ANNEXURE B

Comparison between Old Regulations (2015) and New draft Regulations

	Regulations 2015	Recommendations of the WG/Proposed changes in draft Regulations	Justification
Definitions	a) "Act" means the Insurance Act, 1938 (4 of 1938), as amended from time to time. b) “Authority” means the Insurance Regulatory and Development Authority of India established under the provisions of Section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999). c) “Insurer” means the insurance companies registered with the Authority and licensed to underwrite direct motor insurance business in India. d) “Motor Third Party Insurance Business” consists of the motor third party insurance business in respect of both, the liability only policies as well	No Change in (a), & (b) (c) is deleted (d) Motor Third Party Insurance Business has been slightly modified as follows to include the concept of Bundled policies: “*Motor Third Party Insurance Business consists of the motor third party insurance business in respect of both liability only policies as well as the liability portion of the package policies and bundled policies issued in motor portfolio*” (e) is deleted	(c) is deleted as this term is already defined under section 2(9) of the insurance act, 1938. It may not be appropriate to give different definition for a term which is already defined in the Act. Instead applicability clause is added to specify to whom these Regulations shall be applicable (d) The concept of Bundled policies, which has been recently introduced has been incorporated into the definition of Motor Third Party Insurance. (e) is deleted as this term is not used in the proposed draft Regulations

	as the package policies issued in motor portfolio. e) "New Insurer" means an insurer which has started its business operations during the immediate preceding financial year of the financial year for which obligations in respect of motor third party insurance business are to be fixed.	Long term motor insurance products have been defined newly in these Regulations	"Long term insurance product" term has been used in the proposed draft Regulations
Basis	Obligations are based on the Premium	Obligations are based on the number of uninsured vehicles and are applicable separately for each of the following category of vehicles: (a) Two-wheelers (b) Private cars, and (c) Others	**Based on Number of Uninsured vehicles instead of premium** : ○ The present formula does not indicate or monitor the penetration i.e. percentage of insured vehicles to total vehicles plying on the road ○ The present formula does not ensure increase in penetration under each category of vehicles ○ The prevailing Regulations are based on the quantum of premium collected by the insurers on motor third party business. The premium difference between vehicle

			segments are very high. Therefore, collection of larger premium does not necessarily represent insuring larger number of vehicles, and ○ It did not consider the class of vehicles and the number of policies being done. Thus, Two Wheelers which formed the bulk of vehicles plying in the country could not be brought into the insurance net, implying the issues of demand and supply side still remained. **Obligation are considered separately for each category of vehicles unlike cumulative approach in the present Regulation:** ○ non-renewal of Motor third party insurance has been observed to be different for different class/category of vehicles. ○ There is higher possibility that a formula with a cumulative

			approach would leave the most underpenetrated and risky segment unattended. Therefore, a need is felt to have a broad class/category of vehicles approach with independent emphasis proportionate to the percentage of uninsured vehicles in that class/category of vehicles. ○ Further, the natural drive of the insurers to pursue the class of vehicles relatively profitable also creates imbalance and asymmetry in favor of those vehicles. As a result of which, the class of vehicles with lower premium size (that requires higher indulgence and cost) or the class of vehicles with relatively higher loss behavior is left neglected and unattended with increasing numbers of uninsured vehicles in that segment.

			○ In view of the above, it is most appropriate to monitor penetration and motivate insurers to underwrite motor third party insurance on the basis of a broad classification of vehicles.
Formula	The Obligation of an Insurer in respect to Motor Third Party insurance business for a Financial Year(X) should be arrived as below: (i) Total 'Gross Direct Premium Income(GDPI)' under all lines of business of all insurers in the immediate preceding financial year = A (ii) Total GDPI under motor insurance business of all insurers in the immediate preceding financial year = B	The Obligation of an Insurer in respect to Motor Third Party insurance business for a Financial Year(n) for each broad category of vehicles as defined in Regulation 8 should be arrived as below: **O(n) = O(n-1) + { M(n-2) x V(n-2) x I}** a) '**O(n)**' = The obligation of an insurer in the nth financial year *b)* **'O(n-1)'** = The obligation of an insurer in the (n-1)th financial year. *However, for the first financial year of applicability of these guidelines, O(n-*	Same as above

