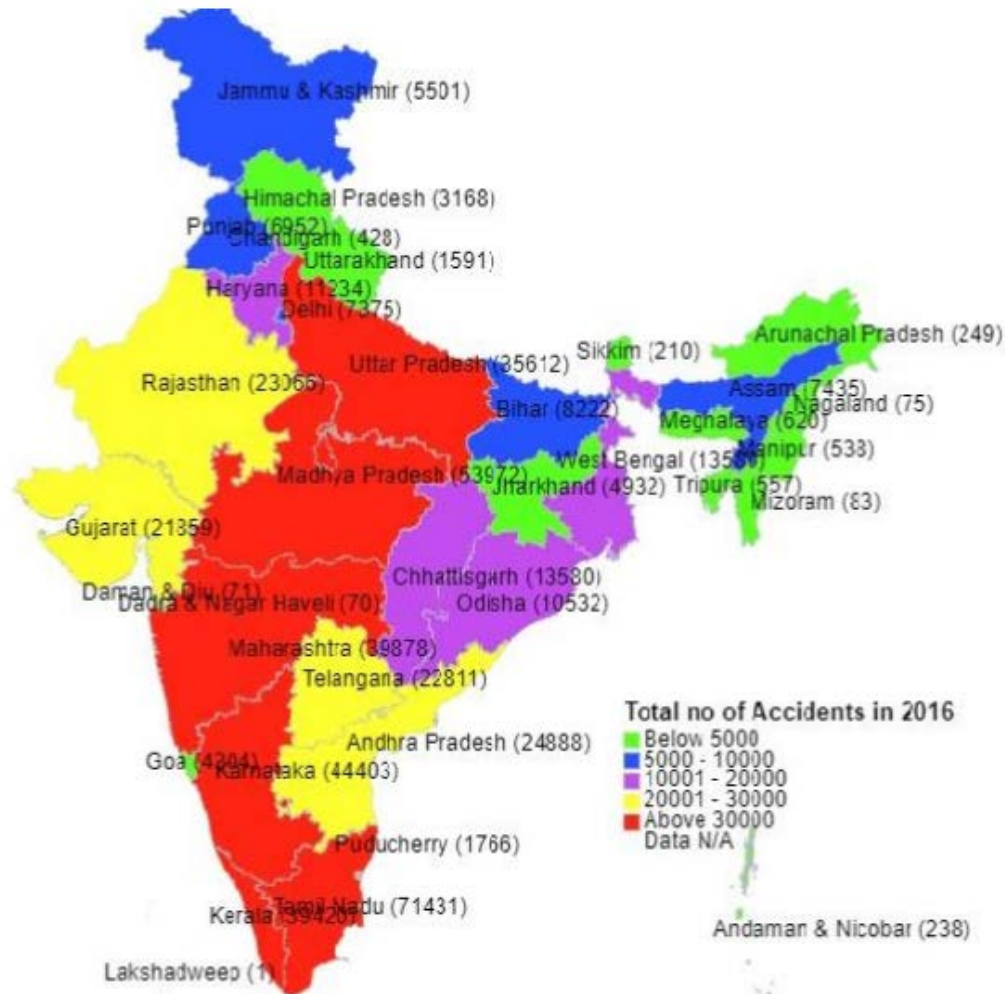
Motor Industry Overview



Accidents by State

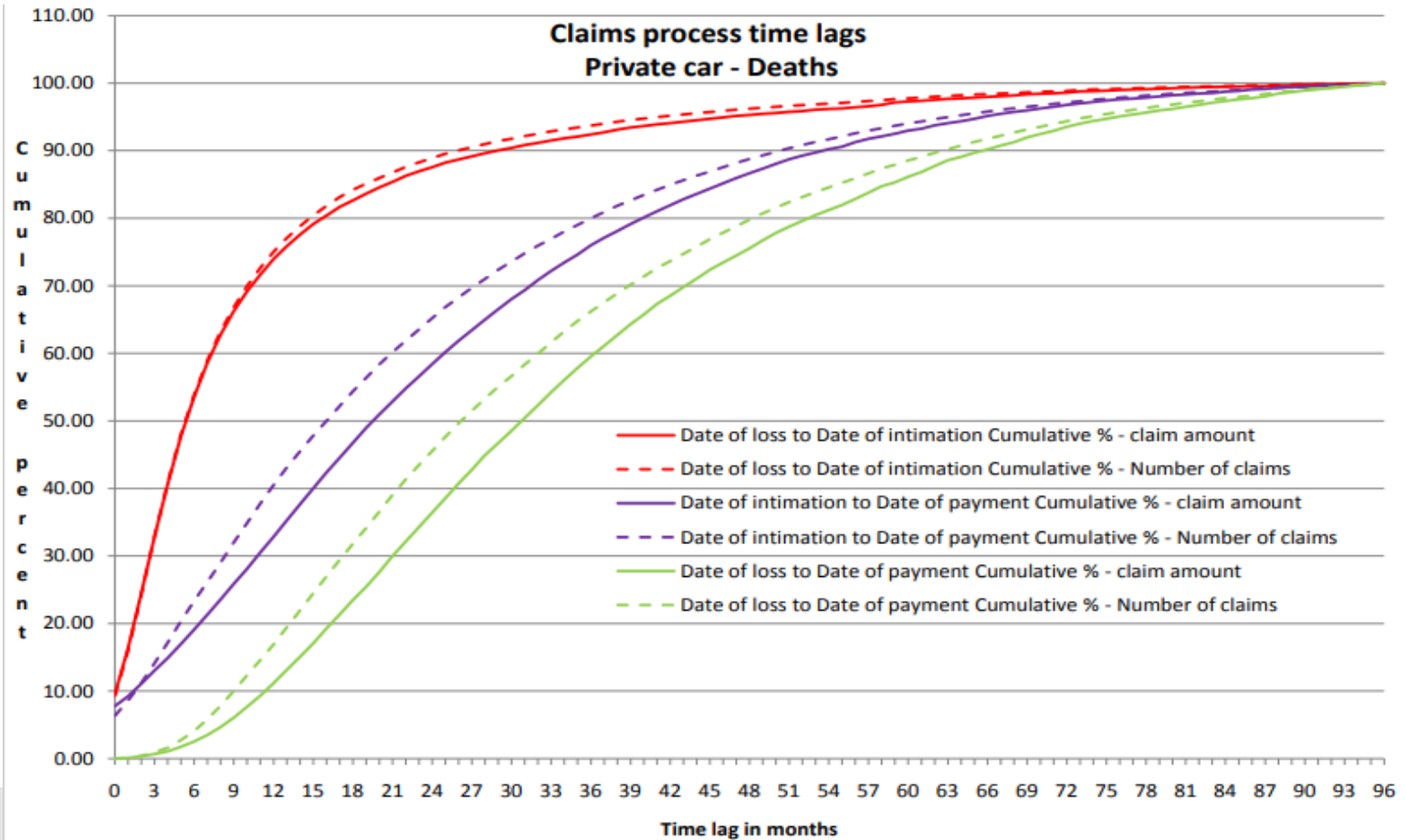


Institute of Actuaries of India



State	Total Number of Road Accidents during 2016
Tamil Nadu	71,431
Madhya Pradesh	53,972
Karnataka	44,403
Maharashtra	39,878
Kerala	39,420
Uttar Pradesh	35,612
Andhra Pradesh	24,888
Rajasthan	23,066
Telangana	22,811
Gujarat	21,859
Chhattisgarh	13,580
West Bengal	13,580
Haryana	11,234
Odisha	10,532
Bihar	8,222
Assam	7,435
Delhi	7,375
Punjab	6,952
Jammu & Kashmir	5,501
Jharkhand	4,932
Goa	4,304
Himachal Pradesh	3,168
Puducherry	1,766
Uttarakhand	1,591
Others	3,140

