

**Exposure Draft**

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA**

**NOTIFICATION**

Hyderabad, the (date)

**Insurance Regulatory and Development Authority of India (Obligation  
of an Insurer in respect of Motor Third Party Insurance Business)  
Regulations, 2022**

**F. No. IRDAI/Reg/x/xx/xxxx.**—In exercise of the powers conferred by clause (ie) of sub section (2) of Section 114A and Section 32D of the Insurance Act, 1938 (4 of 1938) read with Sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) , the Authority in consultation with the Insurance Advisory Committee, hereby makes the following Regulations, namely:-

**(1) Short Title, Applicability and Commencement of the Regulations**

- a) These Regulations may be called the Insurance Regulatory and Development Authority of India (Obligation of an Insurer in respect of Motor Third Party Insurance Business) Regulations, 2022
- b) These shall come into force on the date of their publication in the Official Gazette.
- c) These Regulations shall be applicable to every insurer carrying on general insurance business and underwriting motor insurance business.

**(2) Definitions**

In these Regulations, unless the context otherwise requires: -

- 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) “Motor Third Party Insurance Business” consists of the motor third party insurance business in respect of both, the liability only policies as well as the liability portion of the package policies and the bundled policies issued in motor portfolio.
- d) “Long term motor insurance products” means the general insurance motor products that have a coverage period of more than 1 year.

(3) All words and expressions used and not defined in these Regulations but defined in the Insurance Act, 1938(4 of 1938) or Insurance Regulatory and Development Authority Act,1999(41 of 1999), shall have the meanings respectively assigned to them in those Acts, Rules, Regulations issued under those Acts, as the case may be.

#### **(4) Objective**

The objective of these Regulations is to specify minimum third party motor insurance business that the insurer carrying on general insurance business is required to underwrite under section 32D of the Insurance Act, 1938.

#### **(5) Obligations**

The Obligation of an Insurer carrying on general insurance business in respect to Motor Third Party(MTP) insurance business for a Financial Year(n), for each category of vehicles as defined in Regulation 8 should be arrived as below:

$$\mathbf{O(n) = O(n-1) + \{M(n-2) \times V(n-2) \times I\}}$$

- a) ‘**O(n)**’ = The Obligation of such insurer in the n<sup>th</sup> financial year
- b) ‘**O(n-1)**’ = The Obligation of such insurer in the (n-1)<sup>th</sup> financial year. *However, for the first financial year of applicability of these*

*Regulations, O(n-1) shall be equal to the actual MTP policies of the (n-2)<sup>th</sup> financial year*

- c) **'M(n-2)'** = The Gross Direct Premium Income (GDPI) Market Share of such insurer as on 31<sup>st</sup> March of the (n-2)<sup>th</sup> 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)<sup>th</sup> financial year expressed in absolute numbers independently for each broad class of vehicles as defined in Regulation 8.
- e) **'I'** = The minimum percentage of the uninsured vehicles intended to be insured in the year under consideration.

(6) The **'I'** as defined in clause (e) of Regulation 5 shall be determined and declared by IRDAI every year for different broad class of vehicles as provided in Regulation 8 in due consideration to the contribution of that class to total uninsured vehicles in the country in the (n-2)<sup>th</sup> financial year.

(7) For long term motor insurance products, 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.

(8) The categories of vehicles on which the obligations as provided in the Regulation 5 shall be applicable are:

- a) Two-wheelers,
- b) Private cars, and
- c) all vehicles plying on the road other than Two-wheelers and Private cars

**(9) Exemptions**

- a) Any insurer carrying on general insurance business and underwriting motor insurance business shall be exempted from the application of the obligatory requirement during first two financial years of its operations.
- b) Any insurer who is primarily engaged in the business of health, re-insurance, agriculture, export credit guarantee is exempted from the applicability of section 32D of insurance act, 1938.
- c) For the period of exemption specified in sub clause (a) above, such insurer shall also be excluded from the calculations for determining the minimum obligatory requirements for other existing insurers.

**(10) Underwriting of Motor Third Party Risk**

Regulation 5 stipulates the minimum obligation of an insurer in respect of motor third party insurance business. Notwithstanding this, at no instance any insurer carrying on general insurance business shall refuse to underwrite the “liability only” motor policy covering motor third party insurance risk to any prospective policyholder coming to its office (s).

**(11) Power to issue Clarifications:**

In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these Regulations, the Chairperson or Senior-most Whole Time Member (WTM), on the recommendations of the WTM concerned with the subject matter may issue necessary clarifications in respect of any matter covered herein from time to time.

**(12) Repeal and Savings clause**

- (1) These Regulations shall repeal Insurance Regulatory and Development Authority of India (Obligation of Insurer in Respect of Motor Third Party Insurance Business) Regulations, 2015 from the date these Regulations come into force.
- (2) Notwithstanding such repeal, anything done or any action taken or purported to have been done or taken under the repealed Regulations, prior to such repeal, shall be valid.