

**Have you renewed your  
Vehicle Insurance policy??**



# What prompts you to renew your policy?

..... **Is it the fear of being stopped by a Traffic policeman or are you genuinely interested in avoiding the risk of any damage or loss?**

Motor vehicle insurance in India deals with insurance cover for the loss or damage to your four or two wheeler due to natural or man made calamities. It provides accident cover for individual owners of the vehicle while driving and also for passengers and third party legal liability.

Vehicle Insurance in India is a compulsory requirement for all new vehicles used whether for commercial or personal use. The insurance companies have tie-ups with leading automobile manufacturers. They offer their customers instant auto quotes. The premium is determined by a number of factors and the amount of premium increases with the rise in the price of the vehicle.

There are different types of vehicle Insurance in India :

**Private Car Insurance** –this is the fastest growing sector as it is compulsory for all the new cars. The amount of premium depends on the make and value of the car, state where the car is registered and the year of manufacture.

**Two Wheeler Insurance** – The Two

Wheeler Insurance under the vehicle Insurance in India covers accidental insurance for the drivers of the vehicle. The amount of premium depends on the current showroom price multiplied by the depreciation rate fixed by the Tariff Advisory Committee at the time of commencement of policy period.

**Commercial Vehicle Insurance** – Commercial Vehicle Insurance under the vehicle Insurance in India provides cover for all the vehicles which are not used for personal purposes, like Trucks and Heavy Motor Vehicles. The amount of premium depends on the showroom price of the vehicle at the commencement of the insurance period, make of the vehicle and the place of registration of the vehicle.

Vehicle insurance generally includes:

- Loss or damage by accident, fire, lightning, self ignition, external explosion, burglary, housebreaking or theft, or malicious act.
- Liability for third party injury/ death, third party property and liability to paid driver
- On payment of appropriate

additional premium, loss/damage to electrical/electronic accessories

Vehicle insurance does not include:

- Consequential loss, depreciation, mechanical and electrical breakdown, failure or breakage
- When vehicle is used outside the geographical area
- War or nuclear perils and drunken driving claims of the vehicle Insurance in India can be accidental, theft claims or third party claims.

Certain documents are required for making claims against vehicle Insurance in India, like duly signed claim form, RC copy of the vehicle, Driving licence copy, FIR copy, Original estimate and policy copy.

- Anything that carries a risk of damage or loss can be covered by a suitable insurance. All such risks other than the risk to life are covered under the General Insurance.
- Auto/vehicle/motor insurance is a major component under the General Insurance.
- Auto/vehicle/motor insurance is a compulsory requirement for all

new vehicles used whether for commercial or personal use.

The different types of Vehicle Insurance in India:

#### **Private Car/Two wheeler Insurance**

– As the name suggests, it is the insurance cover for the cars or two wheelers meant for the personal use of the individuals and their families. Private Car Insurance is the fastest growing sector as it is compulsory for all the new cars. The amount of premium depends on the make and value of the vehicle, state where the car is registered and the year of manufacture.

#### **Commercial Vehicle Insurance**

– Commercial Vehicle Insurance provides cover for all the vehicles which are not used for personal purposes, like the Trucks and HMVs (Heavy motor vehicles) and the cabs. The amount of premium depends on the showroom price of the vehicle at the commencement of the insurance period, make of the vehicle and the place of registration of the vehicle.

**Comprehensive Insurance** - Protects against any loss or damage caused to the vehicle and its insured accessories as a result of natural and man-made calamities.

These calamities can be broadly classified as 'Natural Calamities' and 'Man Made Calamities'.

**Natural calamities include:**

Fire, explosion, lightening, flood, typhoon, hurricane, storm, tempest, inundation, cyclone, hailstorm, frost, landslide, rockslide, and fire and shock damage due to earthquake.

**Man-made calamities include:**

Burglary, housebreaking, theft, riot or strike, accident by external means, malicious act, terrorist activity and damage during travel by road, rail, inland-waterway, or air. This policy also includes personal accident cover, which provides accident cover for the driver of the vehicle while driving. The owner can avail personal accident cover for passengers in the vehicle.

**Third Party insurance policy-** An insurance policy is between two parties, the insurer and the insured. Therefore, a third party is any person who is neither the insured nor the insurer. Third parties are mainly pedestrians, fare-paying and non fare paying passengers in a vehicle. People in the vehicles like the driver, owner or passengers are also third parties. Fare paying passengers are the people who travel in public transport such as taxis, auto rickshaws and

buses. Non-Fare Paying Passengers are the people who are allowed to travel in a vehicle for free.

