



Handbook on Motor Insurance

Year 2020



1. About this handbook

This handbook is designed by the Insurance Regulatory and Development Authority of India (IRDAI) as a guide on Motor Insurance and gives general information only. No information given herein replaces or overrides the terms and conditions of an insurance policy.

Please approach a duly licensed agent or an intermediary or an insurance company registered with the IRDAI for specific information regarding a policy or for any other additional information.

2. Motor Insurance

2.1 What is Motor Insurance?

Motor insurance provides protection against the following.

2.1.1 Own Damage (OD): The damages to the vehicle due to the following perils are covered under OD section of the Motor Insurance policy:

- a. Fire, Explosion, Self- Ignition, Lightning
- b. Burglary/Housebreaking /Theft
- c. Riot & Strike
- d. Earthquake
- e. Flood, Storm, Cyclone, Hurricane, tempest, inundation, hailstorm, frost, Typhoon
- f. Accidental external means
- g. Malicious Act
- h. Terrorist acts
- i. While in Transit by Rail/ Road, Inland waterways, Lift, Elevator or Air
- j. Land slide /Rock slide

2.1.2 Third Party (TP) Liability: The policy will pay for Third-Party Liability determined as per law against the owner of the vehicle. Third Party Insurance is a statutory requirement. The owner of the vehicle is legally liable for any injury or damage to third party's life or property caused by or arising out of the use of the vehicle in a public place. Driving a motor vehicle without insurance in a public place is a punishable offence in terms of the Motor Vehicles Act, 1988.

2.1.3 Compulsory Personal Accident Cover (CPA): Compensation is provided in case of bodily injury/death of owner-driver of the vehicle in direct connection with the vehicle insured or while mounting into/dismounting from or travelling in the insured vehicle.

In addition to the above basic covers, the policy can also be extended to cover additional risks using Add-on covers on payment of additional premium.

2.2 Exclusions under Motor Insurance:

2.3.1 The following contingencies are usually excluded under the Motor Insurance Policy:

- Not having a valid Driving License
- Under Influence of intoxicating liquor/drugs
- Accident taking place beyond Geographical limits
- While Vehicle is used for unlawful purposes
- Electrical/Mechanical Breakdowns
- Damage to tyres and tubes unless the vehicle is damaged at the same time
- Consequential loss, depreciation, wear and tear

(Please refer to policy document for complete list of exclusions)

2.3 Types of Motor Insurance cover:

2.3.1 The following types of Insurance policies are available in the market:

Type of Insurance Policies	Available for
Liability Only Policy	For all vehicles
Package Policy	For all Vehicles
Bundled Policy	For new private cars and new two wheelers
Standalone Own Damage Cover	For private car and two wheelers (both new and old)

2.3.2 Remember that if you take a Liability Only Policy, damage to your vehicle will not be covered. Hence, it would be prudent to take a Package Policy or a Bundled Policy or a Standalone Own Damage Policy in addition to your Liability Only Policy which would give a wider cover, including cover for your vehicle.

2.4 Policy periods for various types of covers:

The policy periods for various types of policies are as under.

Policy Type	Period	
	Own Damage Cover	Third Party Cover

Package Policy	1 year (for all vehicles except new two wheelers and new Private Cars) or 2/3 years (for old Two Wheeler)	1 year (for all vehicles except new two wheelers and new Private Cars) Or 2/3 years (for old Two Wheeler)
Liability Only Policy	NA	1 year (for all vehicles except new two wheelers and new Private Cars) or 3 years (for new Private Car) or 5 years (for new Two Wheeler) Or 2/3 years (for old Two Wheeler)
Bundled Policy	1 year (for new Private Cars and new Two-Wheelers)	3 year (for new Private Cars) 5 year (for new Two Wheeler)
Standalone Own Damage	1 year (for private car and two wheelers (both new and old))	NA

2.5 Basis of Sum Insured (SI):

2.5.1 For Own Damage: The Sum Insured under a Motor Insurance policy reflects the value of the motor vehicle and is determined based on the concept known as Insured's Declared Value. Insured's Declared Value is the value arrived at based on the Manufacturer's listed selling price and depreciation based on the Age of the Vehicle.