TP Claim development

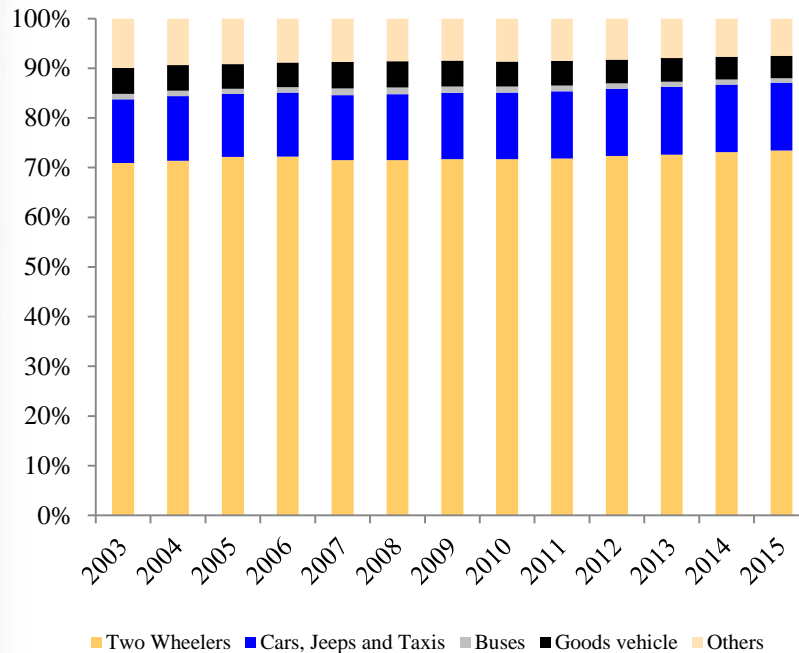


Source: IIB report – Nov 2010

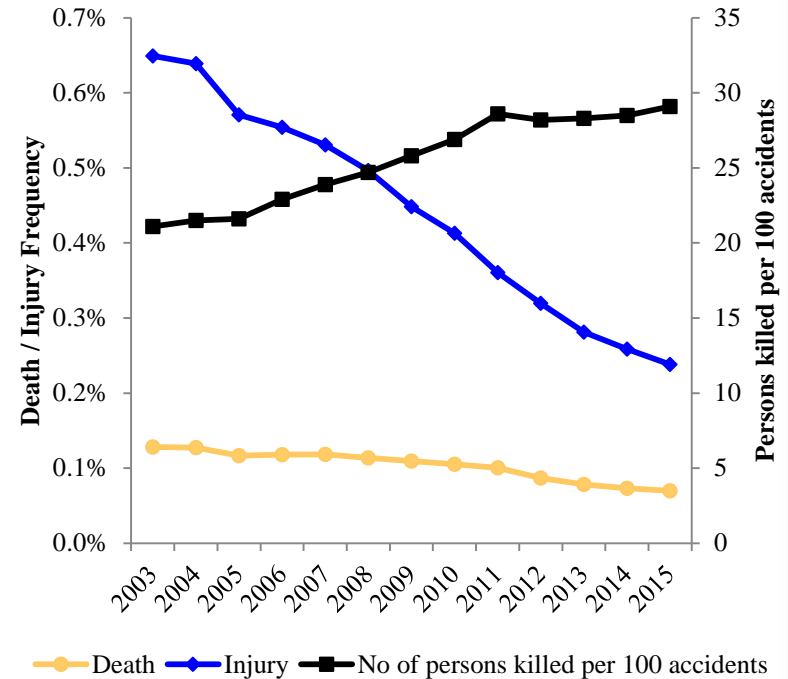
Road Accidents for Vehicle Classes



Total Number of Registered Motor Vehicles



Frequency (Death or Injury per vehicle)



Source: MoRTH Annual Report 2016-2017

Supreme Court Case Precedents on Quantum

In 2009, Sarla Verma –

Standardized the compensation calculating method by giving certain thumb rule

- **Future Prospects :**
 - 50% increase for the age group of 40-50 years
 - 30% increase for the age group of 50 years and above
 - No increase for the age group above 50 years.
- **Where the deceased was married**
 - 1/3rd deductions where dependants are 2 to 3.
 - 1/4th deductions where dependants are 4 to 6
 - 1/5th deductions where dependants are more than 6.
- **Where the deceased was unmarried**
 - 50% deductions to be made

Supreme Court Case Precedents on Quantum

In 2017, Pranay Sethi -

Future Prospects			
Sarala Verma		Pranay Sethi	
For Permanent job (salaried)	Add	For Self Employed	Add
Below 40 years	50%	Below 40years	40%
40 to 50 years	30%	40 to 50 years	25%
50-60 years	15%	50-60 years*	10%

Note: New addition to Sarala Verma for above age of 50 from Nil to 15%

Note: For those salaried on Permanent job actual salary less tax and
For Self employed established income less tax component.