The Third Party car insurance policy covers your legal liability for any compensation to be paid arising from accident caused by your vehicle. It includes liability for death or injury to third parties like pedestrians, occupant of other vehicles, and outsiders other than passengers. Passengers of private vehicles and pillion riders are also considered to be covered. Damage to third party's property is usually covered by the insurance policy.

**Vehicle insurance generally includes:**

- Loss or damage by accident, fire, lightning, self ignition, external explosion, burglary, housebreaking or theft, malicious act
- Liability for third party injury/ death, third party property and liability to paid driver
- On payment of appropriate additional premium, loss/damage to electrical/electronic accessories

**Vehicle insurance does not include:**

- Consequential loss, depreciation, mechanical and electrical breakdown, failure or breakage

- When vehicle is used outside the geographical area
- War or nuclear perils and drunken driving

Given high disposable income, easy availability of finance and attractive discounts, owning a car today is no longer perceived to be a luxury, but a necessity and has become easier as compared to the past. However, the cost of maintaining a car is an ongoing expense which many find as a burden. A family today, is saddled with EMI payments, fuel expenses and maintenance costs every month. To add to this, if the car meets with any kind of an accident, the cost of repair burns a huge hole in the pocket and has the potential to disrupt monthly cash flows adversely.

A comprehensive cover with value-added features, therefore, is often recommended by experts. Car insurance cover has become “really” inclusive these days, offering a wide range of add-ons which are options that improve the basic coverage offered by a policy.

**Some add-ons to the policy to increase the cover:**

- **Zero depreciation:** Zero depreciation or “zero dep” policies are gaining

popularity with increasing awareness among vehicle owners in India. A zero depreciation cover ensures that in case of an accident, you will receive full claim without any deduction for depreciation on value of parts replaced. Some online agents of insurance companies offer this type of cover under the name of “Depreciation shield.” Although most companies do not offer it for vehicle older than 3 years, you can avail this cover for vehicles that are 3-years-old or less at some online agents of companies.

- **NCB retention:** No claim bonus (NCB) is a reward for those policy holders who have not claimed against their car insurance policy in the past year(s). Over a period of time, NCB can be accumulated to provide a discount of up to 50%. However, even a single claim on your policy can bring NCB down. By taking an add-on, this can be avoided. Under this add-on, even if you have a claim, subject to a certain sum, NCB earned by you remains protected at the current eligible percentage, instead of being reversed under the normal policy.

- **Road side assistance:** Insurance companies are increasingly focusing on providing road-side assistance

benefits to customers. By paying an extra premium, customers can avail the benefits under this add-on cover. However, some companies provide these benefits as a part of the basic insurance cover as value added services. For instance, some online companies offer a total of 11 benefits under 24 X 7 spot assistance as a value added service for online customers. These include towing facility, repairing flat tyres & flat battery, fuel assistance, minor repairs, taxi & accommodation benefits etc.

• **Engine cover:** The engine is the most expensive part of a car and repairing an engine, particularly when it has been damaged due to flooding, can be a prohibitively costly affair. Hence engine cover becomes a “must have” cover. Some companies offer this cover as Engine protector which covers damage caused to the internal parts of the engine and the gear box of the vehicle due to water ingress or leakage of lubricating oil.

• **Key replacement:** Many insurance companies reimburse the cost of replacing the ignition key up to a certain limit. But, the amount reimbursed typically, is far below the actual cost of the replaced key.

• **Daily cash allowance:** This allowance, which covers the owner's

transportation costs, is paid only if your vehicle has a need to be in a garage for more than 3-4 days. Generally, most vehicle repairs hardly take as many days and therefore, this add-on seldom comes of use.

• **Return to invoice:** This benefit is available only for new cars and for the first year of the vehicle. If your vehicle gets totally damaged, 100% of the value of the vehicle (without deducting 5% depreciation) shall be reimbursed to the car owner. Anyway, even without this add on, 95% is payable for a total loss case.

The following facilities can also be added on:

- a) Option for Personal Accident (PA) Cover for passengers in a private car
- b) Additional discount for members of recognized Automobile Associations of India and for installation of approved anti-theft device
- c) To take cover for extra electrical installations fitted into the vehicle
- d) To include the bi-fuel system fitted into the car like LPG/CNG kit

Building a sound car insurance policy is easy and add-on coverage can greatly improve the value of your car

insurance plan only if you select the policy according to your requirement. So choose wisely!

**Though add-ons are good to have, a word of caution is needed here. Too many add-ons can increase your premium substantially. It is also important to have only those add-ons for which you have a need.**

### **Some prudent deletions to save on the Insurance Premium**

There are a few simple things you can do that will not only save you money on your insurance premium but also save the time involved to insure your vehicle.

