



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

Cir No. IRDAI/ACT/CIR/MISC/070/04/2021

Date: 01.04.2021

To

CEOs/CMDs of all General Insurance Companies

Sub: Standard Technical Note (Template)- Motor Insurance

1. This circular is issued in exercise of the power vested under section 14(2)(e) of the IRDA Act, 1999.
2. Reference is drawn to the Circular No. IRDAI/NL/GDL/F&U/030/02/2016 dated 18th February, 2016 on “*Guidelines on Product Filing Procedures for General Insurance Products*”. In terms of the above Circular, insurers are required to submit a Technical Note detailing pricing aspects of general insurance product as a part of filings.
3. In order to expedite the product clearance process, it has been decided to standardize the Technical Note so that insurers can provide all necessary details in a prescribed standard format. This will help to ensure uniformity amongst insurers in the matter of filing pricing and product related information for general insurance products.
4. Insurers shall submit Technical Note providing complete information and duly signed by the Appointed Actuary as per the prescribed format. The format is enclosed as **Annexure – 1** with this Circular.
5. Discounts/loadings, if any, shall be offered by the insurer as per the criteria mentioned in the Technical note.
6. This Standard Template shall come into force with immediate effect.

(P K Arora)

Member (Actuary)

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Annexure – 1 (Cir No. IRDAI/ACT/CIR/MISC/070/04/2021 dated 01.04.2021)

**Technical Note
(Template)**

For

“Brand Name of the Product/ Add-on”

(Please strike off Product or Add-on as applicable)

Name of Insurer : _____
Line of Business : Motor
Product/ Add-on : _____
Name of the Appointed Actuary/ Panel Actuary : _____
Name of the Mentor (if applicable) : _____

This technical note supersedes the Technical Note (version number* _____) dated DD/MM/YYYY.

This technical note is based on latest File and Use document submitted to Authority as on DD/MM/YYYY.

*Initial version number shall be 1. It shall get incremented by 1, every time an updated technical note is submitted to the Authority.

Section 1. General Information

Sl.No.	Description	Details						
1.1	Brand name of Product/ Add-on							
1.2	New or Modification of existing Product/ Add-on <i>If modification of existing product/Add-on, please mention UIN.</i>	New/Modification						
1.3	Category of Vehicle a. Two wheeler b. Private Car c. Commercial Vehicle Goods Carrying Vehicles Passenger Carrying Vehicles d. Miscellaneous Type							
1.4	Type of policy a. Package Policy b. Bundled policy c. Standalone OD d. Standalone Liability Policy e. Standalone CPA							
1.5	Target Group							
1.6	Is the Product Reinsurance driven?	Yes/ No						
1.7	If the filing is for base product, provide the details of Add-ons that will be sold alongside, if any: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Name of Add-on with UIN No, Date of approval</th> <th style="width: 33%;">Brief Description of Benefits under the Add-on</th> <th style="width: 33%;">Whether Benefit based/Indemnity based</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> <i>Confirm that there is no overlap of benefit between base product and add-on.</i>	Name of Add-on with UIN No, Date of approval	Brief Description of Benefits under the Add-on	Whether Benefit based/Indemnity based				
Name of Add-on with UIN No, Date of approval	Brief Description of Benefits under the Add-on	Whether Benefit based/Indemnity based						
1.8	If the filing is for Add-on, provide name of Base product along with UIN, date of approval. <i>Confirm that there is no overlap of benefit between base product and add-on.</i>							

Section 2. Summary of Benefit Structure

2.1 This section should provide benefit structure for each variant/option of Product/Add-on. In case of modification of existing Product / Add-on, please provide comparison of benefit structure in the following format between the proposed modification and existing Product / Add-On along with the reasons for changes.

Table 1

Sl.No.	Benefit covered	Benefit Amount	Deductibles & Excess	Sum insured limit / sub-limit
1	<i>Indemnity:</i> a) b)			
2	<i>Fixed:</i> a) b)			

2.2	Options	
2.3	Policy Term	_____ Years
2.4	Mode of premium payment	
2.5	No claim bonus:	
2.6	Others (if any):	

Section 3. Data used

3.1 Source of Data

SI.No	Item	Description
i)	Source of Data	Internal / External
ii)	Indicate the source of internal data, if used in pricing	Provide the name of the source Product or Add-on, whose experience has been used in pricing.
iii)	If External data is used, indicate the source of external data	IMT/ Reinsurer data/ IIB Data/ Industry data/other countries data/ any other data source
	○ If IIB Data is used	Provide the publication reference with date.
	○ If Reinsurer data is used	Provide necessary details of reinsurance including the type of reinsurance, cost of reinsurance, retention level etc.,
	○ If Industry data/ other countries data / any other data source is used	Provide the reference from where the data has been collected.