General & Non Pecuniary Damages		
Head	Amount (Rs.)	
Loss of Estate	15,000	10% increase every 3 years
Loss of Consortium	40,000	
Funeral Expenses	15,000	Removed effect of Rajesh vs Rajbir case
Loss of care & guidance for minor children	Nil	

Section 163A of The Motor Vehicles Act



- **Section 163A got introduced with effect from 14-11-1994 with the key features as --**
 - Schedule based compensation structure on fixed compensation basis.
 - Claimant was not required to plead and prove negligence
 - Benefits of compensation for the lower strata of society with income band less than Rs. 40,000/- per annum only
- Though the schedule has the bottom compensation of Rs. 50,000/-, the average payout experience was INR 3.2 lakh.
- Since the schedule was never revised since 1994, very few claimants preferred claiming under this Section.
- Expected to have 1% - 2% claims outstanding in this category.
- Injury claims have been rarely filed under this section

Section 163A Amendment



Nature of loss	Heads	Existing Schedule	Amendment in the Schedule
Death	Compensation arrived at multiplier based on the age and annual income of the deceased	Rs. 50,000/- to Rs. 5,33,333/-	Fixed compensation of Rs. 5,00,000/-
	Funeral expenses of Rs. 2,000/-	Rs. 2,000/-	Nil
	Loss of consortium, if beneficiary is the spouse	Rs. 5,000/-	Nil
	Loss of estate	Rs. 2,500/-	Nil
Permanent Disability	Actual loss (income not exceeding)	52 weeks	Nil
	Permanent loss by multiplying the annual income to the multiplier applicable and the % of disability	Rs. 5,000/- to Rs. 5,33,333/-	Rs. 50,000**/- to Rs. 5,00,000/-
	Pain & suffering - Grievous Injuries	Rs. 5,000/-	Nil
	Pain & suffering - non Grievous Injuries	Rs. 1,000/-	Nil
	Medical expenses - actual as one time payment	not exceeding Rs. 15,000/-	Nil
Minor Injury	Fixed compensation	Nil	₹ 25,000/-

**** - As per the revised schedule, permanent loss will be arrived at by multiplying INR 5,00,000 and the percentage of disability as per WC schedule. Minimum compensation remains at INR 50,000**

Impact



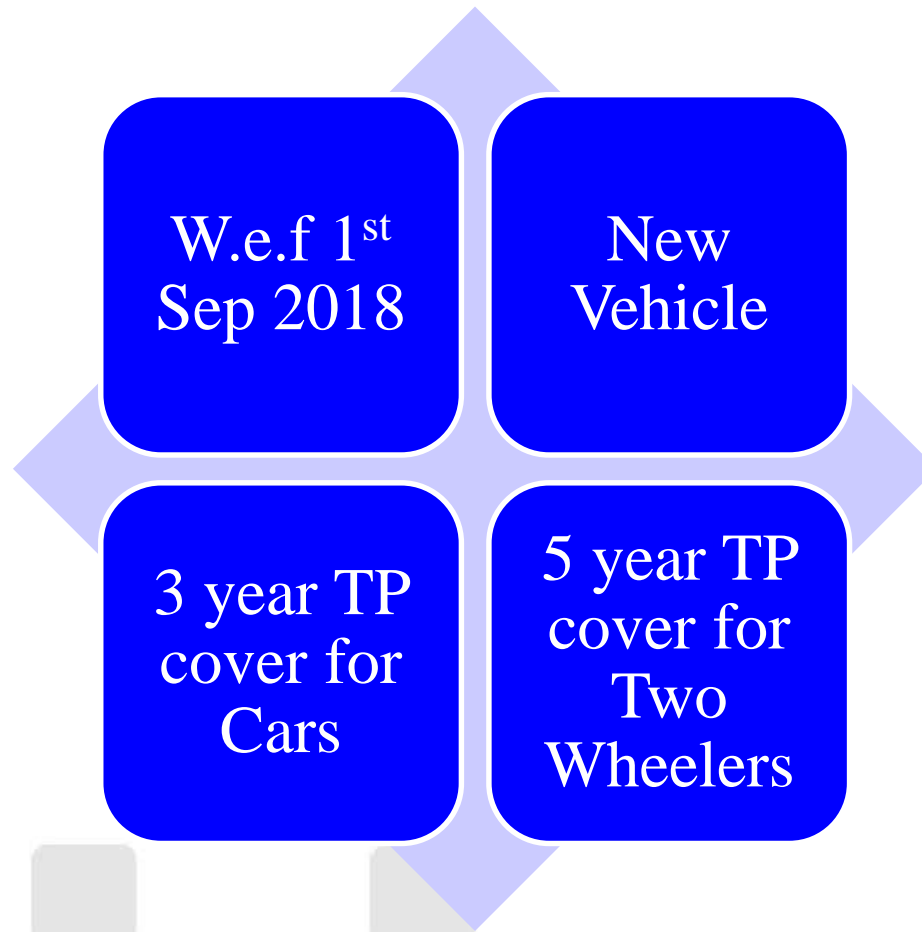
Faster claims settlement leading to reduced hardship on victims

