



Ref: IRDA/NL/MTP/2020-21/EXDRF

5<sup>th</sup> March, 2020

**Exposure Draft on Revision in Premium Rates for Motor Third Party  
Insurance Cover for the Financial Year 2020-21**

1. 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.
2. The Motor Third Party rates proposed by IRDAI for the year 2020-21 (ending 31<sup>st</sup> March, 2021) 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 2018-19 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 2018-19 have been considered.

**II. Basic Methodology**

1. Paid claims data has been considered for construction of cumulative paid claims triangle for each homogenous subclass

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with Accident Year (AY) as origin year and Financial Year (FY) as development year.

2. 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.
3. Age-to-Age-factors (ATAFs) for each Accident Year (AY) and Development Year (DY) have been calculated. Development factors were selected after considering various averages of ATAFs: simple average of all years, volume weighted average, average of last 3 years, average of last 5 years and highest of all the averages.
4. The oldest Accident year has eight years of development which is insufficient for complete settlement of claims as Motor Third Party is long tailed liability business. A tail factor has been assumed for all the categories of vehicles for the complete run off of the claims paid. Losses for each AY are projected using BCL and an assumed tail factor was applied to arrive at the Ultimate Claim amounts.
5. The financial year-wise Gross Written Premium has been converted to financial year wise Gross Earned Premium (GEP) by applying the formula:

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

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

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

7. Average Premium from Data for each financial year was calculated as Gross Earned Premium / Exposed Policies where, exposed

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policies are derived from number of policies using a similar approach as under the above para 5.

8. Burning Cost (BC) per policy for each Accident year was computed by multiplying Ultimate Loss Ratio and Average Premium as calculated under the above paras 6 and 7 respectively.
9. By considering the projected Burning Cost and loading it with appropriate expenses, Premium rates for the FY 2020-21 have been derived.
10. 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% is proposed for Electric Private Cars, Electric Two Wheelers, Electric Goods carrying Commercial Vehicles and Electric Passenger carrying Vehicles. The proposed discount will incentivize usage of environmental friendly Vehicles. The rates for the Electric Vehicles are given in Tables V, VI, VII & VIII.

**V.** A discount of 7.5% on Motor TP premium rates for Hybrid Electric Vehicles is proposed. This will be an incentive to use environment friendly vehicles.

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3. 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 2019-20	Proposed Rates (Rs) FY 2020-21
	<b>Private Cars</b>		
	Not exceeding 1000 cc	2,072	2,182
	Exceeding 1000 cc but not exceeding 1500 cc	3,221	3,383
	Exceeding 1500 cc	7,890	7,890
	<b>Two Wheelers</b>		
	Not exceeding 75 cc	482	506
	Exceeding 75 cc but not exceeding 150 cc	752	769
	Exceeding 150 cc but not exceeding 350 cc	1,193	1,301
	Exceeding 350 cc	2,323	2,571
A1	<b>Goods Carrying Commercial Vehicles (other than 3 wheelers) - Public</b>		
	GVW not exceeding 7500 kgs	15,746	16,092
	Exceeding 7500 kgs but not exceeding 12000 kgs	26,935	28,288
	Exceeding 12000 kgs but not exceeding 20000 kgs	33,418	35,139
	Exceeding 20000 kgs but not exceeding 40000 kgs	43,037	44,342
	Exceeding 40000 kgs	41,561	44,457
A2	<b>Goods Carrying Commercial Vehicles (other than 3 wheelers) - Private</b>		
	GVW not exceeding 7500 kgs	8,438	8,607
	Exceeding 7500 kgs but not exceeding 12000 kgs	17,204	17,549
	Exceeding 12000 kgs but not exceeding 20000 kgs	10,876	11,094
	Exceeding 20000 kgs but not exceeding 40000 kgs	17,476	17,827
	Exceeding 40000 kgs	24,825	25,323
A3	<b>Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Public Carriers</b>		
	except e-carts	4,092	4,489
A4	<b>Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Private Carriers</b>		
	except e-carts	3,914	3,922
B	<b>Trailers</b>		
	Agricultural Tractors upto 6 HP	857	918

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	Other vehicles including Miscellaneous & Special Type of Vehicles (Class-C),(For each trailer, for more please multiply by no. of trailers)	2,341	2,507
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**Table II**

