



Ref: IRDA/NL/MTP/2019-20/EXDRF

20th May, 2019

**Exposure Draft on Revision in Premium Rates for Motor Third Party
Insurance Cover for the Financial Year 2019-20**

By virtue of powers vested in the Authority under Section 14 (2) (i) of the IRDA Act, 1999, the Authority has been notifying the premium rates applicable to Motor Third Party (TP) Liability Insurance, every year, starting from 2011.

Further to the notification of the Authority vide order ref: IRDA/NL/ORD/MOTP/051/03/2019 dt: 28th March, 2019, the Motor Third Party Premium rates for the year 2019-20 (ending 31st March, 2020) for various categories of vehicles, which shall come into force from the date to be notified, have been arrived at as follows:

I. Data Source and Data Used:

1. The data provided by the Insurance Information Bureau of India (IIBI) has been used for arriving at the Motor TP premium rates.
2. The claims paid data in respect of each of the accident years starting from the year 2011-12 up to 2017-18 has been considered, taking into account the combination of 'Class Code' and 'Vehicle CC/PCC/GVW' Code.
3. Gross Written Premiums for the FYs 2011-12 to 2017-18 have been considered.

II. Basic Methodology

1. The ultimate claims cost for each accident year has been estimated using the actuarial technique of Basic Chain Ladder Method applied to cumulative paid claims data.
2. Based on the analysis of paid claims data, cumulative paid claims triangles for valid combinations of class codes and CC/PCC/GVW codes have been populated for AYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18.

3. The main characteristic of the technique is that ultimate claims for each accident year are estimated from the recorded paid values till date, thereby assuming that the future development of payment and movement of paid claims would be similar to the pattern of payment and movement of paid claims during prior years.
4. The selection of age-to-age-factors (ATAFs) has been done after considering various averages of ATAFs like simple average of all years, volume weighted average, average of last 3 years/ last 5 years, highest of all averages etc.
5. It is observed that the ATAFs for the most developed periods available are significantly higher than 1.00. This is in line with the fact that motor third party insurance is a long-tail line of business and complete run-off occurs after a significant period of time.
6. The oldest accident year has 7 years of development, which is generally not sufficient to fully run-off the paid claims for that accident year. Hence, ATAFs for a further 5 years of development have been projected by considering movement of expected future ATAFs on the lines of the past available years of development. A multiplication of these estimated ATAFs is considered as 'tail factor'. A tail factor would project the paid claims from the latest development period to the ultimate.
7. The ultimate expected claims for various accident years are estimated by considering cumulative development factors (age-to-ultimate) and the latest cumulative paid amount for a particular accident year. The ultimate claims amount is estimated for each accident year.
8. Based on the class codes and CC/PCC/GVW codes, financial year-wise Gross Written Premiums (GWP) from the premium data have been populated. The financial year-wise Gross Written Premium have been converted to financial year wise Gross Earned Premium (GEP) by applying the formula:

$$GEP \text{ for } FY(t) = \frac{[GWP \text{ of } FY(t) + GWP \text{ of } FY(t-1)]}{2}$$

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9. Ultimate Loss Ratio (ULR) for each Accident year is calculated as Ultimate Claims/Gross Earned Premium

$$ULR \text{ for AY } (t) = \frac{\text{Ultimate Claims of AY } (t)}{\text{Gross Earned Premium for FY } (t)}$$

10. Burning Cost (BC) for each Accident year is then calculated by multiplying Ultimate Loss Ratio and Pure Third Party Premium. The Burning Cost calculated represents the claims cost for only Third Party claims excluding PA claims. Burning Cost has been calculated by considering some of the recent developments post the data period.

$$\text{Burning cost for AY } (t) = ULR \text{ for AY}(t) * \text{Third Party Premium for FY}(t)$$

11. By considering the Burning Cost and loading it with appropriate expenses, Premium rates for the FY2019-20 have been derived.
12. The actuarial rates have been arrived at after factoring in the necessary assumptions and after smoothening, wherever necessary.

- III.** As for the Vintage Cars segment, there is no substantial data relating to the past experience. A discounted price of 50% of the proposed rate based on the erstwhile Indian Motor Tariff (IMT) has been proposed for those private cars identified as Vintage Cars by the Vintage and Classic Car Club of India.
- IV.** A discount of 15%, on Motor TP premium rates for Electric Private Cars and Electric Two wheelers, is proposed. This will be an incentive to use environment friendly vehicles.

The details of proposed Motor TP premium rates for the various classes of vehicles are tabulated below:

Table I

Category	Vehicle Type	Existing Rates (Rs) FY 2018-19	Proposed Rates (Rs) FY 2019-20
	Private Cars*		
	Not exceeding 1000 cc	1,850	2,120
	Exceeding 1000 cc but not exceeding 1500 cc	2,863	3,300
	Exceeding 1500 cc	7,890	7,890
	Two Wheelers*		
	Not exceeding 75 cc	427	482
	Exceeding 75 cc but not exceeding 150 cc	720	752
	Exceeding 150 cc but not exceeding 350 cc	985	1,193
	Exceeding 350 cc	2,323	2,323
A1	Goods Carrying Vehicles Public Carriers (other than 3 wheelers)		
	GVW not exceeding 7500 kgs	14,390	15,746
	Exceeding 7500 kgs but not exceeding 12000 kgs	24,190	26,935
	Exceeding 12000 kgs but not exceeding 20000 kgs	32,367	33,418
	Exceeding 20000 kgs but not exceeding 40000 kgs	39,849	43,805
	Exceeding 40000 kgs	38,308	41,561