	(iii) Insurer's GDPI under all lines of business in the immediate preceding financial year = C (iv) Insurer's GDPI under motor insurance business in the immediate preceding financial year = D (v) Total GDPI under motor third party insurance business of all insurers during the immediate preceding financial year = E (vi) Obligation of the Insurer to be met in a financial year **X= [(CA+DB)/2)] x E x (90/100)**	*1) shall be equal to the actual MTP policies of the (n-2)th financial year***.** c) **'M(n-2)'** = The Gross Domestic Premium Income (GDPI) Market Share of an insurer as on 31st March of the (n-2)th financial year (expressed in the form of a percentage) d) **'V(n-2)'** = The number of uninsured vehicles as determined by Insurance Information Bureau of India (IIBI) for the (n-2)th financial year expressed in absolute numbers independently for each broad class of vehicles as defined in Regulation 8. e) **'I'** = The percentage of the uninsured vehicles intended to be insured in the year under consideration.	
Others	N/A	(1) The '**I**' as defined in clause (e) Regulation 5 shall be determined and declared by IRDAI every year for	○ Hardcoding **"I"** may not be appropriate as "I" should take into consideration all the macroeconomic

		different broad class of vehicles as defined in Regulation 8 in due consideration to the contribution of that class to total uninsured vehicles in the country in the $(n-2)^{th}$ financial year. (2) For long term policies, the Insurers may take credit for (a) five/three/two years for two wheelers depending on the remaining term of the policies for which it is in force and (b) three years for private cars depending on the remaining term of the policies for which it is in force. (3) The categories of Vehicles on which the obligations as defined in the Regulation 5 shall be applicable are: a) Two-wheelers,	factors that impact the insurance industry/ Motor insurance/ Policyholders etc., category wise increase or decrease in sale of new vehicles apart from taking into consideration category wise % of vehicles plying on the road. ○ **Long term policies**: Since the formula is based on uninsured vehicles, taking credit for the vehicles insured in a particular year is logical and justified.

		b) Private cars, and c) All vehicles plying on the road other than Two-wheelers and Private cars	
Exceptions	(1) The new insurer writing motor insurance business licensed to underwrite motor insurance for the first time shall be exempted from the application of the obligatory requirement during first two financial years of its operations including the financial year in which its operations are started. (2) Such insurer shall also be excluded from the calculations for determining the minimum obligatory requirements for other existing insurers for such period till which the minimum obligatory requirements are not applicable to that insurer.	No change	Has been retained, as the exceptions or exemption given is reasonable
Submissions	Every insurer shall submit the financial returns to the Authority for every quarter of the financial year within forty five days of	No Submissions proposed	No submissions are proposed as the data required by the current formula is completely available with the Authority

	the end of the quarter as per the Schedule – MTP –A Name of the Insurer: Registration No. and Date of Registration with the IRDAI: Gross Direct Premium Income during immediate preceding FY: Gross Direct Motor Third Party Insurance Business Premium during immediate preceding FY: Statement Period: Quarter ending ________		
Underwriting of Motor Third Party Risk	The Regulation (3) stipulates the minimum obligation of an insurer in respect of motor third party insurance business. Notwithstanding this, at no instance any insurer shall refuse to underwrite the “liability only” motor policy covering motor third party insurance risk coming to its office (s).	No change	No change

Note: Concept of Carbon credit proposed by the working group was not taken into consideration while preparing the draft Regulations as the concept proposed lacks clarity, appears to be complicated process and **may defeat the purpose of obligations/ mandatory motor third party insurance.**

Carbon credit broadly implies, an insurer who is short of MTP obligations may take credit from the insurer who has done MTP business more than the minimum mandatory obligations.

Illustration with actual numbers:

O(n) = O(n-1) + { M(n-2) x V(n-2) x I}

Obligation for FY 2018-19 = Number of MTP policies for FY 2016-17 + { M(n-2) x V(n-2) x I}

The following is a worked-out example of Obligation for FY 2018-19 (for Industry) based on the proposed formula:

- O(n-1) – Since, obligation of last year are not available, as defined in the draft Regulations number of MTP policies for FY 2016-17 is taken of calculating the obligations for the fy 2018-19.
- M(n-2) – 100%
- V(n-2) – Number of uninsured vehicles on road for FY 2016-17 (provided by IIBI)
- I – Insurance factor (Indicative)

Sr. No	Category	MTP policies (FY 2016-17) **O(n-1)**	Market Share M(n-2)	Uninsured vehicles (FY 2016-17) V(n-2)	% of Uninsured Vehicles	Insurance factor **(I)**	Obligation FY 2018-19	Actual Policies for FY 2018-19	%age Difference (Obligation – Actual)

1	Private Cars	2,28,14,630	100%	16,98,222	7%	100%	2,45,12,852	2,57,79,360	-5%
2	Two-wheelers	5,48,98,542	100%	9,06,11,735	62%	20%	7,30,20,889	5,90,45,220	24%
3	Others	1,30,97,063	100%	77,02,937	37%	40%	1,61,78,238	1,38,43,591	17%
4	Total	9,08,10,234	100%	10,00,12,894	52%	23.00%	11,37,11,979	9,86,68,171	15%