

**REPORT OF THE COMMITTEE  
ON 'DECLINED POOL'**

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## P R E F A C E

The Authority, vide Order dated December 17, 2010 constituted a committee with Shri M. Ramaprasad, Member (NL) as Chairman and Shri A. Giridhar, ED (Admn), as Convener to review the current arrangement to third party motor liability pool and

- a. to examine the possibility and modalities to be adopted for creating declined pool of commercial vehicles to ensure the availability of third party liability cover to all commercial vehicles.
- b. to examine the possibility to provide third party liability cover to the driver in addition to the vehicle.
- c. the methodology of pricing to provide the necessary adequacy and reasonableness of third party insurance cover.

The committee consists of the following members:

- |   |                             |
|---|-----------------------------|
| 1. Mr. Ramaprasad, Mamber (Non-Life)                          | - Chairman of the Committee |
| 2. Mr. K.P. Sarma, Consultant, IIB, IRDA                      | - Member                    |
| 3. Mr. Randip Singh, JD, IRDA                                 | - Member                    |
| 4. Ms. J. Meena Kumari, JD, IRDA                              | - Member                    |
| 5. Mr. H. Ananthkrishnan, OSD (Legal), IRDA                   | - Member                    |
| 6. Representative of GIC Re                                   | - Member                    |
| 7. Mr Milind Kharat, GM, United India Ins Co.Ltd              | - Member                    |
| 8. Mr Sanjay Dutta  | - Member                    |
| 9. Mr N.K. Singh, GM, Oriental Insurance Co.Ltd               | - Member                    |
| 10. Mr S. Gopalarathnam, CEO, Cholamandalam Gen Ins. Co. Ltd- | Member                      |
| 11. Mr V. Jeyaraman, CFO, Bajaj Allianz Gen Ins Co. Ltd       | - Member                    |
| 12. Mr. R. Krishnamurthy, Watson Wyatt                        | - Member                    |
| 13. Mr. A. Giridhar, ED, IRDA                                 | - Member Convener           |

In order to have a focused approach on the terms of reference given to the Committee on commercial motor third party liability cover, three sub-committees were constituted. One such sub-committee was constituted for advising a declined pool for commercial vehicles and framing rules for its conduct and operations. The sub-committee comprised of the following :

1. Mr H. Ananthkrishnan OSD, IRDA
2. Mr N.K. Singh, GM, Oriental

3. Mr V. Jeyaraman, CFO, Bajaj Allianz General Insurance Co. Ltd
4. Mr R. Krishnamurthy, Managing Director, Watson Wyatt

The sub-committee for 'declined pool' has now finalized its report. The sub-committee gratefully acknowledges the guidance and inputs given by the Chairman of the main Committee, Shri M. Ramaprasad, Member (Non-Life), Convener of the main Committee, Shri A. Giridhar, Executive Director, IRDA and members of the main Committee Shri K.P. Sarma, Actuary & Advisor to IRDA, Shri Randip Singh Jagpal, Joint Director and Mrs J. Meena Kumari, Joint Director. The advice and inputs provided by Shri K.P. Sarma, Actuary and Advisor to IRDA has been invaluable for which no amount of gratitude would be sufficient, especially as the inputs were provided at a time when he has been advised rest for convalescence.

The tone for motor insurance pool was set in the year 2007 by IRDA relying upon the vast experience of Shri C.N.S. Shastri, former Advisor, IRDA. His reports and advices on establishing motor third party insurance pool in the year 2007 still form the core for gaining understanding on the subject.

Last but not least, the members gained immeasurably from the book 'Motor Third-Party Liability Insurance in Developing Countries – Raising Awareness and Improving Safety' Edited by Shri Serap Gonulal, from World Bank which provided valuable insights on working of motor third party liability in developing countries. Our grateful acknowledgement is due to all above for enriching our knowledge on a challenging subject.

It is sincerely hoped that this report will prove to be a useful point of reference for establishing a system of 'Declined Pool' for motor third party insurance.

Comments / suggestions / views are welcome and may be sent by mail at [hananthakrishnan@irda.gov.in](mailto:hananthakrishnan@irda.gov.in) within 30 days from today.

(H. Ananthakrishnan)  
Convener –Sub Committee

Dated: 19.05.2011

## Background

Motor Third Party Insurance cover to commercial vehicles has been a challenge for non-life insurers in view of tariff controls prevailing and non-availability of credible data and statutory provisions. The Authority vide direction dated 4<sup>th</sup> December 2006 has directed all non-life insurers (except specialized entities) to participate in a "pool" arrangement to ensure active participation in providing the cover.

Since 2006, many issues relating to the adequacy of the premium charged for the cover and various alternatives to address the issue were brought to the notice of the Authority. In this regard, with a view to evaluating the prevailing market conditions and various options available to address the issue, the Authority in exercise of powers vested under section 14 (1) of the IRDA Act, 1999 constituted a Committee with Member (NL) as the Chairman.

Further in order to have a focused approach on the terms of reference given to the Committee, three sub-committees were constituted. One of the sub-committees was constituted for the following purpose

***To examine the possibility and modalities to be adopted for creating declined pool of commercial vehicles to ensure the availability of third party liability cover to all commercial vehicles.***

The Committee comprised of

1. Shri H. Ananthkrishnan, OSD, IRDA
2. Shri N.K. Singh, GM, Oriental
3. Shri R. Krishnamurthy, MD, Watson Wyatt
4. Shri V. Jeyaraman, CFO, Bajaj Allianz General Insurance Company Ltd.

The Committee held two meetings and deliberated on various issues concerning a declined pool, including pool systems adopted internationally in countries such as in Malaysia, Columbia and Massachusetts.

The Committee's recommendations are submitted herewith.

## Chapter 1

### Devising a declined pool for commercial vehicles and framing rules for its conduct and operations

#### Outline of the Report of the Sub-committee

#### Introduction – Genesis of Indian Motor Third Party Insurance Pool

- 1.1 Till 2006 the premium for third party motor insurance was administered by the Tariff Advisory Committee by way of India Motor Tariffs. With effect from 1.1.2007, the tariffs were withdrawn and the IRDA under the powers vested with it by Section 14 2(i) of the IRDA Act has been regulating the motor third party premium by fixing the maximum premium that can be charged for this class of insurance.
- 1.2 Historically, motor third party insurance business has been unviable to the general insurance companies. The third party insurance for motor vehicles is mandatory under Section 146 of the Motor Vehicles Act 1988. There are certain peculiarities associated with the business of motor third party insurance and some of them include.
- The third party liability insurance cover is long-tailed and may take around 7 to 8 years for the portfolio to mature
  - The compensation amounts awarded by the courts appear to be unpredictable, tend to create precedence and also wipe out any margins the insurers might have allowed for, if any.
  - It is also aggravated by the fact that the MV Act does not impose any limits on the liability. The statute is not of much help to the insurers in defending their cases before the Tribunals.
  - Over and above the factors mentioned above, transacting this class of business by the insurers is becoming riskier and capital intensive/sensitive, as the efforts/attempts to provide the insurance cover by charging the premium commensurate with the risk, considering the risk profiles is resisted by the transporters' lobby.
  - This is resulting into huge claims outgo in the motor third party business for commercial vehicles.
- 1.3 In view of the above, the insurance companies were reluctant to underwrite this class of risk. As a result, during the period 2005-2007 the Authority was also receiving complaints of denial of motor third party cover by the insurers. Therefore with a view to reconciling the unviability of the third party portfolio and also to ensure a level playing field, the IRDA vide direction dated 4<sup>th</sup> December 2006 [Annexure 1] under Section 34 of the Insurance Act constituted the Indian Third Party Motor Insurance Pool [IMTPIP] for commercial vehicles

w.e.f 1<sup>st</sup> April 2007. Other vehicles such as private vehicles continue to be underwritten outside the pool by the individual companies.

- 1.4 With the constitution of the Pool, complaints of denial of cover were eliminated. The pool ensured that the entire third party liability is shared between member companies.

#### **Overview of current arrangements under the Third Party motor pool**

- 2.1 The member companies have entered into an agreement in accordance with the direction issued by the Authority [**Annexure II**]. As per the direction, the share of each member company is determined in proportion to its market share with respect to the total general insurance business underwritten in each of the financial year.
- 2.2 However the performance of pool over the last three years has thrown up concerns regarding its viability.

#### **2.3 Brief analysis of the performance of the pool and the areas of concern**

- 2.3.1 The performance of pool as reflected in the audited accounts for the 3 years of its existence is annexed as **Annexure III**. It can be seen that the pool is running in loss of over Rs.673crores in the last financial year;
- 2.3.2 The premium and claim data relating to the last three years of the Pool is annexed as **Annexure IV**. The data shows that the claims for the years 2008-09 and 09-10 are yet to be matured.;
- 2.3.3 With the losses that are being incurring in the pool as stated above along with the current level of administered pricing and the trends of compensation that is being awarded by the courts, it would be unsustainable for the pool to continue with the current premium that is being charged;
- 2.3.4 This may also involve subsequent capital infusion by the insurer, if the pool is running in deficit. This has forced to review the current system of pooling with the administered pricing. .

