



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

ORDER

IRDA/NL/ORD/MISC/006/01/2013

08th January 2013

**Modifications to "GR 9: Depreciation on Parts for Partial Loss Claims" of the erstwhile India
Motor tariff**

The Authority vide its Exposure Draft dated 16th October 2012 had invited all the stakeholders to provide their comments on the draft proposal of modifications to "GR 9: Depreciation on Parts for Partial Loss Claims" of the erstwhile India Motor tariff.

As had been brought out in the Exposure Draft, the paint as a material is having a limited life and is subject to depreciation looking into the exposure the motor vehicles have to varying weather conditions. However, it is observed that presently there is no uniform practice prevailing in the market in respect of depreciation of painting.

In view of the above, and also by taking into consideration the various comments received from various stakeholders on the Exposure Draft issued by the Authority, the GR 9 and wordings of Individual motor package policy of the erstwhile IMT shall be partially modified as under (**The changes are shown in bold letters**):

A. GR 9: Depreciation on Parts for Partial Loss Claims:

The following rates of depreciation shall apply for replacement of parts for partial loss claims in respect of all categories of vehicles / accessories.

1. Rate of depreciation for all rubber, nylon/ plastic parts, tyres and tubes, batteries and air bags: 50 %
2. Rate of depreciation for all fibre glass components: 30 %
3. Rate of depreciation for all parts made of glass: NIL
4. Rate of depreciation for all other parts including wooden parts is to be as per the following schedule:

AGE OF THE VEHICLE	% OF DEPRECIATION
Not exceeding 6 months	Nil
Exceeding 6 months but not exceeding 1 year	5%
Exceeding 1 year but not exceeding 2 years	10%
Exceeding 2 years but not exceeding 3 years	15%
Exceeding 3 years but not exceeding 4 years	25%
Exceeding 4 years but not exceeding 5 years	35%
Exceeding 5 years but not exceeding 10 years	40%
Exceeding 10 years	50%



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5. **Rate of Depreciation for Painting:** In the case of painting, the depreciation rate of 50 % shall be applied only on the material cost of total painting charges. In case of a consolidated bill for painting charges, the material component shall be considered as 25 % of total painting charges for the purpose of applying the depreciation.

B. Individual Package Policy Wordings:

Wherever the reference is drawn to the depreciation rates to be applied for replacement of parts for partial loss claims in respect of all categories of vehicles / accessories under package policy wordings, the wordings need to be modified as above.

Accordingly, the Section I: Loss of or Damage to the Vehicle Insured of the individual motor package policy shall need to be partially modified as under:

The Company will indemnify the insured against loss or damage to the vehicle insured hereunder and / or its accessories whilst thereon

- i. by fire explosion self ignition or lightning ;
- ii. by burglary housebreaking or theft ;
- iii. by riot and strike;
- iv. by earthquake (fire and shock damage);
- v. by flood typhoon hurricane storm tempest inundation cyclone hailstorm frost;
- vi. by accidental external means;
- vii. by malicious act;
- viii. by terrorist activity;
- ix. whilst in transit by road rail inland-waterway lift elevator or air;
- x. by landslide rockslide.

Subject to a deduction for depreciation at the rates mentioned below in respect of parts replaced:

1. For all rubber, nylon/ plastic parts, tyres and tubes, batteries and air bags: 50 %
2. For all fibre glass components: 30 %
3. For all parts made of glass: NIL
4. Rate of depreciation for all other parts including wooden parts will be as per the following schedule:

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Exceeding 2 years but not exceeding 3 years	15%
Exceeding 3 years but not exceeding 4 years	25%
Exceeding 4 years but not exceeding 5 years	35%
Exceeding 5 years but not exceeding 10 years	40%
Exceeding 10 years	50%

- 5. Rate of Depreciation for Painting:** In the case of painting, the depreciation rate of 50 % shall be applied only on the material cost of total painting charges. In case of a consolidated bill for painting charges, the material component shall be considered as 25 % of total painting charges for the purpose of applying the depreciation.

The above changes shall be applicable to all motor package policies whose risk inception date falls on or after 01st February 2013.

All the insurers writing motor insurance business are advised to give adequate publicity to the proposed changes so that the policyholder is made aware and there are minimal grievances/complaints.

(M Ramaprasad)
Member (Non-Life)