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A2	Goods Carrying Vehicles Private Carriers (other than 3 wheelers)		
	GVW not exceeding 7500 kgs	7,144	8,438
	Exceeding 7500 kgs but not exceeding 12000 kgs	15,620	17,204
	Exceeding 12000 kgs but not exceeding 20000 kgs	9,871	10,876
	Exceeding 20000 kgs but not exceeding 40000 kgs	15,397	17,476
	Exceeding 40000 kgs	21,318	24,825
A3	Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Public Carriers		
	except e-carts	4,544	4,092
	e-carts	3,175	2,859
A4	Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Private Carriers		
	except e-carts	3,150	3,914
	e-carts	2,579	3,204
B	Trailers		
	Agricultural Tractors upto 6 HP	816	914
	Other vehicles including Miscellaneous & Special Type of Vehicles (Class-C), (For each trailer, for more please multiply by no. of trailers)	2,091	2,341

A discount of 15%, on Motor TP premium rates for Electric Private Cars and Electric
 * Two wheelers is proposed.

A discounted price of 50% of the proposed rate, based on the erstwhile Indian Motor
 \$ Tariff (IMT), has been proposed for those private cars identified as Vintage Cars by
 the Vintage and Classic Car Club of India.

Table II

Category	Vehicle Type	Existing Rates (Rs.) FY 2018-19		Proposed Rates (Rs.) FY 2019-20	
		Basic Rate	Per Licensed Passenger	Basic Rate	Per Licensed Passenger
C1a	Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers				
	Not exceeding 1000 cc	5,437	1,046	5,769	1,110
	Exceeding 1000 cc but not exceeding 1500 cc	7,147	880	7,584	934
	Exceeding 1500 cc	9,472	1,006	10,051	1,067
C1b	Three wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers				
	except e-rickshaw	2,595	1,241	2,595	1,241
	e-rickshaw	1,685	806	1,685	806
C2	Four or more wheeled vehicles used for carrying passengers with carrying capacity exceeding 6 passengers for hire or reward				
	School Bus [#]	13,176	805	13,874	848
	Other Bus	13,176	805	14,685	897
C3	Motorized three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 6 passengers but not exceeding 17 passengers	6,222	1,241	6,913	1,379
C2	Three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 17 passengers	14,261	872	15,845	969

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C4	Motorized Two wheelers used for carrying passengers for hire or reward				
	Not exceeding 75 cc	790	532	861	580
	Exceeding 75 cc but not exceeding 150 cc	790	532	861	580
	Exceeding 150 cc but not exceeding 350 cc	790	532	861	580
	Exceeding 350 cc	2,067	532	2,254	580

School Busses are those buses which are registered in the name of the School and are used only for transporting students to or from a school or on school-related trips.

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Table III

Category	Vehicle Type	Existing Rates (Rs.) FY 2018-19	Proposed Rates (Rs.) FY 2019-20
D	Special Types of Vehicles		
	i) Pedestrian controlled Agricultural Tractors with Horse Power rating not exceeding 6HP, Hearses and Plane Loaders	1,435	1,607
	ii) Other Misc & Spl types of vehicles	6,115	6,847
E	Motor Trade (Road Transit Risks)		
	i) Distance not exceeding 2400 kms	1,088	1,055
	ii) Distance exceeding 2400 kms	1,308	1,268
F	Motor Trade (Road Risks) (Excluding Motorized Two Wheelers) – (Named Driver or Trade Certificate)		
	1st named driver or certificate	1,296	1,345
	For additional drivers/ certificates up to 5 (per driver/certificate)	627	651
	For additional Drivers/ Certificates exceeding 5 but not exceeding 10 (per driver/ certificate)	404	419
	For additional Drivers/ Certificates exceeding 10 but not exceeding 15 (per driver/ certificate)	350	363
F	Motor Trade (Road Risks) (Motorized Two Wheelers) – (Named Driver or Trade Certificate)		
	1st named driver or certificate	530	515
	For each additional Driver/ Certificate	264	257

Table IV

Long Term Premium rate table		
Category of Vehicle	Existing Rates (Rs.) FY 2018-19	Proposed Rates (Rs.) FY 2019-20
New Private Car – 3 Year Single Premium		
Not exceeding 1000 cc	5,286	5,286
Exceeding 1000 cc but not exceeding 1500 cc	9,534	9,534
Exceeding 1500 cc	24,305	24,305
New Two Wheelers – 5 year Single Premium		
Not exceeding 75 cc	1,045	1,045
Exceeding 75 cc but not exceeding 150 cc	3,285	3,285
Exceeding 150 cc but not exceeding 350 cc	5,453	5,453
Exceeding 350 cc	13,034	13,034

All stakeholders are invited to provide their comments on this exposure draft . The comments should reach the Authority, also by e-mail addressed to janita@irda.gov.in with a copy to srihari.a@irda.gov.in, on or before 29th May 2019.


(Yegnapriya Bharath)

Chief General Manager (Non-Life)