#### **Reasons for not creating a Declined Risk pool for commercial vehicles at the time of creation of the pool arrangement:**

- 3.1. The concept of 'declined pool' was considered at the time of constitution of the Indian Motor Third Party Insurance Pool (IMTPIP) in 2007 akin to the Malaysian concept. However, the industry had no experience as to the working of a motor pool prior to 2007.

- 3.2 But, it was felt that since the Indian Motor Vehicles Act 1988 makes the insurance of third party risk mandatory, it would not be legal for any insurance company to refuse such a cover. The IRDA had also issued directives to the insurance companies not to deny third party insurance.
- 3.3 Due to these reasons, the concept of declined pool was not put into operation in 2007.

#### **Comments on whether these reasons continue to hold valid**

- 4.1 The experience of the current system of motor pool has given rise to renewed thinking towards the concept of 'declined pool'.
- 4.2 The interpretation of Section 146 to the effect that insurers cannot decline the motor third party motor insurance continues to remain. However there is a growing perception in the insurance sector that though refusal of insurance is not permitted under Section 146 of Motor Vehicles Act 1988, pricing the third party risk needs to be commensurate with the risk that is being accepted.
- 4.3 Therefore as long as the pricing for third party risk is administered, the insurers need to be given an option to decline the risk at the administered price, provided such declinature is based on the underwriting manual filed and approved by the Authority under the File & Use guidelines.
- 4.4 Lastly, the Insurance Laws (Amendment) Bill, 2008 proposes (proposed section 32 D) to introduce obligations on the part of insurers to underwrite minimum percentage of motor third party risks. In such eventuality, the pool in the present form would not be required as insurers will have to fulfill their obligations.
- 4.5 However, the insurers may still encounter risks which do not meet the underwriting criteria and wish to decline or risks which the insurer may accept up to the underwriting capacity and wish to reinsure over and above the obligatory session. As a result, the industry is looking at the possible alternatives to the existing pooling mechanism.

#### **Suggested mechanism to create a Declined Risk pool in India:**

##### **Suggestions on the conduct and operations**

- 5.1 At present the pool accepts all the proposals for the third party liability of commercial vehicle and the member companies take their risk in proportion to the market share. However, the trend in the claims experience reveals concerns on the sustainability of the pool. This in turn places burden on the insurers as they are



expected to meet the obligations as and when they arise, though they don't have a role to play at the underwriting stage and in the premium determination.

5.2 As a result, some companies feel that they could perform better if they undertake the risk independent of the pool, as the insurers can charge premium commensurate with the risk, if it is written on its books directly. However, given the opportunity to underwrite the business directly, the insurers may still have the difficulty in accepting all the risks. This can result in a situation which existed before 2007.

5.3 Hence in the long run the most viable model seems to be to impose obligations on the insurers with facility to charge differential premium for high risks based on the underwriting manual filed and approved under the File & Use guidelines of the Authority.

5.4 In the administered pricing regime, the insurer may consider certain risks unviable at the administered rate. This necessitates the need of setting up a mechanism for declined risk with differential premium as detailed herein below.

**Suggestion for declined risk pool system starts sequentially from the following stages:**

- 6.1 Declined Pool system
- 6.2 Proposal stage for third party insurance
- 6.3 Consideration of proposal by insurers
- 6.4 Parameters for declining the proposals
- 6.5 Transfer of risks from insurer to 'declined pool' and vice versa
- 6.6 Premium for declined risks
- 6.7 Insurers' duties and obligations

Each stage is considered separately and suggestions are given to set up a suitable mechanism for declined pool system:

#### **6.1 Declined Pool system:**

The 'declined pool' system shall operate as below:

**6.1.1 Subject to 6.1.6** the declined pool system shall apply to Commercial Vehicles for third party risks or third party risks forming part of package (comprehensive) policies

- i. declined by the insurance companies; and
- ii. as reinsurance to accept covers beyond the capacity of the insurers and their obligatory cession for such risks;

- 6.1.2 All general insurers underwriting motor insurance shall be the members of the 'declined pool'.
- 6.1.3 The declined pool shall be owned and administered by the General Insurance Corporation (GIC) of India
- 6.1.4 The GIC will act as exclusive reinsurer of the motor insurance risks.
- 6.1.5 The GIC shall maintain accounts, liabilities and investments as per the statutory requirements and file all the returns as per the relevant regulations of the pool.
- 6.1.6 All risks as stated in 6.1.1 shall form part of the pool administered by the GIC. However, should such declined third party risks form part of package policy, it shall be imperative that such package policy as a whole is ceded to the pool. **Provided however that** any member with prior approval of the reinsurer may choose to underwrite any declined risk ceded to the GIC on its [member's] own account, provided
- i. the insurer demonstrates that the risk is within the underwriting capacity for such policies and
  - ii. has sufficient resources to underwrite without causing any prejudice to other lines and policies.
- 6.1.7 After such takeover by the member, the said risk shall remain in the books of underwriting insurer for at least one full underwriting year. In case of package policies, the entire package policy shall then be ceded to the member insurer willing to take the risk subject to the consent of the reinsurer provided the insurer demonstrates (i) and (ii) of 6.1.6 above.
- 6.1.8 No reinsurance commission shall be payable to the ceding insurers as this class of insurance is mandatory and ought to be underwritten by the insurers themselves.
- 6.1.9 Thus all motor risks which are to be declined shall first be placed with the GIC. The reinsurer shall have the option to retrocede the risks to any of the reinsurer including Indian Insurers and GIC on commercial terms.
- 6.1.10 The GIC may constitute such committees for underwriting, claims, IT and other aspects of the pool for efficient operation of the pool. The Underwriting Committee shall also approve the underwriting manuals of each member company prior to submission to IRDA.

- 6.1.11 TP risks declined by the insurer shall be placed on a **centralized website** to be administered by the GIC. In case such TP risks form part of package policy, such package policy shall be hosted on the site.
- 6.1.12 The **website** shall be designed to enable to:
- i. Download directly by the insured the mandatory proposal form for third party insurance;
  - ii. Upload back on the site after duly filling such proposal form; and
  - iii. Insurers to consider such proposals online;
- 6.1.13 The **website** shall be accessible to all stakeholders, and the stakeholders shall include the Authority, the GIC, the insurers and the proposers of insurance.
- 6.1.14 Any proposer may, in the prescribed proposal form, fill in the details and upload the form to the insurer he wishes to apply on the website drawing attention to his/her proposal for insurance. Provision for such alert shall be designed in the web site. The web shall automatically alert such insurers **who shall decide on the proposal immediately** but in any case not later than 7 working days.
- 6.1.15 If the insurer declines such proposal within 7 days, the details along with the reasons for declinature shall be placed on the website inviting the attention of other insurers.
- Such risk shall be immediately deemed to be part of the pool until any other insurer accepts. Any insurer, who wishes to accept such risk may do so within the 7 days, provided the risk falls within the underwriting capacity of the insurer, as filed and approved by the Authority.
- 6.1.16 If the mandatory minimum percentage of motor third party risks as specified in **para 6.7.2** is not completed by any of the insurers, the declined pool shall retrocede to such members **such percentage** of the declined risks available in the pool based on the deficit in the mandatory minimum percentage. If more number of insurers fail to meet such minimum criteria and the number of declined risks available is less than the requirement, the pool shall allot such risks back to insurers based on the shortfall in the target prescribed. Such risks once allotted shall remain in the books of the insurer for the remaining duration of the policy.
- 6.1.17 A full time qualified appointed actuary, accountant and other staff, as necessary, shall be appointed by the declined pool administrator. A full actuarial department shall be established by the reinsurer.

## **2. Proposal stage for third party insurance:**

As stated in **6.1.12**, a centralized website shall be functional under the control of the pool administrator to monitor progress of all motor third party proposals. Accordingly, the following is proposed:

- 6.2.1** The proposal for insurance shall be considered and the decision shall be communicated within 7 days of submission of such proposal form.
- 6.2.2** Any insurer, who has not communicated its decision within the period of 7 days on any proposal, shall lose the right to decline the risk and such risks shall be retained on its account for the duration of the policy.
- 6.2.3** Once a proposal is declined, the procedure as stated in **6.1.16** and **6.1.17** shall be followed.
- 6.2.4** As far as the proposer is concerned, the insurer who declined his proposal shall continue to be the underwriter of the risk in matters of servicing of the policy unless the risk is accepted by another insurer in its own accounts.
- 6.2.5** In order to avoid complaints from owners of vehicles of denial of third party cover it is necessary to put in place a mechanism whereby the evidence of the proposal and declining is made available transparently.
- 6.2.6** A dedicated motor nodal officer of each insurance company shall be nominated who shall be responsible for registration of each proposal and issue of acknowledgement immediately to all the proposals by allotting a running number called, 'proposal number'. This can be done through web wherever accessible to the proposer. Such proposal number shall be quoted in all future correspondence, till the policy number is assigned.
- 6.2.7** This number shall be evidence of the proposer having signified his willingness to approach the company to insure his third party risk. For those who chose to approach the insurer directly, this number shall be given directly. The insurer shall not deny any proposal, except as per the underwriting manual filed and approved by the Authority.
- 6.2.8** Heavy penalty shall be imposed on the insurer who refuses to enroll the proposal form (i.e. issue of 'proposal number'), or if it is proved that the proposer had approached the insurer but was refused an opportunity to enroll his proposal. The onus in such case is on the proposer himself to prove that he had approached the insurer but his proposal was not attended to.

