

## **SEMINAR ON RESPONSIBILITIES AND RIGHTS OF CONSUMERS IN VEHICLE INSURANCE**

**(9<sup>th</sup> January 2010)**

A Seminar on the Responsibilities and Rights of Consumers in Vehicle Insurance was organized by the Consumers Association of India on the 9<sup>th</sup> Jan 2010 in association with IRDA, at Chennai. Shri Rakesh Kakkar, Additional Secretary, Ministry of Consumer Affairs, Govt. of India, inaugurated the seminar and Shri G.Srinivasan, CMD, United India Insurance Company delivered a special address.

Shri R.Desikan, Founder Trustee CAI, welcomed the gathering and set the tone for the deliberations. He said that the consumers had a responsibility to ensure that the claims were fair. He regretted that India had become the accident capital of the world due to a variety of reasons like lack of enforcement of road discipline, carelessness of road users, and absence of recall of unsafe cars and insurers also suffered as a result of corruption at several ends. The insurers also did not take steps to recover the amount of claims paid, wherever necessary from the liable persons. He exhorted that the problems have to be solved holistically and IRDA needed to ponder over this.

Shri Kakkar mentioned that the consumer courts have been established to address the grievances of the consumers and consumer organizations also should keep a watch over the functioning of the system. He referred to the imminent promulgation of a National Consumer Policy and a consumer awareness programme to be launched along with IRDA.

Shri G.Srinivasan stated that Motor Insurance was the largest portfolio of the General Insurers with six crore policies and Rs.13336 Cr. premium income. However, the claim ratio was around 125% due to mismatch in premium particularly for commercial vehicles. He stated that there was scope to reduce accidents, improve claims management and increase premium rates for third party insurance. He mentioned that the accident cost worked out to Rs.550 billion and 3% of GDP. He pointed out that liberal licensing was one of the many causes of accidents. He gave a vivid account of the motor policy and mentioned that the insurers expected the owners not to handover vehicles to people or minors not holding driving licence and to keep the vehicles in a fit condition. He also requested them to inform the police and the insurance company in case of accidents particularly when a third party was involved and advise the drivers to cooperate with the insurers. De tariffing was done only in respect of own damage insurance premium and though third party insurance was compulsory, around 4 crore vehicles were not insured.

Shri T.D. Sadasivam, President, AASI while proposing vote of thanks mentioned that there were no serious complaints from the members against the insurers on vehicle insurance. He detailed the activities of the AASI and stated that traffic rules were not enforced strictly.

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The inaugural session was followed by presentation by Shri S. Ramani Trustee CAI, of a Survey on vehicle insurance, conducted by CAI jointly with IRDA and Automobile Association of Southern India.. The survey brought out several interesting comments on the terms and conditions and administration of vehicle insurance. Some of the observations were:

1. Ombudsmen should be given magisterial powers.
2. Settlement of third party claims should be made easy.
3. Depreciation of parts should be on age of the parts and not age of the vehicle.
4. Third party property compensation was not enough.
5. Long term policy to be issued and one time premium should be collected.
6. Agents did not bother about renewal and were not well informed.
7. Settlement of genuine claims were delayed.
8. Additional covers like car rentals, medical expenses, replacement of parts without depreciation, IDV without depreciation etc. should be offered.
9. Driver's record should be reflected in premium.

In the II Session on Vehicle insurance today, Shri Mohamed Ali, consumer activist, requested the consumers to be more responsible while using the vehicles by following traffic regulations, road safety rules etc. and stated that they should understand the policy thoroughly and take extra covers available. Renewals, change of address, claims process and the like should be taken care of.

Shri Amerikai V. Narayanan, Vice President, AASI, spoke on how to select an insurance plan and the factors like premium, hassle free settlement of claims and technology orientation would matter in the selection. He also opined that IDV should be left to the owner and discount should be offered for those undergoing defensive driving course. The customer, he said, should know the product before buying it.

Shri S.Thirunavukkarasu, National Head, Motor Underwriting and Claims, Royal Sundaram Alliance Insurance Company, referred to the Motor Tariff 2002 as the bible for motor policy which was available in his company across all channels including from the dealers and on line.

However, information was not being furnished by proposers properly in the proposal forms which, sometimes, were not even signed .

Shri H.Ananthakrishnan, OSD, IRDA, spoke on the role of the Regulator in fixing the tariff. He referred to the elements of pricing and method of risk based pricing depending on the colour, children, gender, marital status etc. He also referred to the Regulatory concerns over high adverse claim ratio under Third Party Liability, data inadequacy, underwriting and the language of the policy.

In the third session on Claim Procedures, the Role of the Surveyors, Role of Financial Intermediaries and Third Party Claims were discussed. Shri V.Ananthakrishnan, senior Surveyor, interalia, mentioned that the consumers and agents were not aware of the procedures and the papers to be submitted and the workshops were not playing their role properly. The customers were generally unhappy with the premium, depreciation, time involved, spares and their price.

Speaking on the role of the Financiers, Shri C.Balasubramanian,Head,Sundaram Finance,(Tamilnadu West),mentioned that around 80% of the purchase price of the vehicles were funded by the Financiers and they also assisted the customers in claims. He stated that in case of theft, claims were delayed due to insurers insisting on Not traceable Certificate from the court and on account payment could be considered in the meantime.

Shri S.Thirunavukkarasu, explained the philosophy behind claim settlement in his company,which functioned without any corporate ego and the procedures were designed to help the customers with the principle that exceptions should not rule.