Category	Vehicle Type	Existing Rates (Rs.)		Proposed Rates (Rs.)	
		FY 2019-20		FY 2020-21	
		Basic Rate	Per Licensed Passenger	Basic Rate	Per Licensed Passenger
C1a	<b>Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers</b>				
	Not exceeding 1000 cc	5,769	1,110	6,370	1,226
	Exceeding 1000 cc but not exceeding 1500 cc	7,584	934	8,375	1,031
	Exceeding 1500 cc	10,051	1,067	11,099	1,178
C1b	<b>Three wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers</b>				
	except e-rickshaw	2,595	1,241	2,595	1,241
C2	<b>Four or more wheeled vehicles used for carrying passengers with carrying capacity exceeding 6 passengers for hire or reward</b>				
	School Bus*	13,874	848	14,338	876
	Other Bus	14,494	886	14,978	916
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	6,913	1,379	6,913	1,379
C2	Three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 17 passengers	15,845	969	15,845	969
C4	<b>Motorized Two wheelers used for carrying passengers for hire or reward</b>				
	Not exceeding 75 cc	861	580	861	580
	Exceeding 75 cc but not exceeding 150 cc	861	580	861	580

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	Exceeding 150 cc but not exceeding 350 cc	861	580	861	580
	Exceeding 350 cc	2,254	580	2,254	580

\*School Buses 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.

**Table III**

Category	Vehicle Type	Existing Rates (Rs.) FY 2019-20	Proposed Rates (Rs.) FY 2020-21
D	<b>Special Types of Vehicles</b>		
	i) Pedestrian controlled Agricultural Tractors with Horse Power rating not exceeding 6HP, Hearses and Plane Loaders	1,550	1,660
	ii) Other Misc & Spl types of vehicles	6,847	7,332
E	<b>Motor Trade (Road Transit Risks)</b>		
	i) Distance not exceeding 2400 kms	1,055	1,141
	ii) Distance exceeding 2400 kms	1,268	1,371
F	<b>Motor Trade (Road Risks) (Excluding Motorized Two Wheelers) – (Named Driver or Trade Certificate)</b>		
	1st named driver or certificate	1,345	1,455
	For additional drivers/ certificates up to 5 (per driver/certificate)	651	704
	For additional Drivers/ Certificates exceeding 5 but not exceeding 10 (per driver/ certificate)	419	453
	For additional Drivers/ Certificates exceeding 10 but not exceeding 15 (per driver/ certificate)	363	393
F	<b>Motor Trade (Road Risks) (Motorized Two Wheelers) – (Named Driver or Trade Certificate)</b>		
	1st named driver or certificate	515	515
	For each additional Driver/ Certificate	257	257

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**Table IV**

Category of Vehicle	Existing Rates (Rs.)	Proposed Rates (Rs.)
	FY 2019-20	FY 2020-21
<b>New Private Car – Three year single premium</b>		
Not exceeding 1000 cc	5,286	6,079
Exceeding 1000 cc but not exceeding 1500 cc	9,534	10,149
Exceeding 1500 cc	24,305	24,305
<b>New Two Wheeler – Five year single premium</b>		
Not exceeding 75 cc	1,045	1,223
Exceeding 75 cc but not exceeding 150 cc	3,285	3,845
Exceeding 150 cc but not exceeding 350 cc	5,453	6,505
Exceeding 350 cc	13,034	13,034

**Table V****Rates for Electric vehicles – Non passenger carrying**

Category	Vehicle Type	Existing Rates (Rs) FY 2019-20	Proposed Rates (Rs) FY 2020-21
	<b>Private Cars</b>		
	Not exceeding 30 KW	1,761	1,855
	Exceeding 30 KW but not exceeding 65 KW	2,738	2,876
	Exceeding 65 KW	6,707	6,707
	<b>Two Wheelers</b>		
	Not exceeding 3 KW	410	430
	Exceeding 3 KW but not exceeding 7 KW	639	654
	Exceeding 7 KW but not exceeding 16 KW	1,014	1,106
	Exceeding 16 KW	1,975	2,185
A1	<b>Goods Carrying Commercial Vehicles (other than 3 wheelers) - Public</b>		
	GVW not exceeding 7500 kgs	-	13,678