6.2.9 Every proposal whether declined or otherwise will be reviewed annually by the pool administrator

6.2.10 The proposal form designed by the Authority for motor third party risks shall continue to be mandatory for use by the insured.

### 6.3 Consideration of proposal by insurers:

6.3.1 The insurers shall file with the Authority the underwriting manual which deals with the risks to be accepted and declined. The manual shall be comprehensive and shall cover all aspects of underwriting for acceptance and declinature.

6.3.2 Insurers shall ensure that the proposal for motor insurance is dealt by suitable resources for underwriting decision. The resources identified shall scrutinize each proposal carefully in line with the underwriting manual before concluding a decision. Each insurer shall have dedicated third party team identified in each of its underwriting office with a nodal officer to deal with all the proposals.

6.3.3 Such team shall be responsible for submitting quarterly report to the pool administrator on the risks declined. This must be corroborated with the data uploaded on the declined pool website.

### 6.4 Parameters for declining the proposals:

6.4.1 A set of risk factors /parameters shall be prescribed by the Authority to enable the insurers to decline the risks on uniform grounds across the insurers. However, such standard risk factors/parameters prescribed shall be considered as the stringent limits for declinature. Insurers may consider to accept risk with liberal terms than the standard parameters prescribed.

6.4.2 However, they shall not introduce any parameter stringent than the standard parameters prescribed. For e.g. if claims experience of 125% is prescribed, the insurer may accept where claims experience is more than 125%, but cannot deny if claims experience is less than 125%.

6.4.3 Insurers are required to file all the parameters in their underwriting manual based on their risk perception for consideration of the Authority under the File & Use guidelines. The Authority shall determine the parameters for declining the risks uniformly across the insurers. Initially, the following parameters are suggested.

- i. Claims experience: If incurred claims ratio exceeds 125% in each of the past two years, inclusive of the current policy (expiring policy);

- ii. Frequency of accident of the vehicle: If number of accidents exceed two in each of the past two years, inclusive of the current policy (expiring policy), irrespective of claim amount in such accidents;
- iii. Age of the vehicle: If age of the vehicle is more than 15 years and had encountered the following:
  - If number of accidents exceed two in the current policy (expiring policy), irrespective of claim amount in such accidents or
  - If incurred claims ratio exceeds 125% in the current policy (expiring policy);
- iv. Driver's track record: If aged 60 and above or alcoholic and had encountered the following:
  - If number of accidents exceed two in the current policy (expiring policy), irrespective of claim amount in such accidents or
  - If incurred claims ratio exceeds 125% in the current policy (expiring policy);
- v. Owner's track record: If aged 60 and above or alcoholic and had encountered the following:
  - If number of accidents exceed two in the current policy (expiring policy), irrespective of claim amount in such accidents or
  - If incurred claims ratio exceeds 125% in the current policy (expiring policy);
- vi. Such other parameters as approved by the Authority.

6.4.4 The Authority shall appoint an independent underwriting auditor every year for examining whether the declining is as per the procedure prescribed in the approved manual and product filing.

## 6.5 **Transfer of risks from insurer to 'declined pool' and vice versa:**

- 6.5.1 The risks which fall into the declined category subsequent to acceptance of the risk shall remain in the books of the insurer up to the expiry of the period. On the date of renewal, subject to declining of the risk by the insurer, such risks shall form part of the declined pool and the mechanism as enumerated in 6.1 shall be followed.
- 6.5.2 The pool administrator shall submit data on declined risks to the IIB on a quarterly basis clearly demarcating the risks which were transferred from the insurer to the pool. The IIB shall maintain a data of such declined risks separately.
- 6.5.3 The pool shall establish suitable software to examine the risks at each renewal date. If any of these risks have improved and qualify for acceptance, such risks may be assigned back to insurers.

**6.6 Premium for declined risks:**

- 6.6.1 The premium for declined risks shall be determined by the pool appointed actuary in accordance with the actuarial principles and filed with the IRDA for prior approval every financial year;
- 6.6.2 The premium shall be reviewed at least on an annual basis based on the formula as applicable now for review of third party premium.
- 6.6.3 There shall not be any commission paid to any of the insurers, and no allowance shall be made in the premium determination;
- 6.6.4 The expense loadings shall not exceed 15% of the premium and the profit margin shall not exceed 2% of the premium and such loading shall be reviewed annually;
- 6.6.5 For the purpose of expense loading, all the expenses incurred in administering the pool shall be considered;
- 6.6.6 The appointed actuary shall conduct analysis of experience at least on an annual basis and review all the loadings allowed for in the premium determination;
- 6.6.7. The methodology in determining the premium shall suitably allow for the claims frequency, claims costs, expense inflation, investment, etc considering the long tail of business;

**6.7 Insurers' duties and obligations:**

- 6.7.1 No proposal shall be turned down without reasons being recorded, however frivolous such proposals may be. It shall be the duty of the insurer to record every proposal whereby evidence of acceptance or declining of the proposal is made available.
- 6.7.2 Each general insurer underwriting motor insurance business shall underwrite such minimum number of third party policies of each category of commercial vehicles such as goods carrying and passenger carrying vehicles **and** minimum quantum of premium for goods and passenger carrying vehicles as may be prescribed by the Authority for each year.
- 6.7.3 Initially such obligation shall be prescribed based on the proportion of each company's market share to the total market share in general insurance business as determined at the end of a financial year. Such

obligation may be modified way of regulation of the Authority from time to time.

6.7.4 Insurers shall maintain at all times adequate reserves for discharging their obligations (a) in their own account and (b) their share in declined pool.

**Reports:**

7.1 Quarterly report of each dedicated motor third party nodal unit of each insurer shall submit to the Pool Administrator who in turn would submit quarterly returns to the Authority (IIB) for each member company at as prescribed for this purpose.



## Chapter 2

### System of Motor Pool prevailing in some countries

#### i. MALAYSIA

##### Malaysian Motor Insurance Pool (MMIP)

Malaysian Motor Insurance Pool (MMIP) is set up and owned collectively by all general insurance companies operating in Malaysia. This entity will insure motor vehicles that are unable to obtain motor insurance cover in the market.

Established in 1992, MMIP was formerly known as High Risk Motor Insurance Pool. Its main aim is to provide motor insurance coverage to vehicles which may be considered 'high risk' or risks which will not be underwritten by any single insurance company.

##### Mechanism of applying to MMIP insurance cover:

If a proposer is unable to obtain motor insurance cover from other insurance companies, he may apply for MMIP policies from any of the two Servicing Insurers (Uni. Asia General Insurance Berhad and Multi-Purpose Insurance Berhad) as well as any of the Pos Malaysia Berhad outlets nationwide.

##### Types of cover provided by MMIP

MMIP provides comprehensive and third party motor insurance cover. However, comprehensive cover is only available for vehicles with existing Hire Purchase Loans.

Servicing insurers will issue the motor insurance policy for all types of vehicles.

However, Pos Malaysia Berhad will only issue motor policy for the following types of vehicles –

- Motor Cycle
- Private Car
- Town/Public Taxi
- Factory Bus
- Stage Bus
- School Bus

**Payment to MMIP** Payment must be made before a motor policy is effective. The available modes of settlement for MMIP policies at the Servicing Insurers are either by cash or cheque payments. However, only cash payments are accepted at Pos Malaysia Berhad. Credit card payments are currently not accepted.

## **NCB**

MMIP will continue with previous No Claim Bonus entitlement provided the following documentation is submitted upon signing up for the new motor policy:

- i. NCB confirmation from previous insurer; or
- ii. Renewal Notice from previous insurer, or
- iii. Existing policy

## **Requirements to be fulfilled for purchase of motor insurance cover from MMIP.**

- i. For commercial vehicles which involve fare collection (i.e buses and taxis) and are above 5 years old, a Puspakom Inspection report or a report from any of the MMIP' panel adjusters verifying the roadworthiness of the vehicle.
- ii. For non-commercial vehicles more than 10 years old, a Puspakom Inspection report or a report from any of the MMIP's panel adjusters verifying the roadworthiness of the vehicle.
- iii. Payment for such inspection must be borne by the insured.
- iv. However, in the event an applicant is unable to get access to Puspakom or any of the MMIP's panel adjusters, then a report from the nearest available licensed-insurance adjuster can be used for purpose of vehicle inspection/verification.
- v. If an applicant is above 65 years of age, then he/she must provide a medical report to confirm that he/she is fit to drive a motor vehicle.
- vi. A standard report from Puspakom is valid only for 6 months from date of issuance or until an unfortunate accident occurs, whichever is earlier.
- vii. Once a Puspakom report expires, the insured will need to complete another inspection to obtain a new Puspakom report which proves the roadworthiness of the vehicle concerned.
- viii. Notwithstanding this, MMIP reserves the right to reject any claim arising out of or due to mechanical fault or wear & tear of the insured vehicle.