- **Buy online:** This is the easiest and cheapest method which gives the opportunity to explore and compare insurance quotes from multiple insurance providers and choose the right package for your vehicle.
- **Reduce vehicle value:** Many companies selling vehicle insurance provides the option to adjust your vehicle's value (called IDV - Insured Declared Value) at the time of purchasing the policy. By decreasing the IDV of your vehicle you can also reduce the premium to certain extent. At some online corporate agents of general insurance companies you

can increase or decrease the IDV upto 10%.

- **Ask for your NCB:** NCB is a reward for the owner-driver of the car for being a good driver. It can be accumulated over a period of time if there are no claims under the policy. It can reduce your premium up to 50% over the years.

- **Choose high voluntary deductible:** Voluntary deductible is the amount of money you choose to pay from your pocket at the time of claim before your car insurance coverage kicks in. In essence, by sharing a part of the claim, you receive a discount on the premium. Simply put, higher the deductible, lower is the premium.

- **Avail of discounts :** Companies that sell insurance now have a wide range of offers for the customer. Online agents offer savings under various categories like online, defence, snap deal, Facebook which is becoming more popular with time.

- **Renew on time:** Always remember to renew your insurance before the due date to avoid inspection and other inconvenience, not to mention a potential increase in premium cost.

### **No Claim Bonus: The deciding factor on the Premium payable**

No claim bonus can be availed by only those policy holders who have not claimed against the vehicle insurance in the past year(s). It gets accumulated over a period of time. In simple words, the NCB is a reward for being a good driver. NCB is transferable from one company to another but not from one person to another and it is therefore a portable benefit. The discount offered when you buy a policy through some online agents on own damage premium ranges from 20%-50%. This is dependent on the number of consecutive claim-free years.

<b>Duration of no claims made for all types of vehicle</b>	<b>Discount%</b>
No claim made or pending during preceding full year of insurance	20%
No claim made or pending during preceding 2 consecutive years	25%
No claim made or pending during preceding 3 consecutive years	35%
No claim made or pending during preceding 4 consecutive years	45%
No claim made or pending during preceding 5 consecutive years	50%

#### **When does one lose NCB discount?**

- If in case the customer lodges a claim, the NCB becomes zero and the customer needs to pay full premium when he renews the policy next year.
- NCB becomes zero if the policy renewal is done more than 90 days after the previous policy has expired.
- If you transfer your NCB credit to another vehicle that you own, the NCB enjoyed on the previous vehicle will come to an end.

#### **Tips to extract the maximum benefit out of NCB:**

- Always renew before the expiry date mentioned in the previous insurance policy.

- Try to forgo small claims. Small claims lead to higher premium. You need to analyse the cost of minor dents and repairs to be paid as against the amount of premium that you will have to pay extra, in case you choose to avail the NCB when you renew your insurance policy.
- NCB can be transferred from old vehicle to new vehicle within 3 years from the date of sale of the old vehicle (new vehicle should be of the same class as that of the sold car). This will keep your NCB discount going even though you have changed your vehicle.
- Always provide the correct percentage of NCB to the insurance provider; if the percentage of NCB is wrongly entered, then either the customer's claim may get rejected or insurance policy may get cancelled later.

No claim bonus is earned by careful driving year after year. So drive safe and save on your car insurance premium.

### **How the Vehicle Insurance premium is determined?**

Vehicle insurance provides comprehensive financial cover for your vehicle in case of loss or damage to the vehicle. In return, you pay insurance premium annually that changes slightly every year.

There are two elements of premium- variable and fixed. The variable component like discounts, no claim bonus make small portion of premium.

**The primary premium is determined by fixed components which are:**

**Insured declared value (IDV):**

IDV is the Sum Assured or the cover provided by the insurer. IDV is calculated as the market value of the car at the time of insurance. It is not at what price you bought the car but the present value which basically includes depreciation, wear and tear of the vehicle. IDV is the maximum amount which the insurer agrees to compensate you with in case your vehicle is damaged beyond repair.

Example - A brand new car having ex showroom price of 7 lakhs could get IDV of 6.6 lakhs whereas same car model but 2 years old could have IDV of 6-6.3 lakhs depending on depreciation.

**Cubic Capacity (cc):**

The capacity of car engine is measured in cubic capacity. Motor insurance premium depends on the cubic capacity of the vehicle. More the cubic capacity more will be the premium.