2.5.2 For Third Party: There is no specific SI for the death/bodily injury to Third Party, liability for the same is decided by the law as per requirements of Motor Vehicles Act, 1988 as amended from time to time. However, for damage to Third Party property, one can opt for SI of Rs. 7.5 lakh or Rs. 6000.

2.5.3 Compulsory Personal Accident for Owner-Driver: Sum Insured for this cover is Rs. 15 lakh by default. However, the insured can opt for lower Sum Insured, if owner-driver is already having a 24-hour Personal Accident cover against Death and Permanent Disability (Total and Partial).

3. FAQs on Motor Insurance

3.1 What Motor Insurance cover should I buy? Should I buy Comprehensive Insurance or Liability only Policy?

Ans. Third Party Liability insurance is mandatory for all vehicles plying on public roads in India. This covers Liability for injuries and damages to others that you are responsible for. In addition, it is prudent to cover loss or damages to the vehicle itself by way of a Comprehensive/Package policy or a Bundled Policy or a Standalone Own Damage Policy in addition to your Liability Only Policy, which covers both "Liability" as well as "Own damage" to Insured vehicle. Liability Only cover is also known as Act Only cover.

3.2 How is the premium determined?

Ans. Many factors determine the premium you will pay. For Own Damage cover different insurance companies charge different premiums for similar coverage. Shop around; getting three or more comparison quotes is worthwhile. Check various insurers websites; it will help you compare the premiums. Do not forget to compare deductibles, coverage and IDV's as premium may be lesser of one insurer but with higher deductibles, lower coverage and lower IDV, which will adversely impact you in the event of claim settlement.

Be prepared to give your agent information about the following items that are commonly used to determine your premium: Vehicle registration details with Engine no., Chasis no., Class of vehicle, cubic capacity, seating capacity, etc. (In fact, all relevant details are in the RC book/card and a copy of same may be handed over), Tax paid details; Certificate of fitness, Driver details age, gender, qualifications, licence validity, previous claim history, if any.

The Own Damage coverage is left to be rated by individual insurance companies after duly filing rates with the Insurance Regulatory and Development Authority of India. The same is determined on following factors amongst others -- Age of vehicle; Discounts / loadings-Appropriate Bonus / loading/ discounts along with past claims experience are taken into account while calculating premium, IDV (Insured Declared Value).

Premium for Third Party Liability are laid down by IRDAI and it is same for all insurers.

In case of break in insurance, vehicle inspection would be required and extra charges will have to be incurred for the same.

3.3 What coverage limits meet my needs?

Ans. For Own Damage, the Sum Insured for the vehicle is called 'Insured Declared Value' and should reflect the current market value of the vehicle. For Third Party Liability cover, there is unlimited coverage for death/injuries to Third Parties, however, Third party property damages are covered up to a sum of Rs.750,000. Insured has option to restrict coverage for Third Party Property damage to Rs.6,000 whereby there will be reduction in "Liability Only" premium.

3.4 Which policy should I purchase for my new Private Car or new Two-Wheeler?

Ans. You can either purchase Bundled Policy or Long-Term Liability Only Policy for term of 3 year and 5 year for new Private Car and new Two-Wheeler respectively. However, annual Package or annual Liability only policy for new Private Car or New Two Wheeler is not available as it is not permitted.

3.5 When should I renew the Bundled Policy?

Ans. Own-Damage (OD) cover under Bundled Policy is valid for period of one year and hence, OD section should be renewed on expiry of one-year period. However, Third Party cover under the Bundled Policy is valid for three years (for new Private Cars) or five years (for new Two-wheelers) and hence, it should be renewed on expiry of 3 or 5 year period as the case may be.