## **Documents required**

### **Non-Commercial Vehicles**

1. Complete and signed Proposal Form
2. Existing Policy
3. If NCB is claimed, then Renewal Notice from previous insurer showing details of NCB confirmation
4. RIMV Registration Card
5. Existing Hire Purchase documentation
6. Vehicle Inspection Report (for non-commercial vehicles more than 10 years old) or Valid Puspakom Inspection Report or Panel adjuster's report indicating suitability for vehicle to be on the road

7. Medical Report – If applicant is more than 65 years old to certify fitness to drive

#### **Commercial Vehicles**

1. Completed and signed Proposal Form – affirmed with company stamp.
2. Copy of permit
3. Existing policy
4. If No Claims Discount is claimed, then Renewal Notice from previous Insurer showing details of NCD confirmation
5. RIMV Registration Card
6. Existing Hire Purchase documentation
7. Vehicle Inspection Report (for commercial vehicles more than 5 years old) or Valid Puspakom Inspection Report or Panel adjuster's report indicating suitability for vehicles to be on the road. (Not necessary for buses and taxis less than or equal to 5 years old)
8. Medical Report. If applicant is more than 65 years old to certify fitness to drive

Completed Proposal Form is required for every new or renewal policy.

MMIP functions as an insurer of last resort, which is geared to insure vehicles which are generally categorized as 'high risk'. MMIP extends insurance coverage to vehicles which have been rejected by individual insurance companies, hence it imposes higher loading to reflect the higher risk involved. All premiums quoted by MMIP are fixed and no discount is available on the premium charged by MMIP.

Exclusions:

The main exclusions under the MMIP motor insurance cover are:

- i. Vehicles on rails
- ii. Vehicles not running solely on road
- iii. Racing, speed testing vehicles
- iv. Liability for goods carried in vehicles.

## ii. Columbia

Columbia has "assigned-risk pool" also known as the "residual" or "shared" market. This is where high risk drivers can buy car insurance policies at a high price from insurers who must accept them. According to the Insurance Information Institute (III), every auto insurer must accept a number of assigned-risk drivers in proportion to the amount of business it conducts in each state. Residual-market policies may be available for all types of vehicles, including commercial vehicles, motorcycles, motor homes, campers, all terrain vehicles, snowmobiles and golf carts.

Assigned-risk business made up roughly 0.8% of the total written auto premium in 2008, according to a 2009-10 report from AIPSO [Assigned Insurance Plan Servicing Office]

AIPSO is a management organization and service provider for various insurance industry groups responsible for administering the residual market. Being a nonprofit organization, the revenues AIPSO receives from automobile insurers generally cover only its operating costs. These costs are shared among the insurers on a market share basis for each of 49 states (as well as District of Columbia) in which AIPSO provides services. Many AIPSO services are provided directly to or on behalf of Governing Committees representing residual market mechanisms in each state. Service components are frequently subject to the prior approval of the respective state insurance regulators. AIPSO is a national organization of approximately 400 employees that serves local customer needs. Centralization and standardization are key to many AIPSO services because of inherent economies of scale and other efficiencies. However, the organization is based on customer focus and recognizes the need for flexibility in serving customer groups with diverse interests. Services are tailored to meet local state residual markets where appropriate. AIPSO's 7 home office departments and 11 regional offices work together to serve the industry. While the home office is organized functionally, teams share responsibility for providing services to AIPSO customers throughout the country. Our customers - the many and varied segments of the insurance industry- are the reason why AIPSO exists. This customer base is continually challenging our organization to provide services at higher levels of excellence. In accepting these challenges, AIPSO's philosophy of serving the insurance industry is to affirmatively respond to our customer's requests, while simultaneously focusing on efficient management and cost containment.

Proportions of assigned risk premium vary from State to State. North Carolina had by far the largest residual market in 2008, with more than 14.4% of its total auto premium falling into that category, according to AIPSO report. Massachusetts, in second place, had 6.1% in the market, followed by Maryland at 2.8%.

### **How an assigned-risk pool works**

Each State has its own eligibility rules for its assigned, but typically the proposal must have been declined for a car insurance policy or offered a policy at a higher than the pool's premium within the last 60 days. Some states may require that the proposal is turned down more than once. The standard assigned-risk period is three years and the insured can be back in the voluntary market.

### iii. Massachusetts

#### MASSACHUSETTS AUTOMOBILE INSURANCE PLAN (MAIP)

The MAIP is an insurance plan for drivers who cannot obtain insurance in the voluntary market. If a person cannot find an insurance company willing to write a policy, he will be assigned to an insurer through the MAIP. MAIP is not an insurance company but is the way the proposals are assigned to one of the existing automobile insurers if they are unable to find coverage on their own.

Every company licensed to sell private passenger automobile insurance in Massachusetts must also participate in the MAIP by acting as an Assigned Risk Company (ARC). Insureds who cannot obtain insurance in the voluntary market are assigned to an ARC by the MAIP. For the most part, these ARCs are the same companies that are selling insurance in the voluntary market. The only difference is each company has some drivers they insure voluntarily and other drivers that are assigned to them through the MAIP.

The MAIP is administered by the Commonwealth Automobile Reinsurers (CAR) according to rules that are approved by the Division of Insurance. The ARC must charge the insured the lower of the MAIP premium rate or the ARC's voluntary premium rate.

#### Method of Assignment

The proposer will try to find coverage on his own in the voluntary market-either through an agent or directly from a company. If no company is willing to write coverage, any insurance agent can submit an application for insurance to the MAIP. The MAIP will then assign the application to one of the Assigned Risk Companies and insurance will be provided by that company. If an agent submits MAIP application for the proposer that agent will continue to service the policy regardless of which Assigned Risk Company receives that policy.

#### Reasons for assignment

Any time a company denies any application for automobile insurance in the voluntary market, it must inform the proposer in writing. This letter must include the reasons for their denial. Different companies might deny application for different reasons, so these letters might list different reasons from company to company.

#### Drivers who cannot be assigned through the MAIP

- Any person who usually drives the motor vehicle does not hold or is not eligible to obtain an operator's license or fails to obtain such license as required by law;
- Any person who usually drives the motor vehicle has failed to pay an insurance company any motor vehicle insurance premium due or contracted during the preceding twelve (12) months; or
- With respect to physical damage insurance, the insured have failed to make his vehicle(s) available for inspection as required by Massachusetts insurance regulations.

### **Criteria for "Clean-in-Three" driver**

This criteria is applicable to the following drivers –

- Licensed to operate an automobile in Massachusetts for at least thirty six (36) months prior to the effective date of the policy;
- Continuously insured with no more than one less-than-sixty-day period of lapsed coverage for the past thirty-six (36) months;
- Not been found at fault for an accident that generated an insurance claim, including a Personal Injury Protection (PIP) claim, for thirty-six (36) months prior to the effective date of the policy;
- Not had a DUI conviction for sixty (60) months prior to the effective date of the policy, and
- Not had a conviction for a vehicle felony for sixty (60) months prior to the effective date of the policy.

A "Clean-in-Three" driver cannot be denied policy renewal by the current insurance company unless one of the following circumstances apply –

- He choose not to renew the policy with current insurer
- His insurance agent transfers his book of business to another insurance company
- His insurance company terminates its relationship with his insurance agent and the insurance agent transfers his book of business to another insurance company
- Any person who usually drives his motor vehicle does not hold or is not eligible to obtain an operator's license or fails to obtain such license as required by law
- Any person who usually drives his motor vehicle has failed to pay an insurance company any motor vehicle insurance premium due or contracted during the preceding twelve (12) months; or
- With respect to physical damage insurance, he had failed to make his vehicle(s) available for inspection as required by Massachusetts insurance regulations.

### **Dispute on assignment to a particular insurer**

The insured may only dispute an assignment to particular company through the MAIP in one of the following circumstances:

- If the insured is currently or have previously been involved in a lawsuit with the company to which he is assigned.
- If he has filed a Consumer Complaint with the Division of Insurance or the Attorney General's office against the company to which he is assigned before his MAIP assignment

- If he has invoked his rights under a consumer protection statute against the company to which he is assigned before his MAIP assignment.

