



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

Title:Exposure Draft

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IRDAI (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015

"Comments on the Exposure draft can be forwarded to: [suresh \[at\] irda \[dot\] gov \[dot\] in](mailto:suresh@irda.gov.in) on or before 25th March, 2015"

INTRODUCTION:

The Insurance Laws (Amendment) Ordinance, 2014 has introduced section 32D regarding the percentage of third party motor insurance that needs to be underwritten by each insurer. The text of this newly introduced section is as follows:

"32D. Every insurer carrying on general insurance business shall, after the commencement of the Insurance Laws (Amendment) Ordinance, 2014, underwrite such minimum percentage of insurance business in third party risks of motor vehicles as may be specified by the regulations:

Provided that the Authority may, by regulations, exempt any insurer who is primarily engaged in the business of health, re-insurance, agriculture, export credit guarantee, from the application of this section."

Obligation of insurer in respect of Motor Third Party Insurance Business:

The Motor Vehicles Act, 1988 provides for compulsory motor third party insurance for vehicles plying on the road. However, there was no provision either in the MV Act or the Insurance Act regarding the specific obligations of an insurer towards underwriting the motor third party risks.

Under such circumstances, the Authority in order to ensure that there are no supply side constraints in the market had adopted initiatives like creation of Motor TP pool (closed now), Declined Risk Pool (currently in existence) besides taking regulatory action where necessary. Also, it was prescribed that no insurer shall refuse Motor Third party cover to any individual/entity who approaches them.

It is expected that the obligation of the insurers to underwrite Motor TP risks determined based on a broad approach taking into consideration several relevant factors would ensure equitable distribution of this responsibility.

Taking into account the experience gained so far and factoring in various parameters like Total Market Share of the insurer and insurer's market share of Motor Insurance, the obligations of insurers to underwrite Motor TP risks are proposed to be mandated.

Now, as per the mandate given in the Insurance Act, 1938 as amended by The Insurance Laws (Amendment) Ordinance, 2014, the Authority had initiated framing of draft regulations prescribing the obligations of the insurers in meeting the Motor TP coverage needs of the country.

The draft regulations are as Annexed.

Insurance Regulatory and Development Authority of India (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015

IRDA/NL/MTP/Reg/ / 2015

In exercise of the powers conferred by section 114A of the Insurance Act, 1938 (4 of 1938), as amended from time to time, read with sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) and Section 32D of Insurance Act, 1938, as amended from time to time, the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

Short Title and Commencement of the Regulations

1. (a) These Regulations may be called the Insurance Regulatory and Development Authority of India (Obligation of Insurer in respect of Motor Third Party Insurance Business) Regulations, 2015
- (b) These shall come into force on the date of their publication in the Official Gazette

Definitions

- (2) In these regulations, unless the context otherwise requires, -
 - (a) "Act" means the Insurance Act, 1938 (4 of 1938), as amended from time to time;
 - (b) "Authority" means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)
 - (c) "Insurer" means the insurance companies registered with the IRDAI and licensed to underwrite direct motor insurance business in India
 - (d) "Motor Third Party Insurance Business" consists of the motor third party insurance business in respect of both, the liability only policies as well as the package policies issued in motor portfolio
 - (e) "New Insurer" means an insurer which has started its business operations during the immediate preceding financial year of the financial year for which obligations in respect of motor third party insurance business are to be fixed

Obligations

- (3) Every insurer, for the purpose of Section 32D of the Insurance Act, 1938, during a financial year, shall underwrite such minimum percentage of the 90 % of the overall motor third party insurance business premium of the industry for the immediate preceding financial year as described in Para (4) below
- (4) The minimum percentage so decided shall be equal to the simple average of insurer's share in total gross premium of the industry and that in total motor insurance premium of the industry, both in the immediate preceding financial year

Exceptions

- (5) The new insurer writing motor insurance business licensed to underwrite motor insurance for the first time shall be exempted from the application of the obligatory requirement during first two financial years of its operations including the financial year in which its operations are started
- (6) Such insurer shall also be excluded from the calculations for determining the minimum obligatory requirements for other existing insurers for such period till which the minimum obligatory requirements are not applicable to that insurer

Submissions

(7) Every insurer shall submit the financial returns to the IRDAI for every quarter of the financial year within forty five days of the end of the quarter as per the Schedule – MTP –A

Schedule – MTP- A (Motor Third Party Insurance Business)

- (i) Name of the Insurer:
- (ii) Registration No. and Date of Registration with the IRDAI:
- (iii) Gross Direct Premium Income for the FY (Preceding FY):
- (iv) Motor Third Party Insurance Business Premium for the FY (Preceding FY):
- (v) Statement Period: Quarter ending _____

Items	Amount (Rs)	
	For the Quarter	Till the Quarter
Motor Third Party Insurance Business Premium in respect of liability only policies (A)		
Motor Third Party Insurance Business Premium in respect of package policies (B)		
Total Motor Third Party Insurance Business Premium in respect of both types of policies (A+B)		
Total Motor Own damage Insurance Business Premium		
Total Gross Direct Premium Income		

No refusal to Accept the Risk

(8) The Regulations (3) and (4) stipulate just the minimum obligation of the insurer in respect of motor third party insurance business. Notwithstanding this, at no instance the insurer shall refuse to underwrite the “liability only” motor policy covering motor third party insurance risk coming to its office (s).