Cubic Capacity	Basic Minimum Premium
Less than 1000cc	Rs 500
1000-1500 cc	Rs 600
1500 cc and above	Rs 700

**Geographical Region:**

Motor insurance premium is also influenced by the region of registration of vehicle. The premium in Tier I cities is comparatively more than Tier II and Tier III cities. That is because probability of insurance claim is more in Tier I cities because of higher costs, higher possibility of thefts etc.

**Age of the Vehicle:**

Motor insurance premium is affected by the age of the vehicle. A vehicle

undergoes depreciation regularly and as the time progresses, value of the vehicle decreases. Following table illustrates the depreciation according to vintage of the vehicle.

Vintage	Depreciation
< 6 months	Nil
6months-1year	5%
1year-2year	10%
2year-3year	15%
3year-4year	25%
4year-5year	35%
5year-10year	40%
>10 years	50%

**Vehicle Insurance premium is also influenced by the following variable components:**

**No Claim Bonus (NCB):**

NCB is the bonus awarded to the policyholder for not making claims. NCB gets accumulated over a period of time and is excellent way to lower your yearly premium. NCB discount ranges from 20-50% on own damage premium.

**Discounts:**

Another way to lower motor insurance

premium is to avail discounts which you receive when you install anti theft devices approved by Automobile Research Association of India (ARAI). The concession is usually 2.5% of the premium subject to maximum of Rs 500.

**Voluntary Excess:**

Motor insurance premium can also be reduced with voluntary excess. Voluntary excess is the option to bear pre determined amount of loss for every claim made.

<b>VOLUNTARY DEDUCTIBLE</b>	<b>DISCOUNT</b>
Rs.2500	20% on the OD Premium of the vehicle, subject to a maximum of Rs.750/-
Rs.5000	25% on the OD Premium of the vehicle, subject to a maximum of Rs.1500/-
Rs.7500	30% on the OD Premium of the vehicle, subject to a maximum of Rs.2000/-
Rs.15000	35% on the OD Premium of the vehicle, subject to a maximum of Rs.2500/-

**Steps to be followed for an insurance claim:**

- Call your insurance representative or the company as soon as possible even if you are away from home or even if someone else caused the accident.
- Take guidance from your representative or insurance provider on how to proceed and what forms or documents will be required to support your claim.
- Your insurance company may require a “proof of loss” form as well as documents relating to your claim (such as medical and car repair bills and a copy of the police report). Supply all the information your insurer requires to process your claim.
- Keep records of all your expenses as a result of the accident which may be reimbursed under your policy.

- Keep copies of your paperwork intact. You may need it for reference later.
- At the scene of the accident, you should stop and get help for the injured. Call the police and notify the nearest medical unit. Provide police with the information they require. Take steps to protect your car from further damage. Your Insurance Company will probably want to have someone inspect it and appraise the damage before you order the repair work done. If possible, be present when the vehicle is surveyed by the surveyor. Insist on a written consent from the surveyor and the repairer. If this is done, you would know how much is payable by the insurance company and how much you have to pay.
- If the vehicle is purchased second hand, please ensure that the insurance is also transferred in favor of the buyer within 14 days by giving a written request to the insurer.

### **CASHLESS VEHICLE INSURANCE COVER**

The authorized service centers of a particular vehicle are usually tied up with certain insurance companies. In case the vehicle owner takes insurance from the preferred insurance company, he/she can send his vehicle to the service center. The service center will process the claim on his/her behalf as well as receive the payment from the insurance company thus saving the owner a lot of time and the effort of processing the claim. It is recommended to check with your authorized service center on the preferred insurance company and renew or take a cover from one such insurance company to get the benefit of cashless transaction which also saves time and effort.

### **COMPARATIVE TESTING**

Comparative Testing is a formal process by which products & services of different vendors are tested for Quality; the services are tested for compliance to the regulations laid out by the regulatory authorities for services. One of the services selected

for testing as part of our Comparative Testing activity, is Vehicle Insurance.

This exercise of comparative testing of Vehicle Insurance compared the service parameters of Vehicle Insurance Companies that are in the field as on **31-03-2012**.

This study would help consumers, to understand the companies that are there in the Vehicle Insurance market, and enhance their ability to make an informed choice. It will also help to provide some general knowledge for consumers regarding some fundamentals that govern the working of Vehicle Insurance companies.

This study does not cover policies issued to Commercial vehicles and covers only policies issued to private cars and two wheelers.

### **GROUPING OF THE INSURANCE COMPANY FOR THE PURPOSE OF STUDY**

#### **(Group A) Public Sector General Insurance Companies offering Vehicle (Motor Insurance):**

1. National Insurance Co. Ltd.
2. The New India Assurance Co. Ltd.\_
3. The Oriental Insurance Co. Ltd.
4. United India Insurance Co. Ltd.

