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Motor insurers want cap on liability, time frame, geography

Vehicle Portfolio Bleeds Industry; Loss Ratios At 80-190%

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Chennai: When an IIT engineer got hit in a road accident in Gurgaon, the courts ordered the insurer to pay a compensation of ₹2.06 crore last December. For, 25-year-old Anshum Agarwal suffered serious abdominal injuries and was drawing an annual salary of Rs 46.5 lakh when the accident happened. And according to the Motor Accident Claims Tribunal, cases like Agarwal aren't rare as more youngsters draw higher salaries. But for insurance companies, the rise of the high-earning youngster is just another cog in the chain that's setting their motor insurance portfolios bleed futher.

In recent years, insurance companies have booked loss ratios as high as 80-190% for settling motor insurance claims. Despite third-party liability being the highest for the commercial vehicle segment (trucks in the 2.5-5 tonne, above category), covering two-wheelers and four-wheelers has also proved a loss making proposition given that courts have awarded as much as ₹1-3 crore in compensation for young professionals with a high life expectancy and a soaring career graph.

Every April, the IRDA revises third-party (TP) premium rates by 15-20% for the 28 non-life insurers- despite which loss ratios abound — lending weight to the demand from insurers that the IRDA place caps on their liability. Insurers now want an amendment of the Motor Vehicles Act, as since 1989 there has been no cap on liability, time frame or geography.

"There's no cap on the liability of the insurer, so the company could be having to pay out anything from ₹30 lakh to ₹3 crore on a TP claim on death or disability. Secondly, there's no cap on the time within which the claim should be filed. So if the accident happened in 2002, you could file the claim in 2012, 2022 or in 3002 - which is ridiculous - but that's what has been happening since the 1989 amendment to Motor Vehicles Act," said Vinaya Kumar Nerella, vice-president, Toyota Tsusho Insurance Broker India.

The lack of geographical boundaries on third-party claims is another cause for concern. "We have seen accidents in Bengaluru and claims being filed in courts in Chennai or Mumbai. It costs so much from the insurance company to settle claims if we are being sent from one corner to the other. We should be dealing with the case at the place of accident not a hundred miles from there — resulting in delay for the insurer, the courts and ultimately the victims," said Vijay Kumar, CTO, motor insurance, Bajaj Allianz General Insurance Co.

For the period upto Sept 2015, Indian insurers earned as much as ₹14,518 crore in third-party premiums, but had to pay out ₹14,989.13 crore in TP claims. "A sizeable chunk of TP does come in from the commercial vehicle segment. Unlike two-wheelers and four-wheelers that ply mostly in metros, trucks ply throughout India. Also TP, OD claims are more low-intensity at low-speeds in metros because of dense, slow traffic, when compared to high-speed, high-impact collisions on highways," said Amitabh Jain, head of motor insurance, ICICI Lombard General Insurance Co.

In the last decade, TP claims have an average loss ratio of 151.15%, according to data with the IRDA. "Many a time it is a well-organised racket - by doctors, police and ambulance chasers. Though there is a large percentage — about 59% of vehicles on the road uninsured — you will still see a sizeable number of claims. So much so that we face a delay even in settling genuine claims.

MOTOR INSURANCE BUSINESS IN INDIA

(in ₹ crores)
#Upto Sept 2015

*OD - OWNED DAMAGE * TP - THIRD PARTY

Year	OD Premiums	TP Premiums	OD Claim	TD Claim	OD loss ratio (Figers in %)	TP loss ratio
2014-15#	23,687	14,518	13,264.72	14,989.13	56	103.24
2013-14	19,572	15,237	11,116.896	17,370.18	56.80	114.60
2012-13	18,090	12,460	10,347.48	16,821	57.20	135.10
2011-12	15,295	9,679	9,268.77	19,948	60.60	206.10
2010-11	12,400	6,355	6,478.41	10,981.44	64.70	172.80