

MANOHAR BHATT

MOTOR vehicle accidents are one of the major causes of death and injuries in India. As many as 1.5 lakh people die every year in 5 lakh road accidents in the country, according to statistics revealed by the Road Transport Ministry. Consequently, India also sees around 3 lakh third-party motor insurance (TP) cases being registered in Indian courts every year. In any given year, courts and tribunals across India settle about 2.5 lakh cases related to TP claims. The lack of driving discipline and proper implementation of safety measures has resulted in Indian roads continuing to be extremely high risk prone area.

The Indian government in its bid to improve road safety has recently passed the Motor Vehicle Amendment Bill 2016 in the Lok Sabha. The Bill brings in major amendments to the 30-year-old Motor Vehicle Act, and is an attempt to revamp the laws governing transportation in the country to reduce road traffic violations and improve driving behavior on Indian roads. Certain amendments also emphasise on the third-party cover offered under the motor insurance policies issued by Indian insurers.

Third party insurance cover is compulsory by law since it addresses crucial aspect of liability arising out of any damage to property or life due to an accident. Given that accidents are a common phenomenon on Indian roads understanding the changes that the Bill introduces with respect to third party motor insurance is therefore important. It seeks to get every stakeholder to take up more responsibility by distributing the liabilities to ensure accountability for road safety. Another significant reason that makes it impertinent for every individual to understand the implications of these newly proposed amendments is that it may not be your fault on the road but you can still get embroiled in a case involving damages to a third party.

The most commonly known facts of the Bill are the penalties that have been increased for traffic violations along with increasing the fine to Rs 2,000 from Rs 1,000 for plying on the roads without a valid insurance. What is equally important to know is that it introduces specific timelines for faster processing of third party insurance claims. It directs the victim to file such application within 6 months of the incident and the insurance company to make an offer to the claimant within 30 days of receiving the requisite information. If the claimant accepts the offer the insurer is liable to make payments within 30 days. In case the claimant does not agree with the compensation being provided, the application is referred to the claims tribunal to schedule a hearing.

When we talk about compensation,

# Decoding insurance in new Motor Vehicle Bill



## NEW AMENDMENTS

- |  |   |   |  |  |
|--|---|---|--|--|
| ■ Third party insurance cover is compulsory by law since it addresses crucial aspect of liability arising out of any damage to property or life due to an accident | ■ Under the new Bill, the penalties have been increased for traffic violations along with increasing the fine to Rs 2,000 from Rs 1,000 for plying on the roads without a valid insurance | ■ It directs the victim to file such application within 6 months of the incident and the insurance company to make an offer to the claimant within 30 days of receiving the requisite information | ■ If the claimant accepts the offer, the insurer is liable to make payments within 30 days | ■ In case the claimant does not agree with the compensation being provided, the application is referred to the claims tribunal to schedule a hearing |
|--|---|---|--|--|

steps have been taken to relook at the payment structure and procedures to ensure a faster disbursal. In cases where the person driving the vehicle is not at fault, it has fixed the minimum compensation for grievous injuries to Rs 2.5 lakh and Rs 5 lakh for death. However, the Bill grants unlimited liability and compensation for cases where the driver for the vehicle has been proved to be at fault. It has also increased the compensation amount for hit-and-run cases. Now in case of death of victim in such cases the compensation has been increased to Rs 2 lakh from previous Rs 25,000 and in case of grievous injuries Rs 50,000 instead of Rs 12,500 earlier.

A provision has been made for the creation of a fund to facilitate cashless treatment of accident victims during the "golden hour". Additionally, to ensure that all drivers take responsibility for their actions, insurance claims for those found driving without proper licence or permit, under the influence of liquor/drugs, or who has

not paid insurance premium has been categorized as inadmissible. This means insurance company is no longer liable to pay the compensation on your behalf. The insured then has to abide by the court order and provide the compensation to the victim themselves, which can lead to a massive financial turmoil.

At present, TP motor insurance is the only portfolio for insurers where the tariffs are determined by the insurance regulator and the losses for insurers run in thousands of crores every year. In terms of motor insurance premiums, the insurance regulator has recently rolled back the proposed hike in TP premium rates to reduce the adverse impact on citizens, despite the heavy losses faced by the industry. These changes have not had an immediate impact on the motor insurance premium. The Bill, however, gives power to the Central government to prescribe 'a base premium' and the liability of an insurer in relation to such premium. Here insurance com-

panies will be allowed to offer a TP cover where the compensation will be capped and for those who want their insurer to cover them against unlimited liabilities may have to shell out more premium. Insurers are awaiting further clarity on this subject, till such time the structure and premium remains unaltered.

Through these amendments, apart from bringing in accountability the government has tried to bring about changes in the way third party motor insurance compensation is structured. It is a positive attempt towards streamlining the processes. Further, steps like immediate cashless treatment ensure that the consumer's interests during road travel are protected while plugging leakages to ensure that the motor insurance industry does not continue to bleed on heavy losses.

**The writer is Head - Motor Insurance, Bajaj Allianz General Insurance. The views expressed in this article are his own**