3.2 Data Checks, Adjustments and experience

- i) Justification of the Data Source.
- ii) Details of checks, issues and limitations of data. Provide adjustments done to data, data related issues, if any and how these issues are addressed.
- iii) Comment on quality and completeness of data.
- iv) If internal data is used, confirmation that the product (s) mentioned in 3.1.ii) above have similar benefits and coverage as the current product, for which the approval is being sought. If the same is not the case, mention list of adjustments done to data to suit the current product.
- v) Actual experience in terms of loss ratio, frequency, severity etc. of at least three years of similar product whose data is utilized for pricing new product. In case of modification, similar information of existing product / add-on has to be provided along with the expected versus actual Premium income, Loss Ratio, Combined Ratio and Profit Margin for last three years.
- vi) Own experience shall be used for the purpose of pricing. However, where own experience is available but not used in pricing, appropriate justification is to be provided.

Section 4. Assumptions and Methodology

- i) Assumptions used in pricing the product/Add-on along with justification.
- ii) Description of the methodology used for each benefit, for example, whether frequency – severity, basic burning cost, GLM or any other statistical method has been used.
- iii) Rationale of using a particular methodology. This should include details of rating of long term policies, as applicable along with appropriate justification.
- iv) Explanation of Extrapolation / smoothing procedures adopted, if any.
- v) Details & rationale of any relativity used in deriving the premium rates.
- vi) Details of how the impact of excess and any other specific feature have been allowed in pricing (if the same is not adjusted in the data itself).
- vii) Details of how sub-limits / cap, for instance on claims etc., have been considered in estimation of premium rates and justification thereon.
- viii) Details as to how No Claim Discount is factored in pricing.
- ix) Explanation of whether a claim impacts NCD or not and justification of how the same is considered in pricing.
- x) Treatment of potential large losses in pricing.
- xi) Any other relevant information, if any.

Section 5. Gross Premiums

- i) Complete details of each loading on Risk premium along with the basis and justification of such loadings and how these are factored in pricing, For example,
 - o Complete break up of expenses,
 - o Net Cost of Reinsurance, Commission, profit margin etc.
 - o Contingency loadings (mention if it is part of expected claims or profit margin), Investment income.
- ii) Confirmation of compliance with Commission and Expenses of Management Regulations of IRDAI.
- iii) Expected Loss ratio.
- iv) Formula for arriving at gross premium from risk premium.
- v) Any other relevant information for calculation of gross premium.
- vi) Comparison of existing and modified premium rates (In case of modification).
- vii) Justification for change/revision of premium rates with necessary reference to actual experience of the current product.

Section 6. Rating Factors

- i) List and justify all the rating factors and / or risk factors, as relevant. (*Rating factors/risk factors used in pricing shall be objective and quantifiable.*)
- ii) Flexibility, if any applied to rates set out under Section 11 and shall be based on objective criteria:

Rating Factor	Relativities

- iii) Details of how relativities/range of relativities have been derived and how these shall be applied to calculate final premiums along with illustrative Example(s).
- iv) Details of discounts/ range of discounts/loadings, if any, along with justification for such discounts/loadings.

Section 7. Discounts/loadings/Cancellation & Terminations

- i) Detailed description of methodology and basis for discount/Loading, if any (in addition to those mentioned in section 6).
(*Discounts / Loadings should be based on objective and non-overlapping criteria, which should not be at the discretion of insurer resulting in discrimination amongst identical policyholders/proposers.*)
- ii) Capping (if any) on aggregate Discounts / Loadings.
- iii) Details of how these discounts/loadings shall be applied to derive final premiums along with illustrative Example(s).
- iv) Terms for cancellation/termination of contract and details of how the cancellation factors were derived along with the basis.
- v) Year wise (duration wise) cancellation/termination factors for Long Term products.

Section 8. Business Projections

- i) Projections for at least 3 years in respect of each cover - Expected business in terms of premium income, expected loss ratios, combined ratio & profit Margin.

Table 2: Business Projections.

Item	<i>Amount in Rs. Crores</i>		
	Financial Year 1	Financial Year 2	Financial Year 3
Gross Written Premium			
Expected Ultimate Loss ratio (inclusive of IBNR)(Gross)			
Combined ratio ¹			
Profit margin			
RSM			
Capital Required for this product at 150% of RSM			

¹As defined under Annexure III (FCR) of Circular with Ref: IRDAI/ACT/CIR/GEN/ 075/03/2017 dated 31st Mar 2017.