Insurance Regulatory and Development Authority

Page 1 of 2

Direction

04th December, 2006

035/IRDA/Motor-TP/Dec-06

**Direction under Sec 34 of the Insurance Act**

To,

All General Insurers,

Sub : **Motor Third Party Insurance**

Whereas several complaints have been received regarding non-availability of motor third party insurance especially for commercial vehicles;

And whereas insurers have been expressing difficulty to underwrite this business unless they are permitted to charge premium rates that they consider appropriate;

And whereas considering the mandatory nature of motor third party insurance business it is necessary for the Authority to monitor the rates, terms and conditions of cover for the time being;

And whereas it is in public interest to ensure that all insurers registered to carry on general insurance business including motor insurance business actively participate in providing such cover to vehicle owners at rates as notified by the Authority from time to time;

Now therefore, the Authority, after consultation with the Committee constituted under Section 110G of the Insurance Act, hereby directs that all general insurers registered to carry on general insurance business (including motor insurance business) or general reinsurance business shall collectively participate in a Pooling arrangement to share in all motor third party insurance business underwritten by any of the registered general insurers in accordance with the following provisions:

1. Participation in pooling arrangement: Every insurer registered to carry on general insurance business (including motor insurance business) or general reinsurance business shall automatically participate in the pooling arrangement to the extent set out herein.
2. Underwriting insurers: Every underwriting office of every insurer that is authorized to underwrite motor insurance business for the insurer shall also be authorized to underwrite motor third party insurance business that will be shared among all insurers through the pooling arrangement.
3. Pooling mechanism: The pooling of business among all insurers will be achieved through a multi-lateral reinsurance arrangement between the underwriting insurer and all the other registered insurers carrying on general insurance business (including motor insurance business) and general insurance reinsurers.
4. Participation in motor third party insurance pooled business: The participation of General Insurance Corporation of India (GIC) in the Pooled business shall be such percentage of the motor business that is ceded to it by all insurers as statutory reinsurance cessions under Sec 101A of the Insurance Act. The business remaining after such cession to GIC shall be shared among all the registered general insurers writing motor insurance business in proportion to the gross direct general insurance premium in all classes of general insurance underwritten by them in that financial year.
5. Underwriting of business: Underwriting offices of insurers shall follow the underwriting instructions of the General Insurance Council in the matter of procedures for underwriting and documentation and accounting and settlement of balances. The business shall be underwritten at rates and terms and conditions of cover as notified by the Authority from time to time. No vehicle owner shall be denied third party insurance cover in respect of his



vehicle which is holding a valid permit for use on public roads except on grounds of attempted fraud.

6. Claims processing and settlement: All claims in respect of third party death or injury or physical damage shall be processed for settlement in a speedy and efficient manner in accordance with the instructions of the General Insurance Council. For this purpose, the Council shall adopt a pro-active claims settlement policy adopting the most efficient claims processing practices possible.

7. Administration of the Pooling arrangement: The GIC shall act as the administrator of the pooling arrangement. It will act under the guidance of the General Insurance Council. For this purpose, the Council may establish such Committees of insurers as are necessary to operate the Pooling arrangement and process and settle claims in the most efficient manner.

8. Remuneration: There will be no agency commission or brokerage payable in respect of motor third party insurance business. The underwriting insurer will be paid a reinsurance commission of 10% on the premium ceded by it to all the other insurers and reinsurers. The GIC as administrator shall be paid a fee of 2.5% of the total premium on motor third party insurance business in respect of the business underwritten for the pooled account. Each insurer shall bear the cost of hardware required to operate the pooling arrangement within its offices. The GIC will bear the cost of hardware necessary to administer the pooling arrangement in its offices. The cost of the operating software for the pooling arrangement shall be shared by all the insurers and reinsurers in the manner decided by the General Insurance Council. Each insurer shall bear the cost of travel of its executive to attend to the work relating to the pooling arrangement. However, any travel specifically to service a claim shall be recoverable as claims related expenses.

9. Agreement: The insurers and GIC shall enter into a multi-lateral reinsurance arrangement to give effect to the pooling scheme.

10. Review: The Authority will review the operation of the pooling arrangement and the need for regulation of the premium rates and terms of cover and will issue such directions from time to time as may be considered necessary.

**(C. S. Rao)**  
Chairman

[\[Prev.page\]](#) [\[Next.page\]](#) [\[Home\]](#) ]



General Stamp Office, Mumbai.  
 57 DEC 2006  
 महाराष्ट्र MAHARASHTRA

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Proprietor Officer

मुद्रांक विक्रेता  
 श्री. राजेंद्र ल. सुखसे

**Indian Motor Third Party Insurance Pool**

**Agreement among General Insurance Corporation of India (GIC) and Insurers registered to carry on General Insurance business (including motor insurance business) or general reinsurance business, under the Insurance Act, 1938. (hereinafter collectively called Members)**

Whereas the Insurance Regulatory and Development Authority (IRDA), after consultation with the Committee constituted under Section 110G of the Insurance Act, has directed that all general insurers registered to carry on general insurance business (including motor insurance business) or general reinsurance business shall collectively, mandatorily and automatically participate in a Pooling Arrangement to share in all Motor Third Party Insurance business underwritten in respect of Commercial Vehicles by any of the registered general insurers in accordance with the directions of the IRDA.

Now therefore, it is hereby agreed among the Parties Hereto as follows:

## 1. DEFINITIONS

In this Agreement unless the context otherwise requires, the following words shall have the meanings given below:

- a) **"Council"** means the General Insurance Council established under Section 64C(b) of the Insurance Act, 1938 and its Executive Committee established under Section 64E of the Act.
- b) **"Motor Third Party Insurance"** means insurance for liability to third parties in respect of such categories of motor vehicles as specified in schedule 'A' attached to this agreement. Insurances effected as ancillary to the main third party insurance shall also be considered as part of the insurance.
- c) **'Pool'** shall mean an arrangement among members to share in the motor third party insurance provided by insurers.
- d) **'Member'** means an Indian general insurer, who is registered to carry on general insurance business in India (including motor insurance business) or general reinsurance business.
- e) **"Underwriting insurer"** means the member who underwrites the motor third party insurance of a motor vehicle.
- f) **"Underwriting office"** means the office of the underwriting insurer who underwrites the motor third party insurance of a motor vehicle.

## 2. APPLICABILITY AND THE MECHANISM

This Agreement shall be applicable to all motor third party insurance business in respect of the category of vehicles specified in schedule A attached, underwritten by any member where the risk commences on or after 1 April 2007. With regard to the insured, the underwriting insurer will be the insurer. With regard to the members of the Pool, the business so underwritten will be shared by the underwriting member with all the other members in pre-determined proportions through a multi-lateral reinsurance arrangement. The process of administration of the pooled business including its reinsurance protection to the extent required and accounting the transactions with the other members of the Pool will be handled by the Pool Administrator referred to in Article 4 of this agreement.

## 3. MEMBERSHIP & SHARE OF MEMBER

- Every insurer who is registered for carrying on general insurance business (including motor insurance business) under the Insurance Act, including the General Insurance Corporation of India shall be members of the Pool. However, specialist insurers such as insurers set up only to do Health and Personal Accident insurance or Agricultural insurance or Export Credit Guarantee insurance will not be members

of the Pool. Every newly registered insurer registered to carry on general insurance business (including motor insurance business), shall automatically be admitted as a member of this pooling arrangement with effect from the date of commencement of its operations.

- The share of the GIC in the business underwritten for the Pool account in respect of a financial year shall be the same share as the percentage share of statutory cession to GIC for that financial year.
- The balance share of the pooled business will be shared by all other member insurers of the Pool in the same proportion as the total gross direct premium in India of the insurer in respect of all classes of general insurance business for a financial year bears to the total market gross direct premium income in India in respect of all classes of general insurance business of all member insurers for that financial year. The Pool Administrator will determine the share of each Member in the pooled business in any financial year on a provisional basis at the commencement of the financial year and it will then be adjusted when the audited gross direct premium for the year become known.
- The provisional share of any newly registered insurer and the effective date of its participation in the Pooled business in the year in which it commences carrying on of business, shall be determined by the Council.
- The Underwriting insurer shall remain responsible for collecting and remitting the service tax due on insurances underwritten by its offices.
- The Claims servicing insurer shall remain responsible to deduct tax on payments where required and remit such tax deducted at source amounts to the Authorities.

The liability of each Member shall be co-extensive and co-terminus with the liability under the original insurance.

#### 4. ADMINISTRATION OF THE POOL

- The GIC shall act as the Pool Administrator of the pooling arrangement. It will under the guidance of the General Insurance Council. For this purpose, the Council may establish such Committees of insurers as are necessary to operate the Pooling arrangement and process and settle claims in the most efficient manner.
- The internal audit department of each member shall audit transactions in respect of the pooled business written by the member strictly in accordance with the procedures prescribed by the Pool Underwriting Committee and Pool Claims Committee.
- The auditors or other authorized representatives of a member shall have full access to the Pool records at any time mutually convenient to the member and the Pool Administrator.

## 5. FUNCTIONS OF THE POOL ADMINISTRATOR

The Pool Administrator, under the guidance of the Council, shall be responsible to do a such things and maintain all such records as are necessary for the administration of the Pooling arrangement.

The Pool Administrator shall perform the following functions:

- a) Receive data on all Motor Third Party insurances underwritten by members and claims on such business and maintain the database of such business;
- b) Prepare accounts of cessions from members on business written by them and prepare and render accounts on such business to the other members;
- c) Secure settlement of balances from members and make settlement of balances to members in respect of the pooled business;
- d) Arrange reinsurance protection as required by members in respect of the pooled business;
- e) Maintain proper accounts of all transactions relating to the pooled business and have them audited at least once a year.
- f) Assist Council in maintaining liaison with any authorities or organizations connected with motor insurance business and do all such things as are in the interests of promoting the successful conduct of the pooled business;
- g) Conduct publicity of the activities of the Pool, the procedures and facilities for processing and settlement of third party claims and its requirements from vehicle owners and the public in the matter.
- h) Do such things as are necessary to achieve the objects of the pooling arrangement as may be required by the Administration Committee.

## 6. REMUNERATION

No agency commission will be payable for the pooled business. The underwriting insurer will be paid a reinsurance commission of 10% on the premium ceded by it to all the other insurers and reinsurers.

The claims servicing insurer will be reimbursed all specific costs of processing the claim such as fee of the surveyor or investigator, lawyer's fees, doctor's fees where a medical examination is made and expenses of a similar nature.