Increase in severity of

- Death and Grievous Injury claims below 5 lac
- Expected mix of third party death claim amounts below 5 lakhs to shift from current ~10% to ~18%
- Minor Injury claims below 25 thousands

Significant changes in run-off triangle development leading to increased uncertainty in TP IBNR estimation

Mandatory Long Term Third party Insurance



Impact



Customers

- Stability in annual premium payments
- Potentially lower premiums due to wider pooling of premium

Society

- More citizens are protected

Impact



Pricing

- TP Pricing uncertainty due to long term nature
- Need for Stand-alone OD cover
- NCB discounts through policy term
- NCB portability

Claims

- Propensity to claim may increase if NCB protected through policy term
- Claims management could be difficult if OD and TP covered by different insurers

Impact



Distribution Channel

- OEM's and Banks to get a huge impetus
- Agents, Online distribution to get impacted negatively
- Possibility of mis-selling

Motor Vehicles Amendment Bill 2017



Provision	Present MV Act	Proposed Amendment Bill Of 2017	Impact
Limitation for filing claim	No Limitation period to file claim	File claim within 6 months from accident	<ul style="list-style-type: none"> ⬆️ Fast reporting of Claims ⬆️ Reduction in uncertainty of frequency ⬆️ Reduction in fraud
Option for compensation	Structured compensation income group upto ₹ 40,000/- p.a.	Fixed one time compensation <ul style="list-style-type: none"> • ₹ 2.50 lakh for grievous hurt • ₹ 5 lakh for death 	<ul style="list-style-type: none"> ⬆️ Speedy disposal of claims ⬇️ Reduction in Investment income ⬇️ Liability may go up in Injury claims
No Fault Liability	Interim compensation – <ul style="list-style-type: none"> • Disablement - ₹ 25,000/- • Death - ₹ 50,000/- 	Provisions deleted	<ul style="list-style-type: none"> ⬆️ Replaced with one time settlement
Statutory defence to Insurers	Major defences available – <ul style="list-style-type: none"> • Driving licence • Permit violation 	Additional defences to Insurers – <ul style="list-style-type: none"> • non-receipt of premium (64VB violation) • drunken driving 	<ul style="list-style-type: none"> ⬆️ Likelihood of favourable judgements to Insurers
Pay & Recovery	Pay to claimants and recover from the Insured in case of breach of policy conditions	Deletion of pay and recovery provisions	<ul style="list-style-type: none"> ⬆️ Insurers will be absolved from liability ⬆️ Saving of time and resources in pursuing recovery
Pecuniary limits for filing appeal	Minimum claim limit for filing appeal is ₹ 10,000/-	Enhanced to ₹ 1 lakh	<ul style="list-style-type: none"> ⬆️ Reduce unnecessary petty appeals ⬆️ Reducing burden of Appellate Courts
Duty of Insurers	No such provision	<ul style="list-style-type: none"> • Insurer to designate officer upon receiving claim information from any source • Offer to be made within 30 days by Insurer • If offer is accepted, settlement is recorded • Insurer to make payment within 30 days • If offer is rejected by claimant, the claim to be adjudicated on merits 	<ul style="list-style-type: none"> ⬆️ Closer involvement of Insurer in claim process ⬆️ Facilitate in speedy disposal of cases ⬇️ Reduction in Investment income

Question?

Thank you