#### **(Group B) Private General Insurance Companies offering Vehicle (Motor) Insurance (Prior to Dec 2008):**

1. Bajaj Allianz General Insurance
2. Bharti AXA General Insurance
3. Cholamandalam MS

4. Future Generali India Insurance
5. HDFC ERGO General Insurance
6. ICICI Lombard
7. IFFCO TOKIO
8. Reliance General Insurance
9. Royal Sundaram
10. Shriram General Insurance
11. Tata AIG General
12. Universal Sompo General Insurance

#### **(Group C) Private General Insurance Companies offering Vehicle (Motor) Insurance (After Dec 2008):**

1. Raheja QBE General Insurance (Dec 2008)
2. SBI General Insurance (December 2009)
3. L & T General Insurance (July 2010)
4. Magma HDI General Insurance Co Ltd (May 2012) (not considered in this study)

### **TESTING METHODOLOGY**

**DESK TEST** Information available in public domain as on 3103-2012 from the published Annual Reports of the IRDA, and the Websites of the Insurance Companies was used to

compare the services offered by the insurance companies.

**The Desk test parameters can be grouped into two categories – those determining**

- **Financial health of the Insurance company**
- **The quality of service**

#### **PARAMETERS DETERMINING THE FINANCIAL HEALTH OF THE COMPANY**

##### **a. Gross Premium**

It is the total sum collected as premium in a particular financial year

##### **b. Growth Rate**

It is calculated by comparing the premium collected in the two consecutive financial years namely for the period ended 31.03.2012 as compared to the year ended 31.03.2011.

##### **c. Combined Ratio**

Ratio of all Expenses Incurred to Gross Premium

##### **d. Operating Profit**

It indicates whether the general insurance business has generated profit/loss for the year.

##### **e. Solvency Ratio**

As the name itself indicates, Solvency Ratio has to do with the SOLVENCY, or Financial Strength of the Insurance

company. The prescribed IRDA level for this Ratio is 1.5.

This really means that the Solvency Ratio of 1.5, stipulated as the minimum acceptable limit, would ensure that a company has, at any given time, the assets which are one and a half times that of the liabilities. Failure to maintain the minimum prescribed solvency Ratio, will lead to the Regulator taking urgent steps to intervene to protect the interests of the Policy holders.

#### **PARAMETERS DETERMINING THE QUALITY OF SERVICE**

##### **a. Grievance Disposal Ratio**

This ratio will indicate the extent to which the complaints of customers are redressed in a time bound manner. Each Company has a separate Grievance Department to look into the issues of customers' complaints. Redressal of grievances of customers by the Insurer, is one of the important areas that are being closely monitored by IRDA. A higher ratio indicates that the complaints are being attended promptly.

Insurance companies while selling their Policies, give an assurance that the loss, if any, incurred due to an accident/any unforeseen event will be compensated subject to their rules and regulations. In view of the

huge customer base, it is possible that many customers may have grievances to be sorted out by the companies. Each company has a Customer Grievance Department that handles all complaints. In respect of Public Sector General Insurance companies, there are Customer Grievance Departments in each of the Regional offices as well.

IRDA has been giving a lot of importance to the redressal of customer complaints and have created a separate portal for registering the complaints, which is being closely monitored by taking up with the respective companies.

### **b. Number of Offices**

Even though a policy can be taken by customers through different channels like online, telemarketing, corporate agents, banks, or agents, consumers will still be interested to know the details of their servicing office. The spread of offices for Insurance Companies will indicate to what extent customers can directly have an access to their officials.

The spread of offices across the country for a company will facilitate the Public to transact business directly with the Insurer. However, due to technological advances, new marketing strategies are adopted

by some of the private companies; they are doing business with limited number of offices. They have more agency force and some Insurance companies have tie-ups with banks as a Corporate Agent and the branches of these banks market the Insurance products. In this manner some companies are trying to market their products without opening their own offices in many centres. Further, they also have online facility for customers to buy their products.

### **c. Trend of Claim (Motor Own Damage) Settlement**

The information pertaining to the claims handled/settled/repudiated/closed as submitted by the General Insurance Companies in the IRDA are analysed.

- The claims are to be settled within a reasonable time once the Insured submits all required documents.
- If the claim is not payable as per the terms and conditions of the policy, the claim is repudiated.
- If, in spite of various advices by the Insurer to the Insured for submission of documents, the Insurer fails to submit the same, the claims are closed.

