



भारतीय बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA**

IRDAI/NL/CIR/MOT/144/06/2020

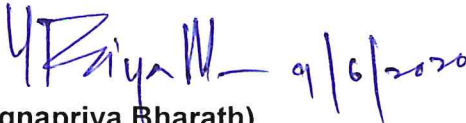
Dated: 9th June, 2020

**The Chairman-Cum-Managing Director/ Chief Executive Officers of
General Insurers (Other Than Stand-Alone Health Insurers and Specialised
Insurers)**

Madam/Dear Sir,

**Re: Master Circular on Recent Developments in Motor Insurance products
bearing ref no.: IRDAI/NL/CIR/MOT/144/06/2020 dated 8th June, 2020**

1. IRDAI has, from time to time, issued a number of circulars/guidelines/instructions etc. to insurance companies for the captioned subject.
2. In order to enable insurance companies to have instructions at one place, the Master Circular incorporating the existing circulars/ guidelines/instructions on the subject has been updated and enclosed. This Master Circular consolidates the circulars issued by IRDAI on the subject from August, 2018 to June, 2020, as indicated in the Annexure.


(Yegnapiya Bharath)
Chief General Manager (Non-life)

Encl: as above



IRDAI/NL/CIR/MOT/144/06/2020

Dated: 8th June, 2020

Master Circular regarding Motor Insurance products

1. Issuance of long-term Motor Third Party Insurance policies for new cars and new two-wheelers

- (i) The Hon'ble Supreme Court of India, vide its order dated 20th July, 2018, in WP No.295/2012 of *Shri.S. Rajasekaran vs Union of India and Ors*, directed that

"We make it clear that the third party insurance cover for new cars should mandatorily be for a period of three years and for two-wheelers, it should mandatorily be for a period of five years. This may be taken and treated as a separate product..... The decision should be implemented from 1st September, 2018 on the policies sold".

- (ii) All general insurers (except the stand-alone health insurers and the specialized insurers) shall offer only three-year Motor Third Party insurance policies for new cars and five-year motor third party insurance policies for new two-wheelers with effect from 1st September, 2018. These policies are not applicable for old vehicles.
- (iii) The premium for the long-term policies has to be collected for the entire term (three years or five years as the case may be) at the time of sale of insurance but would be recognized on a yearly basis. In other words, it shall be recognized for each year as $1/n$ of total premium as Gross Written Premium during that year where 'n' is the term of the policy. Thus, the premium for the year shall only be recognized as income and the remaining premium shall be treated as "Premium Deposit" or "Advance Premium".
- (iv) No Motor Third Party Insurance may be cancelled by either the insurer or the insured except on the following grounds:
- (a) Double Insurance
 - (b) Vehicle not in use anymore because of Total Loss or Constructive Total Loss
- (v) In the event the vehicle is sold and/or transferred, the mandatory third party three-year and five-year insurance policy issued to a registered vehicle should be transferred to the new owner without any changes to the mandatory term.

(vi) As directed by the Hon'ble Supreme Court in WP No.295/2012, insurers shall ensure that third party insurance cover is available to all proposers through online channels as well. They shall also liaise with the police authorities to facilitate issuance and renewal of third party insurance cover and ensure its easy availability.

2. Motor Own Damage Insurance along with Motor Third Party cover and introduction of Stand-alone Motor OD policy

(i). Where insurers seek to offer Motor Own Damage cover along with the long-term third party covers for new cars and new two-wheelers respectively, a bundled cover with a three-year or five-year term (as applicable) for the third party component and a one-year term for the Own Damage may be offered. A bundled cover is not applicable for old vehicles.

(ii). As regards pricing of the one-year term component of the OD component of the bundled product, it shall be the same as in existence for the OD component of package policies currently.

(iii). Effective 1st August, 2020, long-term package policies which had been permitted vide earlier circulars/guidelines/instructions etc. for new cars and new two-wheelers stands withdrawn. In other words, no long-term package policy may be issued covering any motor vehicle with the exception of the three-year two wheeler package policy which had been permitted vide circular Ref. IRDA/NL/CIR/MOTP/192/08/2014 dated 4th August, 2014 for old vehicles.

(iv). Effective 1st September, 2019, the insurers shall make available stand-alone annual Own Damage covers (including stand-alone OD cover for fire and/or theft [GR 45 A and 45 B] if opted for by the policyholder) for cars and two-wheelers, both new and old.

(v). Stand-alone Own Damage (SAOD) policy is permitted for policy period annually only.

(vi). Policyholders have the option to renew the Own Damage component of a bundled cover falling due on or after 1st September, 2019, with the same insurer or different insurer, on an annual basis.

(vii). For issuance of stand-alone Own Damage annual cover as well as for renewal of the Own Damage component of a bundled cover, insurers shall ensure that OD cover is offered only if a Motor TP cover is already in existence or is taken simultaneously. The name of the insurer, issuing office address, policy number and the start date and end date of the TP policy shall be indicated in the OD policy document. The Stand-



alone Own Damage policy shall clearly mention that the coverage is only for Own Damage and no other liability in connection with the vehicle.