3.6 When should I approach Insurance company for renewal of my policy?

Ans. You should approach Insurance company at least 15 days before expiry of your existing policy period.

3.6 What is Add-on Cover?

Ans. Add-on cover extends the cover under the base policy on payment of additional premium. Different Insurers have different Add-ons available with them. Nil Depreciation Cover, Return to Invoice Cover, No Claim Bonus Protection are some of the most common Add-on covers present in the market. You can visit the IRDAI website (irdai.gov.in) for detailed coverage of under these add-ons.

3.7 What is "No Claim Bonus"?

Ans. No Claim Bonus (NCB) is the benefit accrued to an insured for NIL claims during the previous policy period. As per current norms prevalent, it ranges from 20% on the Own Damage premium (and not on Liability premium) and progressively increases to a maximum of 50% based on successive claim free years. If; however, a claim is lodged, the No claim Bonus is lost in the subsequent policy period. NCB is given to insured and not to the insured vehicle. Hence, on transfer of the vehicle, the insurance policy can be transferred to new owner but not the NCB. The new owner has to pay the difference on account of NCB for the balance policy period. The original owner can, however, use the NCB on a new vehicle purchased by him.

3.8 Will my No Claim Bonus (NCB) get ported if I want to change my insurance company?

Ans. Yes, you can avail of the NCB facility if you change the insurer on renewal. You would have to produce proof of the NCB earned by way of renewal notice from the current insurer. If the same cannot be produced, you may produce your original expiring policy along with a certification that no claim has been lodged by yourself on the expiring policy. Hence, evidence can be in form of a renewal notice or a letter confirming the NCB entitlement from the previous insurer.

3.9 Are there discounts that will lower my premium?

Ans. In addition to NCB, there could be additional discounts available under Own Damage Premium such as for membership of Automobile Association of India, Vintage Cars (Pvt. Cars certified by the Vintage and Classic Car Club of India); Installation of anti-theft devices approved by Automobile Research Association of India (ARAI), Pune and whose installation is approved by AAI; Concessions for specially designed/modified vehicles for the Blind, Handicapped and mentally challenged persons, which are suitably endorsed in the RC by the RTA concerned; - opting for voluntary additional deductible/excess. In addition to the above, the different insurers may offer different types of additional discounts depending on various rating factors after filing with the IRDAI.

Under "Liability Only Section", discounts are available for reduction in Third Party Property Damage (TPPD) from Rs. 750,000 to Rs. 6,000.

3.10 Is GST applicable and how much is it?

Ans. Yes, GST is applicable and would be as per prevailing rule of law.

3.11 What is deductible?

Ans. Deductible or Excess is the amount over and above, which the claim will be payable. There is a normal standard/compulsory excess for most vehicles ranging from Rs. 100 for two-wheelers to Rs. 2000 for Pvt. Cars and Commercial vehicles which increases depending upon the cubic capacity/carrying capacity of the vehicle. However, in some cases the insurer may impose additional excess depending upon the age of the vehicle or if there is high frequency of claims.

3.12 What is the procedure for recording any changes in the policy?

Ans. If there are any changes in the policy, it will be done by an Endorsement by the insurance office. Submit a letter to the insurer with proof for the changes and obtain the Endorsement. Check the correctness of the Endorsement.

3.13 What is a Certificate of Insurance under Motor Vehicle Act?

Ans. As per Rule 141 of Central Motor Vehicle Rules 1989, a certificate of Insurance is to be issued only in Form 51. It is only in Motor Vehicle Insurance, apart from policy, a separate certificate of insurance is required to be issued by Insurers as per law. This document should always be carried in the vehicle. Policy should be preserved separately at home / office.

3.14 If I fit CNG or LPG kit to my vehicle, is it necessary to inform the Insurance Company?

Ans. If CNG / LPG kit is fitted to the vehicle, RTA where the vehicle was registered should be informed to note the change in the registration certificate (RC). The Insurance Company should also be informed to have the kit covered on payment of extra premium on the value of the kit under "OD" section and also under "TP" section.