The table on the trend on claim

settlement shows that a large number of claims has been closed by the private sector insurance companies. The reason for closure of the claim is non submission of the required documents. For instance in case of the theft of vehicle, the insured may not have submitted FIR or Non-traceable certificate; the claim is closed as "No Claim."

**Most of the Private sector companies have very few offices and the operations are centralized. The insured usually calls a toll free number for details. May be the insured is not able get details of all the documents that should be submitted and to whom. This may be a reason why a large number of claims are closed.**

#### Public Sector General Insurance Companies Offering Vehicle (Motor) Insurance)

S. No	Name of Company	No. of Claims Handled	Settled	Repudiated/ Denied	Closed	Claims Outstanding
1.	National Insurance	684069	567281	15736	0	101052
2.	The New India Assurance	201686	120921	21711	0	59054
3.	The Oriental Insurance	139147	84194	1129	0	53824
4.	United India Insurance	151126	109680	398	846	40202

#### Private General Insurance Companies offering Vehicle (Motor) Insurance (Before Dec 2008)

S. No	Name of Company	No. of Claims Handled	Settled	Repudiated/ Denied	Closed	Claims Outstanding
1.	Bajaj Allianz General Insurance	119689	106908	2854	60	9867

S. No	Name of Company	No. of Claims Handled	Settled	Repudiated/ Denied	Closed	Claims Outstanding
2.	Bharti AXA General Insurance	35729	28718	92	33	6886
3.	Cholamandalam MS	1,33,664	73,908	5,191	4,016	NA
4.	Future Generali India Insurance	23843	18307	1792	397	3565
5	HDFC ERGO General Insurance	32542	24240	2525	0	5777
6	ICICI Lombard General Insurance	147155	120346	1607	5080	26809
7	IFFCO TOKIO	93068	68358	1627	3797	21239
8	Reliance General Insurance	59793	40335	2015	4437	13006
9	Royal Sundaram	242537	229442	1875	NA	5969
10	Shriram General Insurance	27663	16116	0	1190	10357
11	Tata ALG General	200603	175124	1457	13739	10283
12	Universal Sompo General Insurance	35035	27698	412	4319	2606

### Private General Insurance Companies Offering Vehicle (Motor) Insurance (After Dec 2008)

S. No	Name of Company	No. of Claims Handled	Settled	Repudiated/ Denied	Closed	Claims Outstanding
1.	Raheja QBE General Insurance (Dec 2008)	6	3	0	0	3
2.	SBI General Insurance (Dec 2009)	1083	754	27	70	232
3.	L & T General Insurance (July 2010)	4293	2983	86	345	879

The Desk Test results are as tabulated below  
Vehicle Insurance Desk Test (DT) Scoring Table

Name of the company	Group	Total Marks (Out of 90)	Solvency Ratio	Accretion of premium for 2012	Combined Ratio	Operating Profit Ratio	Number of Offices	Grievance Disposal Ratio	Trend of Claim Settlement
National Insurance	A	86	10	9	12	12	15	15	13
The Oriental Insurance	A	70	10	5	12	6	15	15	7
United India Insurance	A	67	12	9	12	0	15	12	7
The New India Assurance	A	66	12	9	8	3	15	12	7
Bajaj Allianz General Insurance	B	71	12	7	10	3	9	15	15
ICICI Lombard General Insurance	B	70	10	9	12	0	15	15	9

HDFC ERGO General Insurance	B	63	12	7	12	0	6	15	11
Bharti AXA General Insurance	B	61	12	5	12	0	6	15	11
Future Generali India Insurance	B	61	12	5	12	0	6	15	11
Tata AIG General Insurance	B	60	10	7	12	0	6	15	10
Royal Sundaram General Insurance	B	58	10	5	12	0	6	15	10
Shriram General Insurance	B	57	6	7	12	9	6	15	2
Cholamandalam MS	B	54	10	5	12	3	6	15	3
Universal Sampo	B	52	12	3	12	0	6	9	10
Reliance General Insurance	B	49	10	1	10	0	9	15	4
IFFCO TOKIO General Insurance	B	46	8	1	12	0	6	15	4
L & T General Insurance (July 2010)	C	-	12	-	12	0	6	-	4
Raheja QBE General Insurance (Dec2008)	C	-	12	-	10	0	6	-	-
SBI General Insurance (Dec 2009)	C	-	12	-	12	0	6	12	4

- The parameters Number of offices, Grievance Disposal Ratio are given **"High"** priority and assigned maximum marks of **"15"** each.
- Solvency Ratio, Combined ratio, and Operating Profit Ratio were assigned **"Medium"** priority and assigned maximum marks of **"12"** each.
- Gross premium and Gross premium growth rate were assigned **"third level"** priority, and allotted maximum marks of **"9"** each and these are grouped together; only accretion for the year 2012 is taken into account.
- Thus there are three parameters with **"15,"** three with **"12,"**

and one with **"8"** marks. The total possible marks for any company considering these seven parameters would be  $(3 \times 15) + (3 \times 12) + (1 \times 8) = 90$ .

