

22nd April, 2006

To

All Non-Life Insurers

Subject: Third Party Insurance of Motor Vehicles

A progressively increasing number of complaints are being received in this office as well as by the Government stating that insurers are either refusing third party insurance cover (especially for commercial motor vehicles) or adopting dilatory tactics (such as asking for a great deal of unrelated information or insisting on holding the documents relating to the vehicles for several days) designed to make it difficult for the vehicle owner to get cover. While insurers are entitled to ask for information relevant for insurance of the vehicle such as a completed proposal form, copy of the RC Book, or operating permit or fitness certificate, it will be considered a dilatory action if information not related to the insurance is called for. Issue of the certificate of insurance should not take more than one working day after the proposal together with information is received and premium is collected.

It has also been represented that the matrix for loading in premium circulated with TAC circular dated 20 June 2003 is being misapplied and is causing harassment to vehicle owners. There have also been allegations that the application of the matrix is leading to undesirable practices in the industry.

Since the matrix for loading was issued earlier at the request of the transport operators to avoid arbitrary loading and it now transpires that this has indeed led to undesirable practices, it has now been decided that the application of the matrix shall stand suspended with immediate effect. Consequently, insurers are directed to underwrite motor third party insurance business strictly as per the earlier formula without applying the loading matrix. In other words, insurers may load the Third Party tariff Motor Premium by 100% if the claims experience of any individual vehicle is adverse as per the insurers' assessment. If the experience continues to be bad, then a further loading of 100% on the expiring premium can be charged. Insurers may not load the premium further.

This direction shall take effect for motor third party insurances issued or renewed hereafter.

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It has also been reported that besides the Public sector insurers, the newly registered insurers are refusing to entertain requests from commercial vehicle owners for motor third party insurance. While the insurers are at liberty to set their own business underwriting and development policy, considering the legal requirement of motor third party insurance, no insurer shall refuse to grant such cover on request. Failure to comply with this direction will be taken serious note of and action will be taken against the insurer concerned.

You are requested to issue immediate instructions to all your operating offices that they shall not refuse to issue or renew motor third party insurance policies. A copy of this circular shall be displayed on the notice board of the operating office of the company for information of the public.

This direction supercedes all earlier circulars issued by the TAC and the Authority on the subject of loading of Motor Third Party premium.

Kindly acknowledge receipt of this circular.

CS Rao
22.4.06
(C. S. Rao)
Chairman