The Pool Administrator will be paid a fee of 2.5% plus service tax on the total premium of the pooled business for administration of the Pool.

## 7. SHARING OF EXPENSES

The following expenses will be incurred by the Pool Administrator and recovered from the members in the manner decided by the Council.

- Procurement, customization and maintenance costs of software.

- Service expenses towards server network bandwidth charges.
- Call centre fee
- Disaster recovery system expenses.

The Council will determine the basis of contribution to the above listed expenses by insurers which may be registered after this agreement comes into force and who join this agreement as directed by the IRDA.

Each member will bear the travel expenses for participating in meetings of the Pool and its Committees and other incidental expenses connected with the activities of the Pool.

The Pool Administrator will bear the cost of hardware required to handle the business of the Pool in its office. Each member will bear the cost of hardware and maintenance required for the work of the Pool in its own office.

## 8. COMMITTEES

The Council, in consultation with all members, shall appoint such committees as are considered necessary to guide in the administration, underwriting, claims processing and settlement, statistical review of the business, investment of funds and accounts and settlements of balances and assign functions to them. In particular, the Council shall appoint the following Committees:

- Administration Committee to oversee the operation of the Pool and to decide on all matters relating to the management and administration of the Pooling arrangement;
- Underwriting Committee to lay down the detailed underwriting policy and procedures for the pooled business consistent with any directions issued by the Insurance Regulatory and Development Authority from time to time;
- Claims Committee to lay down the detailed claims registration and processing procedures and to keep under periodic review the effectiveness of such procedures and make such improvements therein as may be required; and
- Investment Committee to guide the Pool Administrator in matters relating to investment of the pooled funds.

## 9. UNDERWRITING

Underwriting of the pooled business shall be strictly in compliance with the procedures, rates, terms and conditions of cover as laid down by the Underwriting Committee of the Pool, consistent with any directions issued by the Insurance Regulatory and Development Authority (hereinafter referred to as IRDA).

## 10. CLAIMS MANAGEMENT

All claims in respect of third party death or injury or physical damage shall be processed for settlement in a speedy and efficient manner in accordance with the instructions of the

General Insurance Council. For this purpose, the Council shall adopt a pro-active claims settlement policy adopting the most efficient claims processing practices possible.

The operational modalities for the management of claims and provisioning for claims will be guided by the claims manual and guidelines issued by the claims committee

#### **11. JOINT ACCOUNT PROTECTION**

The Pool Administrator, in consultation with the appropriate Committee appointed under Article 8 above, shall arrange such reinsurance protection as necessary for the pooled business. Any deficiencies in reinsurance protection or any defaults in recovery of the amount due under reinsurance shall be shared by the Pool members in proportion to their respective shares in the Pool for the relevant year.

#### **12. FOLLOW THE FORTUNES**

Each Member shall, in proportion to its participation, follow the fortunes of the Pool in all respects and in every case accept as binding for the Member any arrangements which may be made by the Pool Administrator in respect of the original business ceded under this Agreement. All Members participating hereon shall bear in proportion to their participation, the obligations of any Member who becomes unable to meet its obligations due to bankruptcy or liquidation or any other reason, and likewise share in the failure of recovery of any reinsurance placed for common account.

#### **13. ACCOUNTS**

The accounting year for the Pool will be from 1<sup>st</sup> April to 31<sup>st</sup> March. Accounts will be rendered on underwriting year basis. However, purely for accounting convenience, portfolio transfer will be effected for 100% claims outstanding including provision for IBNR claims at the end of the 2<sup>nd</sup> year following the underwriting year.

The Pool system shall generate the accounts of the pooled business. The Pool Administrator will render the accounts to all Members at such frequency and within such time as the appropriate Committee appointed under Article 8 above may decide from time to time. Unless the Committee decides otherwise, the accounts shall be rendered on a monthly basis.

#### **14. SETTLEMENT OF BALANCES**

The appropriate Committee appointed under Article 8 above, may decide on the frequency of settlement of pooled premiums and claims paid including any special settlements of large claims.

Any negative balances of the Pool account shall become payable to the Pool Administrator on demand. In case of delay in settlement of the negative balances of more than a week, the member who has not settled the balances shall be liable to pay interest on such overdue balance at the rate of 1% per month from the date of rendering the account.

## 15. INVESTMENTS

The premium remittances from the Members to the Pool shall be invested by the Pool Administrator in accordance with the guidelines prescribed by the investment committee. The accounts for the investments shall be generated and submitted to Members by the Pool Administrator.

## 16. ERRORS AND OMISSIONS

Any inadvertent or involuntary delay, omission or errors in connection with the transactions under this Agreement shall not exempt either party hereto from any liability, which would attach hereunder if such delays, omissions or errors had not occurred. The omissions or errors shall be rectified as soon as discovered.

## 17. RECORDS

All books, correspondence, documents and vouchers in the possession of a Member or the Pool Administrator and in any way connected with any transaction of the Pool, shall be open to inspection at all reasonable times at the office of the Member by the Pool Administrator or in respect of the records in the office of the Pool Administrator, by the Members and/or by their duly authorized officers.

## 18. COMMENCEMENT AND CANCELLATION

This Agreement shall take effect on the date specified in the Schedule and shall remain in full force and effect until Pool arrangement remains in force. A member shall maintain its membership of the Pool so long as the member continues to be registered to carry on general insurance business.

Notwithstanding the above, the appropriate Committee appointed under Article 8, above, may terminate the membership of an insurer under this Agreement immediately by giving notice in writing to the Member, should at any time the Member

- lose the whole or any part of its paid up capital, or
- go into liquidation or receiver be appointed, or
- be acquired or controlled by any other Company or Corporation, or
- commit any breach of the conditions of this Agreement.

In the event of any law or regulation becoming operative, which may prohibit or render illegal any part of this Agreement, this Agreement as far as it relates to the business to which such law or regulation may apply shall be of no effect, without prejudice to the remaining provisions of this Agreement.

In the event of termination of the participation of a Member, for any cause whatsoever at a date other than 31<sup>st</sup> March, the Pool Administrator, at its sole discretion, shall have the option of dating back the termination to the last day of the preceding accounting period or to the 31<sup>st</sup> March last for administrative convenience, in respect of its participation by way of reinsurance accepted in the pooled business.



Notwithstanding cancellation of participation of a Member in the Pool, the Member shall remain fully responsible for its share in the Pool in respect of all pooled business underwritten for the account of the Pool by all Members up to the date of effect of cancellation.

#### 19. DISPUTE RESOLUTION

All matters in difference between the parties in relation to this agreement including formation and validity, and whether arising during or after the period of the agreement shall be referred to Arbitration in the manner hereinafter set out.

Unless the parties agree upon a single arbitrator within thirty days of one receiving a written request from the other for arbitration, the claimant (the party requesting arbitration) shall appoint his arbitrator and give written notice thereof to the respondent. Within thirty days of receiving such notice the respondent shall appoint his arbitrator and give written notice thereof to the claimant, failing which the claimant may apply to the appointer hereinafter named to nominate an arbitrator on behalf of the respondent.

Before they enter upon a reference the two arbitrators shall appoint a third arbitrator. Should they fail to appoint such a third arbitrator within thirty days of the appointment of the respondent's arbitrator then either of them or either of the parties might apply to the appointer for the appointment of the third arbitrator. The three arbitrators shall decide by majority. If no majority can be reached, the verdict of the third arbitrator shall prevail. He shall also act as Chairman of the Tribunal.

Unless the parties otherwise agree the arbitration tribunal shall consist of persons with experience in insurance or reinsurance.

The arbitration tribunal shall not be bound by any strict rules of law or procedure or evidence. They shall interpret this agreement as an honorable engagement based on equity rather than as purely a legal contract and they shall settle any dispute or difference under this agreement in accordance with what in their unfettered discretion they think is fair and the right thing to be done between the parties from a business point of view.

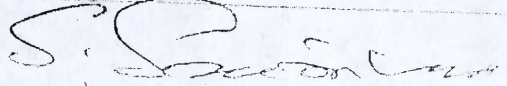
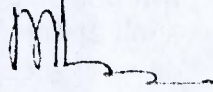
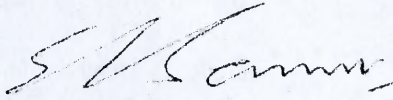
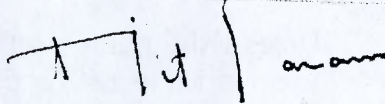
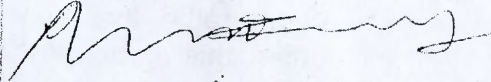
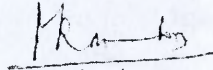

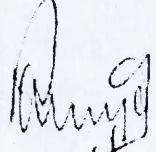
#### 20. ALTERATIONS

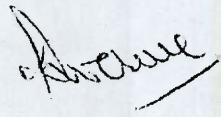
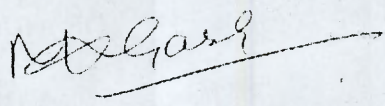
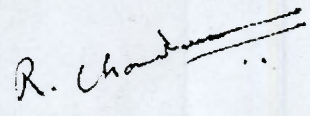
All mutually agreed alterations to this Agreement whether recorded by Addendum or correspondence shall be binding upon all Parties and be deemed to form an integral part of this Agreement.