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	Exceeding 7500 kgs but not exceeding 12000 kgs	-	24,045
	Exceeding 12000 kgs but not exceeding 20000 kgs	-	29,868
	Exceeding 20000 kgs but not exceeding 40000 kgs	-	37,691
	Exceeding 40000 kgs	-	37,788
A2	<b>Goods Carrying Commercial Vehicles (other than 3 wheelers) - Private</b>		
	GVW not exceeding 7500 kgs	-	7,316
	Exceeding 7500 kgs but not exceeding 12000 kgs	-	14,917
	Exceeding 12000 kgs but not exceeding 20000 kgs	-	9,430
	Exceeding 20000 kgs but not exceeding 40000 kgs	-	15,153
	Exceeding 40000 kgs	-	21,525
A2	<b>Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Public Carriers</b>		
	e-carts	2,859	3,136
A3	<b>Goods Carrying Motorized Three Wheelers and Motorized Pedal Cycles – Private Carriers</b>		
	e-carts	3,204	3,211

**Table VI**

**Long term rates for electric vehicles – Private Cars and Two wheelers:**

Category of Vehicle	Existing Rates (Rs.)	Proposed Rates (Rs.)
	FY 2019-20	FY 2020-21
<b>New Private Car – Three year single premium</b>		
Not exceeding 30 KW	4,493	5,167
Exceeding 30 KW but not exceeding 65 KW	8,104	8,627
Exceeding 65 KW	20,659	20,659
<b>New Two Wheeler – Five year single premium</b>		
Not exceeding 3 KW	888	1,040
Exceeding 3 KW but not exceeding 7 KW	2,792	3,268
Exceeding 7 KW but not exceeding 16 KW	4,635	5,529
Exceeding 16 KW	11,079	11,079

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**Table VII**

**Rates for Electric vehicles – Passenger carrying**

Vehicle type	KW Segments	Proposed Basic TP premium (Rs.)	Proposed Premium per licensed passenger (Rs.)
C1a (Four wheeled vehicles used for carrying passengers for hire or reward with carrying capacity not exceeding 6 passengers)	Not exceeding 30 KW	5,414	1,042
	Exceeding 30 KW but not exceeding 65 KW	7,119	876
	Exceeding 65 KW	9,434	1,001
C1b (Three wheeled vehicles used for carrying passengers with carrying capacity not exceeding 6 passengers)	e-rickshaw	1,685	806
C2 (Four or more wheeled vehicles used for carrying passengers with carrying capacity exceeding 6 passengers for hire and reward)	School Buses	12,187	745
	Other than School Buses	12,731	779
C3 (Motorised three wheeled passenger vehicles used for carrying passengers for hire or reward with carrying capacity exceeding 6 passengers but not exceeding 17 passengers)	-	5,841	1,165
C2 (Three wheeled vehicles used for carrying passengers for hire and reward with carrying capacity exceeding 17 passengers)	-	13,388	819

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C4 (Motorised Two Wheelers used for carrying passengers for hire or reward)	Not exceeding 3 KW	732	493
	Exceeding 3 KW but not exceeding 7 KW	732	493
	Exceeding 7 KW but not exceeding 16 KW	732	493
	Exceeding 16 KW	1,916	493

**Table VIII - Quadricycle**

Category	Vehicle Type	Existing Rates (Rs.) FY 2019-20		Proposed Rates (Rs.) FY 2020-21	
		Basic Rate	Per Licensed Passenger	Basic Rate	Per Licensed Passenger
Quadricycle	Private Car	2,072	N/A	2,182	N/A
	Electric private Car (Not exceeding 30 KW)	-	-	1,855	N/A
	Commercial Vehicles not exceeding 500 CC	2,595	1,241	2,595	1,241

**Long term rates – Three years single premium:**

Category	Vehicle Type	Existing Rates (Rs.)	Proposed Rates (Rs.)
		FY 2019-20	FY 2020-21
Quadricycle	New Private Car	5,286	6,079
	New Electric private Car (Not exceeding 30 KW)	4,493	5,167

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4. All stakeholders are invited to provide their comments on this exposure draft. The comments should reach the Authority either physically or through e-mail addressed to [janita@irdai.gov.in](mailto:janita@irdai.gov.in) with a copy to [sagar.bangal@irdai.gov.in](mailto:sagar.bangal@irdai.gov.in), on or before 20th March 2020.

 5/3/2020

**(Yegnapriya Bharath)**

**Chief General Manager (Non-Life)**