3.15 What are the documents to be kept in the vehicle while plying in public places?

Ans.

- Certificate of Insurance
- Xerox copy of Registration Certificate
- Pollution under control Certificate (PUC)
- Copy of DL of person who drives the vehicle

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3.16 Can I transfer my insurance to the purchaser of my vehicle?

Ans. Yes, the insurance can be transferred to the buyer of the vehicle, provided the seller informs in writing of such transfer to the insurance company. A fresh proposal form needs to be filled in. There is a nominal fee charged for transfer of insurance along with pro-rata recovery of NCB from the date of transfer till policy expiry. It may be noted that transfer of ownership in comprehensive/package policies has to be recorded within 14 days from date of transfer failing which no claim will be payable for own damages to the vehicle.

3.17 Can I continue the insurance in the name of the previous owner even after the vehicle is transferred in RTO records in my name?

Ans. No. Registration and insurance of the vehicle should always be in the same name with same address. Otherwise the claim is not payable. A fresh proposal form needs to be filled in. There is a nominal fee charged for transfer of insurance.

3.18 I have lost the insurance policy. Can I get a duplicate one?

Ans. Yes, please approach the same office, which had issued the policy, with a written request. A nominal fee is charged for issuing duplicate policy copy.

3.21 What are the documents that are required to be submitted for a Motor Insurance claim?

Ans. Generally, the following documents are required to be submitted. However, read through your policy to see the complete list—duly filled in claim form, RC copy of the vehicle, Original estimate of loss, Original repair invoice and payment receipt. In case cashless facility is availed, only repair invoice would need to be submitted and FIR, if required. For theft claims, the keys are to be submitted. Theft claims would also require non-traceable certificate to be submitted.

3.22 Is PUC Certificate mandatory for renewing the Motor Insurance policy?

Ans. Yes it is mandatory to have a valid PUC Certificate on the date of renewal of the insurance policy.

4. Policyholder Servicing Turnaround Times as prescribed by IRDAI

Service	Maximum Turn Around Time
General Insurance:	
Processing of Proposal and Communication of decisions including requirements/issue	15 days
Obtaining copy of the proposal	30 days
Appointment of Surveyor	Within 72 hours of intimation of loss
Survey report submission by the Surveyor	30 days
Insurer seeking addendum report	15 days
Settlement/rejection of Claim after receiving final survey report	30 days
Grievances	
Acknowledge a grievance	3 days
Resolve a grievance	15 days

5. If you have a grievance:

The Consumer Affairs Department of the Insurance Regulatory and Development Authority of India (IRDAI) has introduced the Integrated Grievance Management System (IGMS) which is an online system for registration and tracking of grievances. You must register your grievance first with the insurance company and in case you are not satisfied with its disposal by the company, you may escalate it to IRDAI through IGMS by accessing <https://igms.irda.gov.in/>. In case you are not able to access the insurer's grievance system directly, IGMS also provides you a gateway to register your grievance with the insurer.

Apart from registering your grievance through IGMS (i.e., web), you have several channels for grievance registration-through e-mail (complaints@irdai.gov.in), through letter (address your letter to Consumer Affairs Department, Insurance Regulatory and Development Authority of India, Sy.No.115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad-500032) or simply call IRDAI Call Centre at Toll Free 155255 or 1800 4254 732 through which IRDAI shall, free of cost, register your complaints against insurance companies as well as help track its status.

The Call Centre assists by filling up the complaints form on the basis of the call. Wherever required, it will facilitate in filing of complaints directly with the insurance companies as the first port of call by giving information relating to the address, telephone number, website details, contact number, e-mail id etc. of the insurance company. IRDAI Call Centre offers a true alternative channel for prospects and policyholders, with comprehensive tele-functionalities, serving as a 12 hours x 6 days service platform from 8 AM to 8 PM, Monday to Saturday in Hindi, English and various Indian languages.

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