(viii). The pricing of a stand-alone OD policy shall continue to be that being offered for the OD component of an annual package policy.

3. Compulsory Personal Accident Cover for Owner-Driver Under Motor Insurance Policies:

(i). General Regulation ('GR')-36 of India Motor Tariff('IMT'), 2002 mandates General Insurance Companies carrying on motor insurance business to provide Compulsory Personal Accident (CPA) Cover for owner-Driver under both Liability only and Package policies. The owner of insured vehicle holding an 'effective' driving license is termed as Owner-Driver for the purposes of the Section III of the motor insurance package policies. The Cover is provided to the Owner-Driver whilst driving the vehicle including mounting into/ dismounting from or traveling in the insured vehicle as a co-driver.

(ii). All General Insurers carrying on motor insurance business shall provide CPA Cover for Owner-Driver under Liability Only, under Section III of Package Policies to all classes of vehicles and Bundled Covers wherever applicable. A minimum Capital Sum Insured (CSI) of Rs.15,00,000/-shall be provided under CPA Cover for Owner-Driver under Liability Only, under Section III of Package Policies to all classes of vehicles and Bundled Covers, wherever applicable.

(iii). A higher CSI may be provided over and above Rs.15,00,000/-through Optional Covers under Liability Only and under Section III of Package Policies/ Bundled Covers on payment of additional premium at the option of the Insured.

(iv). It is permitted to issue a stand-alone Compulsory Personal Accident cover for Owner-Driver effective 1st January, 2019. The duration of the stand-alone CPA cover would be one year. The coverage under the stand-alone CPA would continue to be that stipulated under GR 36 A of the erstwhile India Motor Tariff, namely, Death and Permanent Disability (Total and Partial).

(v). If a policyholder chooses to opt for the CPA cover as part of the Liability Only policy or the Package policy, he/she can continue to do so. In the event the policyholder chooses to take a stand-alone CPA policy, the CPA cover offered as part of Liability Only or Package policy shall be deleted.

(vi). Effective 1st January, 2019, on expiry of a Bundled CPA cover, it may be replaced with a stand-alone CPA cover and the same may be taken from any registered insurer transacting general insurance business.


(vii). Coverage under the stand-alone CPA will extend to all the vehicles owned by the owner-driver under the same policy. In other words, the cover under the stand-alone CPA policy would be valid when the owner-driver drives any of the vehicles he/she owns.

(viii). Since a general Personal Accident cover also includes cover against motor accidents, if an owner-driver already has a 24-hour Personal Accident cover against Death and Permanent Disability (Total and Partial) for CSI of at least Rs. 15 lacs, there is no need for a separate CPA cover to be taken.

4. General:

- (a) Insurers shall ensure that transaction level data pertaining to long term Third Party Liability only and Bundled product are submitted regularly, at least by End of Day (EoD) to Insurance Information Bureau of India (IIBI).
- (b) No Claim Bonus would be applicable on OD component only when the policy term has been completed. Further, No Claim Bonus in respect of long-term package policies already issued will accrue only when the policy term has been completed.
- (c) UINs issued to long term (3 years for new cars and 5 years for new two wheelers) package products and its add-on covers stands withdrawn with the effect from 1st August, 2020.

Please acknowledge this circular and confirm having noted its contents.


(T.L. Alamelu)
Member (Non-Life) 8/6

**Annexure to Master Circular bearing Ref IRDAI/NL/CIR/MOT/144/06/2020,
Dated: 8th June, 2020.**

List of Circulars

S No	Circular Ref no.	Date	Subject
1	IRDAI/NL/CIR/MOT/ 137/08/2018	28-08-2018	Implementation of the Directions of the Hon'ble Supreme Court of India in the matter of WP No.295/2012 of Shri.S.Rajaseekaran vs Union of India and Ors.
2	IRDAI/NL/CIR/MOTP/158/09/2018	20-09-2018	Enhancement of Capital Sum Insured in Compulsory Personal Accident Cover for Owner-Driver under Motor Insurance Policies.
3	IRDAI/NL/CIR/MOTP/170/10/2018	09-10-2018	Compulsory PA Insurance for Owner-Driver under Motor insurance.
4	IRDAI/NL/CIR/MOTP/ 200/12/2018	11-12-2018	Cover for Compulsory Personal Accident (CPA) for Owner-Driver under Motor Insurance Policies.
5	Email communication	11-01-2019	Clarifications: Stand-alone cover for Compulsory Personal Accident (CPA) for Owner-Driver under Motor Insurance Policies
6	IRDAI/NL/CIR/MOTOD/095/06/2019	21-06-2019	Cover for Motor Own Damage risks for Cars and Two-wheelers.

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7	IRDAI/NL/Motor/136/2019-20 email communication	19-09-2019	Clarifications on Long Term Motor and Stand- alone Motor Own damage (SAOD)products circulars
8	IRDAI/NL/MOT/173/11/2019 email communication	26-11-2019	Cancellation of Long Term Motor Products- Private Car and Two Wheeler
9.	IRDAI/NL/CIR/MOT/143/06/2020	08-06-2020	Withdrawal of long-term package cover offering both Motor Third Party Insurance and Own Damage Insurance for three years or five years

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