### CONSUMER SURVEY

A Sample Survey was conducted among .....customers to gather their impressions. The indicative feedback received from these customers, in response to a structured questionnaire, forms an invaluable part of this whole exercise. In fact this consumer survey, spread over the 4 Southern States, including Pondicherry, produced several suggestions for improvements, which could be beneficial, if taken into account.

	Tamil Nadu	Pondicherry	Kerala	Karnataka	Andhra Pradesh
Metro	550	150	550	625	625
Urban	220	60	220	250	250
Semi Urban	220	60	220	250	250
Rural	110	30	110	125	125
Total	1100	300	1100	1250	1250

The consumer survey was carried out to assess:

1. Knowledge and insurance awareness of the Public
2. Satisfaction level which includes policy servicing and claims service.
3. Preference of a particular insurance company

### Scoring Methodology

1. The survey questionnaire has predominantly responses which are **YES/NO**. All **YES** (positive responses) are given a score of **4** and the **NOs** get a **0**.
2. The sum of the scores along with the percentage segment wise and for the Insurance Company are indicative of the quality of the service as perceived by the respondents.
3. Where the responses are rated in a scale of **1 to 5**, the best perception is given a score of **5** and worst perception a score of **1**. Again the scores are added to compare the performance of the Insurance Companies for the service component tested.

The five point scale **1 – 5** considered has the following ratings:

- |         |              |
|---------|--------------|
| 1. Poor | 4. Very Good |
| 2. Fair | 5. Excellent |
| 3. Good |              |

The findings of survey with scores and ratings are given in Table below:

Criteria assessed	Public		Private		Private New	
	Group A	Group B	Group B	Group C	Group C	Private New
Score	Rating	Score	Rating	Score	Rating	Rating
Service Experience of the company/Agent	2.77	Good	3.03	V.Good	3.15	V.Good
Knowledge of the Insured	2.35	Good	2.62	Good	2.71	Good
Settlement Process	3.15	V.Good	3.05	V.Good	3.21	V.Good
Satisfaction with Insurance Company/Service provided	3.07	V.Good	3.00	Good	3.18	V.Good

### Few observations of the survey

- Most of the two wheeler owners opted for third party insurance and the car owners for comprehensive
- The application and renewal forms have been filled in by the agent or intermediary. It is preferable for the proposer to fill in the form and sign it.
- Majority of the respondents said they would continue with same insurance company. This shows that by and large they are happy with their existing Insurance Companies.
- Nearly 50% of the respondents are not aware as to how the sum insured is fixed depending upon the age of the vehicle.

Insured should be educated about the basis of fixing the value at the time of renewal as otherwise there is a likelihood of either under insurance or over insurance.

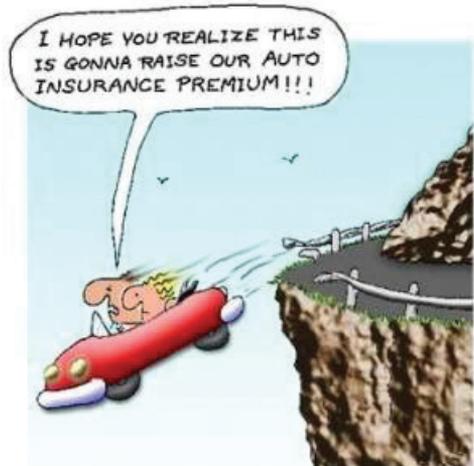
- Nearly 30% of the respondents are not aware of the Bonus eligibility.
- Most of the respondents are unaware that they should intimate the Insurer/Police

immediately after the theft of the vehicle.

Many claims in respect of theft of the vehicle are repudiated due to late intimation. Insured must be aware of the provisions and intimate the Insurer of the theft of the vehicle and lodge FIR with the Police.

- Approximately 30% of the Policy Holders surveyed are not aware of the Rules.

Even though some companies do mention such conditions in BOLD letters in one of the front sheets, it is advisable that the Insurance Companies enclose a list of Do's and Don'ts in case of a claim along with the Policy Document.