#### 21. CONFIDENTIALITY

Except as strictly required by law, this agreement shall not be shown nor the contents divulged to any third party by any party without the prior written consent of the other parties.

IN WITNESS WHEREOF made out in duplicate and signed on behalf of each of the contracting parties executed in Mumbai.

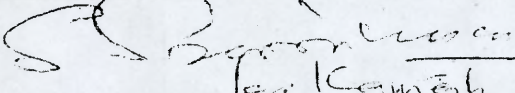
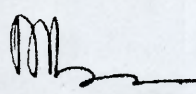
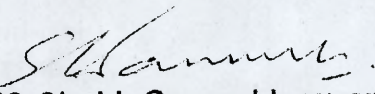
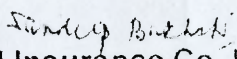
SIGNED, SEALED AND DELIVERED For and on behalf of:	Authorized Signatory
1. <b>Bajaj Allianz General Insurance Co. Ltd.</b> GE Plaza, Airport Road, Yerawada, Pune - 411 006.	 for Karan Goyal
2. <b>Cholamandalam MS General Insurance Co. Ltd.</b> "Dare House" 2nd Floor, New No.2 (Old No. 234) N.S.C. Bose Road, Chennai - 600 001	
3. <b>HDFC-Chubb General Insurance Co. Ltd.</b> 5th Floor, Express Towers, Nariman Point, Mumbai - 400021	
4. <b>ICICI Lombard General Insurance Co. Ltd.</b> Zenith House, Keshavrao Khade Marg, Mahalaxmi MUMBAI - 400 034.	Sandeep Bhatnagar
5. <b>IFFCO Tokio General Insurance Co. Ltd.</b> 4 and 5th Floors, IFFCO Tower, Plot No.3, Sector 29, GURGAON-122001 (Haryana)	
6. <b>National Insurance Co. Ltd.</b> 3, Middleton Street, P.B. No. 9229, KOLKATA - 700 071.	
7. <b>The New India Assurance Co. Ltd.</b> New India Assurance Bldg. 87, M.G. Road, Fort, Mumbai - 400 001.	B. Srinivasan
8. <b>The Oriental Insurance Co. Ltd.</b> A-25/27, Asaf Ali Road New Delhi - 110 002.	
9. <b>Reliance General Insurance Co. Ltd.</b> 19, Reliance Centre, Walchand Hirachand Marg, Ballard Estate, Mumbai - 400 038	
10. <b>Royal Sundaram Alliance Insurance Co. Ltd</b> "Sundaram Towers" 45-46, Whites Road, Royapetah CHENNAI - 600 014.	

11.	<b>Tata AIG General Insurance Co. Ltd.</b> Peninsula Corporate Park, 9th Floor, Nicholas Piramal Tower, Ganpatrao Kadam Marg Lower Parel , MUMBAI - 400 013	
12.	<b>United India Insurance Co. Ltd.</b> 24, Whites Road CHENNAI - 600 014.	
	<b>General Insurance Corporation of India</b> 'Suraksha', 170 J.Tata Road, Churchgate, MUMBAI - 400020	



**SCHEDULE B**

**ATTACHING TO AND FORMING PART  
OF INDIAN MOTOR THIRD PARTY INSURANCE POOL AGREEMENT**

<b>1. RISK COVERED:</b>	Motor Third Party Liability insurance, whether written separately or as part of a package policy.
<b>2. PERIOD :</b> (a) Date of Pool inception	Continuous contract effective from 1 <sup>st</sup> April 2007. 1 <sup>st</sup> April 2007.
<b>3. POOL ADMINISTRATOR:</b>	GENERAL INSURANCE CORPORATION OF INDIA, "Suraksha", 170, J.Tata Road, Churchgate, Mumbai - 400 020.
<b>4. NAME OF MEMBERS:</b>	Bajaj Allianz General Insurance Co. Ltd. Cholamandalam MS General Insurance Co. Ltd. HDFC-Chubb General Insurance Co. Ltd. ICICI Lombard General Insurance Co. Ltd. IFFCO Tokio General Insurance Co. Ltd. National Insurance Co.Ltd. The New India Assurance Co. Ltd. The Oriental Insurance Co. Ltd. Reliance General Insurance Co. Ltd. Royal Sundaram Alliance Insurance Co. Ltd Tata AIG General Insurance Co. Ltd. United India Insurance Co. Ltd.
<b>5. SHARE OF MEMBER</b> (Article 3 & 7)	As shown in Schedule B to be issued separately as Schedule B in respect of each financial year.
<b>PLACE &amp; DATE:</b>  New Delhi 8 <sup>th</sup> March 2007	For and on behalf of the Indian Motor Third Party Insurance Pool Member,  Jai Kamlesh Goyal Bajaj Allianz General Insurance Co. Ltd.   Cholamandalam MS General Insurance Co. Ltd.   HDFC-Chubb General Insurance Co. Ltd.   Suresh Bhatnagar ICICI Lombard General Insurance Co. Ltd.

IFFCO Tokio General Insurance Co. Ltd.

*[Handwritten signature]*

National Insurance Co. Ltd.

*[Handwritten signature]*

The New India Assurance Co. Ltd.

*[Handwritten signature]*

The Oriental Insurance Co. Ltd.

*[Handwritten signature]*

Reliance General Insurance Co. Ltd.

*[Handwritten signature]*

Royal Sundaram Alliance Insurance Co. Ltd

*[Handwritten signature]*

Tata AIG General Insurance Co. Ltd.

*[Handwritten signature]*

United India Insurance Co. Ltd.

*[Handwritten signature]*

**AUTHORISED SIGNATORIES**

PLACE : *New Delhi*

DATE : *8<sup>th</sup> March 2007*

For and on behalf of the Indian Motor Third Party Insurance Pool Member and Administrator,  
**General Insurance Corporation of India**

*[Handwritten signature]*

**AUTHORISED SIGNATORY**

**SCHEDULE C**

**ATTACHING TO AND FORMING PART  
OF INDIAN MOTOR THIRD PARTY INSURANCE POOL AGREEMENT**

**Shares of Pool Members**

Provisional Shares of members in the business underwritten for the Pool account by way of retention where the member is the underwriting insurer and by way of sharing in the reinsurance of the underwriting insurer in other cases.

Name of Member	Share
Bajaj Allianz General Insurance Co. Ltd.	6.25%
Cholamandalam MS General Insurance Co. Ltd.	1.08%
HDFC-Chubb General Insurance Co. Ltd.	0.98%
ICICI Lombard General Insurance Co. Ltd.	7.81%
IFFCO Tokyo General Insurance Co. Ltd.	4.40%
National Insurance Co. Ltd.	17.30%
Reliance General Insurance Co. Ltd.	0.80%
Royal Sundaram Alliance Insurance Co. Ltd	2.25%
Tata AIG General Insurance Co. Ltd.	2.81%
The New India Assurance Co. Ltd.	23.52%
The Oriental Insurance Co. Ltd.	17.31%
United India Insurance Co. Ltd.	15.49%
Total	100.00%
General Insurance Corporation of India	20.00%

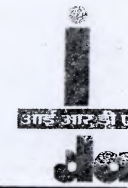
## Motor – Commercial Vehicles Data 2007-08 without IBNR (company-wise)



Member Companies	PREMIUM		CLAIMS				IC% w/o IBNR (%)	Ultimate Loss Ratio (%)
	No. of Policies	Premiu m Booked (Cr.)	No.	Paid (Cr.)	No.	Outstanding (Cr.)		
Royal Sundaram	74,788	33.80	3,249	28.14	1,955	39.11	198.98	260.87
Reliance	573,535	196.22	18,796	138.44	11955	150.77	147.39	129.45
ITGI	315,617	68.93	1,693	28.83	3610	47.70	111.03	207.70
TATA AIG	14,904	5.58	796	4.88	220	6.06	195.92	1774.56
Bajaj Allianz	490,818	172.47	22,974	90.94	10528	208.91	173.86	173.32
ICICI Lombard	604,387	232.23	41,215	172.22	12819	233.25	174.59	190.01
Cholamandalam MS	77,570	27.40	893	14.13	997	17.10	113.99	246.70
HDFC CHUBB / ERGO	7,166	2.13	219	1.42	130	1.89	155.16	1319.22
United India	1,128,180	359.78	15,915	159.19	15,495	106.03	73.72	131.51
Oriental	893,176	410.09	40,616	225.11	19333	321.44	133.28	120.29
National	992,803	386.74	8,485	158.33	16319	228.44	100.01	132.33
New India	1,452,305	541.27	23,114	271.66	22875	436.26	130.79	123.56
Future Generali	101	0.03	-	0.00	2	0.07	244.59	4163.07
<b>TOTAL</b>	<b>6,625,350</b>	<b>2436.68</b>	<b>177,965</b>	<b>1293.29</b>	<b>116,238</b>	<b>1797.04</b>	<b>126.83</b>	<b>172.30</b>