Shri N.Vijayaraghavan ,Advocate cited instances to drive home the point that investigations were not being conducted properly by the persons deputed by the insurers. He also mentioned that the premium paid the Agent was valid in terms of Sec 64 V B of Insurance Act.

Shri Kalyanasundaram, DGM ,National Insurance Company stated that Rs.3000 crores were paid as claims and 99 ½ % stood settled. Certain documents were mandatory to settle claims in PSU insurance companies which survive on investment income. Right amount of insurance and adequate premium were to be ensured.

The IV session was devoted to discuss Grievance Redressal Mechanism .Shri L.Rajagopalan, Sr.Surveyor, referred to the principle of utmost good faith and the

misrepresentation being made by the agents. He also mentioned that customer awareness was lacking, leading to grievances.

Shri M.Gomathinayagam, Asst. Secretary, Ombudsman's office, Chennai ,gave a detailed account of the functions of the Ombudsman.

This was followed by Session V on the steps to be taken by the insurance companies to ensure safe driving practices and road worthiness of vehicles.

Shri Machendranathan IAS, Transport Commissioner and Shri Md.Shakeel Akthar, Addl.Commissioner, Traffic, Govt. of Tamilnadu, listed out several steps that could be taken in this regard. Shri Akthar stated that the statistics regarding accident deaths was alarming and eleven lakhs cases were pending before MACT. The cases take a long time to get resolved and the interest paid sometimes exceeded the claim amount. The premium collected for Third Party insurance was insignificant as compared to the amount paid as claims. He stated that it would be in the interest of the companies to undertake promotional activities in this regard and launch a campaign for safe driving practices. This could include bringing out a handbook on road safety to be distributed through the dealers, giving incentives for proper fleet management, setting up of an Institute for defensive driving, organizing eye test for the drivers etc.

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Shri Machendranathan stated that insurers could look into road worthiness of the vehicles and charge higher premium, provide financial assistance for constructing testing tracks, upgrading infrastructure in driving schools and promoting basic awareness.

Shri C.M.Jayaraman, consumer activist, suggested that sensors could be provided at the unmanned level crossings and funds made available by insurance companies for mass sweeping of roads.

Shri Desikan forcefully mentioned that steps should be taken to reduce accidents and the police should strictly enforce traffic regulations. He also stated that the authority to issue driving licences could be delegated to institutions like AASI.

An interactive session followed in which the participants raised several questions to the panelists which were responded to by them.

In the valedictory session, Shri G.Krishnamurthy, former Chairman, LIC and Insurance Ombudsman, summed up the proceedings and Shri K.Rajaraman IAS, Commissioner, Dept. of Civil Supplies and Consumer Protection, Govt. of Tamilnadu delivered the valedictory address.

Shri Krishnamurthy stated that though the theme of the seminar was mentioned as responsibilities of consumers, the other stakeholders such as the Regulator,

Insurers, the State and Central Governments also had equal responsibility to ensure proper administration of the Motor Vehicle Act and the vehicle insurance policies. Around 40% of the vehicles were not covered by insurance which would put not only the owners in difficulties but also the legal heirs of the accident victims in jeopardy, as they would not be able to realize compensation from the owners in the absence of an insurance policy. Since the third party liability in case of death is unlimited, it could be beyond the means of the owners in some cases where the victims were high potential people. He referred to the situation where some of the insurers refused to transact Third Party insurance and reminded them of the warning issued by the IRDA against such refusals. He recalled the various comments brought out by the survey with particular reference to inadequate compensation for third party property damage, hassles in third party claim settlement, problems in own damage insurance claims such as reasons not mentioned for short settlement, nexus between various agencies, delay in settlement and grievance redressal mechanism being not effective.

Keeping in mind the deliberations in the seminar, he said that many steps could be taken to improve the situation as follows.

1. Motor Vehicles Act to be amended to increase the compensation amount for third party property damage which was only Rs. 6000.
2. Since the amount of compensation is fixed and the same is to be paid irrespective of who was at fault, payment of No Fault Liability could be delegated to the Ombudsmen or the insurance companies themselves to give speedy relief to the victim's family, instead of approaching MACT. Necessary amendment to be made in the ACT.
3. Ombudsmen could be entrusted with the power to award expenses and compensation for mental agony. This will sensitise the insurers towards speedy settlement of OD claims.
4. Govt. should revert to the practice of annual collection of road tax which will enable the authorities to verify if the vehicle stands insured. In view of the present practice of collecting one time tax, there is no means of checking if the vehicle is continuously covered by compulsory third party insurance. He recalled that around 4 crore vehicles are plying in the country without the mandatory insurance.
5. Insurers could also examine issue of long term vehicle insurance policy and one time premium payment.
6. Simple policy and terms and conditions in plain language could be issued. He recalled that CAI had offered to undertake this assignment for other insurance policies and the same could be attempted for vehicle insurance also.

7. Insurers could examine providing additional covers desired by the consumers as brought in the survey, particularly for benefits like medical expenses, depreciation of parts etc.

8. Regular inspection to be conducted by IRDA to ensure that claims are settled without delay and in a fair manner as per the Regulations and term and conditions of the policy and that the Regulator's instructions are scrupulously followed.

Shri Krishnamurthy advised the consumers to be aware of the risks of not taking a vehicle insurance policy and that they cannot not also afford to be careless while driving simply because they have a policy, as any violation of the conditions of the policy or the ACT will land them in trouble if the insurers were to disown the liability.

Shri K. Rajaraman delivered the valedictory address.

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