# Case Studies

**An insurance agent said to a customer, “Thank you, Mr.Kumar, for your patronage. I wish I had twenty customers like you!”**

**“Gosh, it’s nice to hear that, but I’m kind of surprised,” said Mr. Kumar. “You know that I file many claims and always pay premium late.”**

**The insurance agent said, “I’d still like twenty customers like you. The problem is, I have two hundred like you!”**

We present some case studies here which will give you an idea as to what are the types of insurance claims that are received by the insurance companies and how they are acted upon.

## Case 1

Mr A had insured his four wheeler for a sum of Rs. 3 lakhs. While taking the insurance cover he had not disclosed the claim which he had availed of in the previous contract with another insurance company. As a result he was allowed no claim bonus by the present insurer.

His vehicle met with an accident; the claim lodged by the insured was denied by the insurance company stating that he had suppressed his previous claim and enjoyed no claim discount which he was not entitled to, as per rules.

The insurance company obtained a confirmation from the previous insurer about the claim. The conversation of the insured stating that he had not made any claim in the previous year was also recorded.

Thus misrepresentation of facts at the time of taking a policy resulted in getting the No Claim Bonus which he was not entitled to; this in turn led to the repudiation of his claim.

**Case 2**

Mr B had insured his vehicle for a sum of Rs. Seven lakhs. The vehicle met with an accident. The claim for the damage was rejected by the insurer stating that the vehicle was used on hire at the time of the accident.

The investigator appointed by the insurer had collected a letter from one of the passengers stating that he had paid 10 thousand rupees to the owner for using the vehicle. It was further mentioned in the letter that number of persons travelling were 9 as against the permissible limit of 8.

The insured lodged a complaint against the insurance company for not settling the claim.

It was observed that apart from the letter collected from one of the passengers no other evidence was produced by the insurance company, to substantiate that the vehicle was used on hire. The acceptable evidence like trip sheet was not available. Further the FIR mentioned the number of passengers were 7 including the driver. Taking these factors into account, the insurer was advised to settle the claim allowing the complaint filed by the insured.

*Note: If a private car is used as a public carrier the insurance company can deny the claim as it violates the policy condition.*

**Case 3**

Mr C had taken a vehicle cover for Rs. 4,40,000/- . He died during the validity period of this policy. The policy was renewed in his name by his son. The vehicle met with an accident and was completely burnt. The claim was rejected stating that after the death of the owner , the legal heirs should have submitted the necessary documents for transferring the policy in their name which was not done.

The condition states: In the event of the death of the sole insured, the policy will not immediately lapse but will remain valid for 3 months from

the date of death of the insured or till the expiry of the policy whichever is earlier. During this period the legal heir/s should apply with proper documents for transferring the policy or may obtain a new policy.

In the above case the legal heir had not taken any action for policy transfer leading to the repudiation of the claim.

#### Case 4

Mr D had taken a vehicle insurance policy for Rs. 2,80,000/-. The vehicle met with a major damage. The insurance company offered to settle Rs 1,26,900/- for the repairs after applying depreciation on some parts as per the terms and conditions of the policy.

The insured wanted his claim to be settled as per the constructive total loss which states that if the aggregate cost of repair exceeds 75% of the IDV, the claim can be treated as constructive total loss.

The insurance company argued that 1,29,600/- is less than 75% of the IDV and hence they will settle the claim only on repair basis.

As per the policy term the insured vehicle shall be treated as constructive total loss if the aggregate cost of repair of the vehicle exceeds 75% of the IDV of the vehicle. It is not mentioned specifically in the policy whether depreciation on parts are to be considered for arriving at the aggregate cost of repair.

In the view of this the insurer was asked to settle the claim of the insured.

#### Case 5

Mr E had insured his vehicle for a sum of 6 lakh rupees. The car was damaged due to sudden fire. The claim was denied by the insurance company stating that it was due to accident or malicious act.

The Insurance company argued that it may be due to electrical or mechanical failure, since extra halogen lamp was fixed in an improper

manner. But this could not be proved with supporting documents to substantiate that the fire was due to electrical failure as a result of the halogen lamp.

In view of lack of evidence the insurance company was asked to settle the claim

### Case 6

Mr F had taken vehicle insurance for a sum of rupees 4 lakhs . The vehicle met with an accident and fell into a shallow field. The insured made a claim for the replacement of the seized engine which the insurance company denied.

The insurance company argued that the fall had resulted in the damage of the oil sump resulting in oil leakage. Without noticing this the insured must have repeatedly tried to start the engine in turn resulting in the seizure of the engine; thus it was not directly due to the accident and hence the claim cannot be allowed.

The insurance company could not substantiate this argument with any supporting documents. Further the surveyor had not mentioned in his report that the insured repeatedly attempted to start the engine. Thus the insurance company was directed to settle the claim.

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