# Motor – Commercial Vehicles Data 2008-09 without IBNR (company-wise)



Member Companies	PREMIUM		CLAIMS				IC% w/o IBNR	Ultimate Loss Ratio
	No. of Policies	Premiu m Booked  (Rs. Cr.)	No.	Paid  (Rs. Cr.)	No.	Outstanding  (Rs. Cr.)		
Royal Sundaram	120,882	47.73	2,722	19.97	3099	70.03	188.55	249.46
Reliance	552,925	220.87	8,000	58.48	10296	140.26	89.98	131.98
ITGI	440,313	96.89	780	17.15	4052	56.84	76.37	210.82
TATA AIG	49,947	16.45	545	2.69	369	8.22	66.34	764.24
Bajaj Allianz	844,362	276.49	18,175	54.03	11645	240.40	106.49	141.45
ICICI Lombard	786,120	291.89	18,057	87.27	14127	292.19	130.00	183.04
Cholamandalam MS	176,083	61.17	2,164	27.55	2266	37.74	106.73	172.84
HDFC CHUBB / ERGO	49,099	15.92	665	3.50	748	11.90	96.75	309.54
<b>United India</b>	<b>1,644,781</b>	<b>444.92</b>	<b>8,056</b>	<b>61.40</b>	<b>11136</b>	<b>211.87</b>	<b>61.42</b>	<b>140.50</b>
<b>Oriental</b>	<b>1,031,942</b>	<b>364.02</b>	<b>18,240</b>	<b>88.96</b>	<b>16083</b>	<b>287.43</b>	<b>103.40</b>	<b>161.43</b>
<b>National</b>	<b>1,023,889</b>	<b>388.50</b>	<b>2,489</b>	<b>47.71</b>	<b>12750</b>	<b>194.70</b>	<b>62.40</b>	<b>163.41</b>
<b>New India</b>	<b>1,459,174</b>	<b>547.95</b>	<b>14,701</b>	<b>109.13</b>	<b>17789</b>	<b>348.57</b>	<b>83.53</b>	<b>164.75</b>
Future Generali	29,064	9.78	109	1.55	548	13.50	153.84	284.83
Shriram	84096	39.07	48	2.02	1913	43.21	115.77	35.47
Bharati AXA	2357	1.10	19	0.15	98	2.26	220.30	281.14
Universal Sampo	1,305	0.22	24	0.13	12	0.24	169.64	1393.84
<b>TOTAL</b>	<b>8,296,339</b>	<b>2822.96</b>	<b>94,794</b>	<b>581.71</b>	<b>106,931</b>	<b>1959.35</b>	<b>90.01</b>	<b>181.81</b>

# Motor – Commercial Vehicles Data without IBNR 2009-10 (Company-wise)



Member Companies	PREMIUM		CLAIMS				IC% w/o IBNR (%)	Ultimate Loss Ratio (%)
	No. of Policies	Premium Booked (Rs. Cr.)	No.	Paid (Rs. Cr.)	No.	Outstanding (Rs. Cr.)		
Royal Sundaram	169,006	74.14	330	3.28	2,211	43.19	62.68	218.53
Reliance	855,548	280.77	953	9.98	5,151	76.98	30.97	125.39
ITGI	414,201	95.21	64	1.41	1,676	23.42	26.08	272.13
TATA AIG	65,714	17.58	147	0.59	407	7.85	48.05	863.11
Bajaj Allianz	688,083	196.49	3145	12.49	3,440	73.88	43.96	224.40
ICICI Lombard	569,823	236.97	1254	6.84	4,382	93.85	42.49	247.22
Cholamandalam MS	272,424	100.30	347	5.09	1,719	30.01	34.99	139.04
HDFC CHUBB / ERGO	170,975	53.32	370	2.12	925	16.70	35.31	305.16
<b>United India</b>	<b>1,374,612</b>	<b>477.38</b>	<b>1227</b>	<b>7.60</b>	<b>5,546</b>	<b>145.03</b>	<b>31.97</b>	<b>195.04</b>
<b>Oriental</b>	<b>1,099,417</b>	<b>447.04</b>	<b>1657</b>	<b>8.91</b>	<b>5,374</b>	<b>107.35</b>	<b>26.01</b>	<b>188.24</b>
<b>National</b>	<b>1,059,672</b>	<b>393.04</b>	<b>247</b>	<b>3.99</b>	<b>4,093</b>	<b>72.48</b>	<b>19.46</b>	<b>209.06</b>
<b>New India</b>	<b>1,394,045</b>	<b>535.93</b>	<b>2618</b>	<b>8.58</b>	<b>5,288</b>	<b>114.92</b>	<b>23.04</b>	<b>200.39</b>
Future Generali	128,739	35.94	185	2.23	767	18.45	57.54	186.42
Shriram	406773	182.58	116	1.58	2016	52.28	29.50	40.44
Bharati AXA	48879	22.12	76	0.33	480	8.85	41.51	250.27
Universal Sampo	50068	11.26	29	0.01	173	3.03	27.03	297.35
Raheja QBE	174	0.02	1	0.00	0	0.00	0.00	2811.02
<b>TOTAL</b>	<b>8,768,153</b>	<b>3160.09</b>	<b>12766</b>	<b>75.05</b>	<b>43648</b>	<b>888.28</b>	<b>30.48</b>	<b>216.32</b>

# Motor – Commercial Vehicles Data (Summary)



	2007-08	2008-09	2009-10
Number of Policies	6625350	8296339	8768153
Premium on these policies	24366783273	28229594990	31600908302
Number of Claims paid up to 31/08/2010	177965	94794	12766
Claim amount paid upto 31/08/2010	12891652021	5817144321	750495611
Number of Claims O/s as on 31/08/10	116238	106931	43648
Claim amount O/S as 31/08/10	17970407623	19593517741	8882801660
Loss Ratio as on 31/08/10	126.66%	90.01%	30.48%
Ultimate Loss Ratio	172.30%	181.81%	216.32%

Source: Pool Data



# Performance of Pool – 3 years

	2007-08 (Apr 07-Feb 08) in crores	2008-09 (Mar 08-Feb 09) in crores	2009-10 (Mar 09 – Feb 10) in crores
Gross Premium	2436.68	2823	3160
Earned Premium	1218.39	2630	2992
Interest & Other Income		331	485
Incurred Claims	1486.37	3258	3791
Expenses	304	353	359
Operating Loss	506	650	674
Incurred Loss %	122	124	127

Source: Pool Accounts

# Performance of Pool – 3 years



	2007-08 (Apr 07-Feb 08)	2008-09 (Mar 08-Feb 09)	2009-10 (Mar 09 –Feb 10)
Total Income (A) = (Earned Premium + Inv Income + Misc Income (late fee etc))	1284,55,58,094	2961,11,24,894	3476,43,62,291
Total Operating Expenses (B) = Claims Incurred + Operating expenses + Other expenses (bank charges etc)	1790,95,90,778	3611,40,98,424	4150,39,31,672
Operating Loss (C) = (A) – (B)	(506,40,32,684)	(650,29,73,530)	(673,95,69,381)

Source: Pool Accounts

## Annexure-V

## Motor TP Pool :

Sl.No	Company	GDPI (Rs in Crores)	No.of Policies Uploaded	% Market Share	Apportionment as per Mkt.Share (Total Policies)	Apportionment (Vehicle Type wise)				
		As at 31-03-2009	(As at 28.02.2009)			Commercial Vehicle- Goods	Commercial Vehicle- Passenger	Miscellaneous vehicles	Road Transit Risks only	Trailers
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	New India	6015.80	1398588	19.55	1450665	624386	483555	325121	8599	8774
2	National	4234.11	945669	13.74	1019546	438826	339849	228499	6043	6167
3	United India	4179.68	1239144	13.53	1003964	432120	334655	225007	5951	6072
4	Oriental	3876.72	956336	12.72	943860	406250	314620	211537	5595	5709
5	ICICI Lombard	3457.37	770935	11.57	858526	369521	286176	192412	5089	5193
6	Bajaj Allianz	2633.57	678531	8.46	627756	270194	209252	140692	3721	3797
7	Reliance	1913.32	529443	6.31	468220	201528	156073	104937	2775	2832
8	Iffco-Tokio	1352.94	388555	4.42	327976	141165	109326	73506	1944	1984
9	Tata AIG	835.39	42031	2.72	201832	86871	67277	45234	1196	1221
10	Royal Sundaram	795.24	121409	2.58	191443	82400	63814	42906	1135	1158
11	Cholamandalam	698.26	167958	2.29	169924	73138	56642	38083	1007	1028
12	HDFC-ERGO	320.47	47133	1.06	78655	33854	26218	17628	466	476
13	Future Generali	169.07	27039	0.6	44522	19163	14841	9978	264	269
14	Shriram General	88.08	102837	0.31	23003	9901	7668	5155	136	139
15	Bharti Axa	20.74	1960	0.07	5194	2236	1731	1164	31	31
16	Universal Sompo	19.62	2712	0.07	5194	2236	1731	1164	31	31
<b>TOTALS :</b>		<b>30610.38</b>	<b>7420280</b>	<b>100</b>	<b>7420280</b>	<b>3193789</b>	<b>2473428</b>	<b>1663023</b>	<b>43983</b>	<b>44881</b>

ANNEXURE-V