- ii) Comments of Appointed Actuary on retention capacity to manage the business considering the current and future capital position.

Section 9. Profit test, Sensitivity/Scenario test

(Please indicate the most critical/sensitive assumptions on the premium rates & profitability aspects. The Appointed Actuary should consider their variability depending on nature of product. Demonstration of the impact of varying such factors on profitability and capital requirement with comments of the Appointed Actuary thereon. Summary of results for Scenario testing considering base, optimistic (+10%) and pessimistic scenarios (-10%))

Section 10. Reserves

(Please provide a brief note on types of reserves (premium, claim, others) planned for the product including the methods used for determination of reserves is to be given).

Section 11. Premium tables / rate chart

(Premium Tables/Rate chart for both risk premium and office premiums for all options under the product and add-ons have to be reproduced in Technical Note or as an Appendix to technical note. Explicit mention of whether the premium rate tables are exclusive of tax.)

Section 12. Any Other Details

(The Appointed Actuary can provide any other information related to the product/add-on.)

Section 13. Checks

- i) Whether information (updated) provided in Technical note, wherever relevant, is reflected in F&U, Policy document? (Y/N)

- ii) Are Certifications in verbatim with extant Product Filing Guidelines / IRDAI Regulations and duly signed by AA / Panel Actuary / Mentor? (Y/N)

- iii) Have premium rates for all benefits/options been provided? Have pricing details of all the add-ons been provided? (Y/N)

- iv) Have certifications for flexibility as prescribed under Annexure – 2 been submitted, if flexibility has been availed in the current filing? (Y/N)

(In case any of the above answers is no, AA needs to provide the detailed explanation.)

Signature

<Name of Appointed/ Panel Actuary>
<Name of Insurance company>
<Date: DD/MM/YYYY>

Signature (delete if not applicable)

<Name of Mentor Actuary >

<Date: DD/MM/YYYY>

Annexure – 2

(Ref: Annexure – 1 of Cir No. IRDAI/ACT/CIR/MISC/070/04/2021 dated 01.04.2021)

Certification for filing of new products/Add-ons or modification of existing products/ add-ons.

Brand Name of the Product/Add-on:

I, _____ the Appointed Actuary, certify that, in my opinion, the premium rates, advantages, terms and conditions of the above product/add-on are workable and sound, the assumptions are reasonable and premium rates are fair.

I have carefully studied the requirements of the Product Filing Procedure in relation to the design and rating of insurance products.

The rates, terms and conditions of the above mentioned product are determined on technically sound basis and are sustainable on the basis of the information and claims experience available in the records of the insurer.

I further certify that after the discounts, the ultimate loss ratio of the product for the own damage component/add-on is not expected to exceed the loss ratio assumed in the pricing for the own damage component/ add-on. If actual experience turns contrary to this, corrective action will be taken to ensure that the ultimate loss ratio do not exceed the loss ratio assumed in the pricing for OD component/ add-on.

I further certify that premium is adequate to cover the claims cost. Also, where the premium is not adequate, there is a premium deficiency reserve, which is provisioned separately.

An adequate system has been put in place for collection of data on premiums and claims based on every rating factor that will enable review of the rates and terms of the cover from time to time. It is planned to review the rates, terms and conditions of cover based on emerging experience.

It is further certified that the underwriting of the product now filed shall be within the Board approved underwriting policy of the Company.

The requirements of the Product Filing Procedure have been fully complied with, in respect of this product or modification of the product/add-on.

I further confirm that the below mentioned norms have been complied with:

- a. IRDAI (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations, 2016, as amended from time to time.
- b. IRDAI (Payment of Commission or Remuneration or Reward to Insurance agents and Insurance Intermediaries) Regulations, 2016, as amended from time.
- c. Guidelines on “Product Filing Procedures for General Insurance Products”, February 2016 as amended from time to time.
- d. IRDAI (Assets, Liabilities, and Solvency Margin of General Insurance Business) Regulations, 2016, as amended from time to time.
- e. Provisions of Insurance Act 1938 and any other rules, regulations, guidelines, circulars, directions etc., as applicable.

Signature of the
Appointed Actuary/Panel Actuary
(*Please strike off if not applicable*)

Signature of Mentor
(*Please strike off if not applicable*)

Countersigned by:

Signature of CEO/Principal Officer

Signature of PMC

Place:

Date: