

INSURANCE INFORMATION FAQS ON AUTOMOBILE CLAIMS FOR INDIA

This section covers the scope for guidance, education, consultancy services to customers, surveyors, salvage buyers, repairers, dealers and insurance companies on Auto insurance matters. It also includes the scope for detection and prevention of auto insurance/claims fraud.

1. Typical problems in underwriting and auto claims are listed below:
 - i. Whether to make a claim or NCB amount
 - ii. How to fix the valuation of vehicle for insurance purposes at the time of fresh insurance and renewal
 - iii. How to cover accessories in insurance policy
 - iv. How to report insurance claim – to whom – by what means – within what period
 - v. How to fill up proposal form and claim form
 - vi. What is the relevance of each and every question in these forms
 - vii. What are the documents required to be submitted with claims forms
 - viii. When should spot survey be done
 - ix. When is re-inspection necessary
 - x. Alternative decision between cash loss settlement vs total loss settlement
 - xi. Whether to surrender salvage or ask insurers to adjust the value with the claim amount
 - xii. How to tackle the spare part and imported parts pricing
 - xiii. Who should take the photographs of accidental vehicle, how many photos which angles and why color photos?
 - xiv. Empanelment and appointment of surveyors and problems related with that
 - xv. When should the matter be reported to police
 - xvi. How to tackle with third party property damage and 3rd party personal injury claims
 - xvii. If the claim is rejected, what options are available to the consumer
 - xviii. Provision of Ombudsman's Act
 - xix. Provisions of consumer protection act
 - xx. Grievance re-dressal machinery of IRDA
 - xxi. Appreciation problem while arriving at the claim amount
 - xxii. Treatment of issues like – parking charges, theft of accessories, salvage storage charges, claim minimization charges, survey fees, etc.
 - xxiii. Close proximity claims and investigations of the same
 - xxiv. When to claim the accident amount vis-à-vis NCB protection
 - xxv. When second hand car is sold who should take insurance
 - xxvi. Problem arising out of break in period of insurance
 - xxvii. When is NCB lost

- xxviii. Transfer of vehicle from one company to another
2. 3rd party motor claims – typical problems
 3. Legal motor claims – how to manage
 4. Claims handling costs – how to reduce
 5. Government vehicles not insured
 6. Third party claims pool
 7. Knock for knock agreement
 8. Problems relating to the claims of painting vehicles/parts
 9. Fiber-glass, aluminum, glass works, rubber parts – typical disputes
 10. Drunken driving problems
 11. High risk, high impact vehicles like formula 1, sports cars
 12. Company owned vehicles in a fleet
 13. Overloading of commercial vehicles
 14. Fraudulent claims of toppling of tankers (oil tankers)
 15. Negligence in accidents
 16. Hypothecation clause for financials
 17. Typical problems with flood claims
 18. Problems related to claims due to other catastrophic cases – earthquakes, bombs, cyclones, storms, etc.
 19. Changes not recorded in the policy affecting claims – addressing claims, commercial use to personal use, etc.
 20. Circumstances for considering compromise and out of court settlement
 21. Types of license and permits – permit related problems
 22. Theft cases
 23. Rackets between connivance of police, RTOs and insurers
 24. Rackets between surveyors, claim officers and insurers
 25. Salvage disposal – syndicates or buyers

1. What are the various types of vehicles to be insured?
 - The vehicles may be private cars, office cars, commercial vehicles like Goods carrying trucks or passenger carrying buses, special purpose vehicles like fire brigade, ambulances and agricultural sector and lastly – special sports vehicles. In addition there could be 3 wheelers (tempos), scooters and two wheelers like motor cycles.
2. How corporates can insure fleet of vehicles?
 - The corporates normally have many vehicles in a fleet running into hundreds or thousands of vehicles. These are insured in a group with the insurance company for a year and are renewed regularly. They attract a heavy discount for numbers.
3. What are the various types of discounts available?
 - There are many discounts available for favorable features which reduce the risk. These include no claim bonus, voluntary exit, embedded devices, types of use, membership of Automobile Association and for use of airbags and anti-theft devices.
4. What are the types of extras charged while working on the premium?
 - Extras are charged for features/sectors which increase the risk of the insurance company. The factors are – high claim ratio, bad moral hazard, special purpose vehicles and area of use of vehicles.
5. What numbers and names of Indian Insurance Companies who can give motor insurance coverage?
 - In all there are about 28 non- life insurance companies operating in India today. Almost all of them are issuing motor policies. Their premium rates are different.
6. What about documentation – motor policy, certificate of insurance, temporary cover notes, various types of endorsements, clauses and policy conditions
 - Motor policy is a legal document. It has to be duly stamped and signed. Motor certificate is issued as a proof of insurance coverage. Temporary cover notes are issued for a period of 15 days (max twice). In case motor policy cannot be issued immediately for administrative reasons. There are 3 types of endorsements - extra, refund and nil. Depending on changes in premium. Clauses and policy conditions are legal part of insurance contract.
7. What is renewal notice
 - It is a written reminder by insurance companies for renewal of policy which is getting expired. It is not a statutory requirement but it helps in retention of business and as a service parameter.
8. Through which mode can premium be paid
 - Normally by check, or cash. It is also a practice to pay premium online.
9. How the policy can be cancelled - By whom when

- As per policy conditions, the policy can be cancelled by either of the parties by giving 15 days legal notice.
10. What are the ways of issuing motor policies
- Policies can be issued in the office through computers or it is also a practice to give online policies these days.
11. What are the insurance intermediaries through whom the motor policies can be taken
- Normally policies are issued through agents, brokers, bank assurance arrangements. In addition to these three intermediaries policies can be issued online or through direct code of the company.
12. Can customers directly purchase policy/how
- Yes. He can purchase policy online in which case commission amount will be deducted from the premium charged. Hence it is cheaper.
13. Who are the valuation agencies available in India
- Normally valuation is revised at the time of renewal. The help of a qualified surveyor or automobile engineer is taken. It is the duty of the insurance company to make this aspect clear to the insured.
14. What is third party liability
- If there is an accident involving collision from third party vehicles and the driver of that vehicle is negligent then the third party liability arises. This can be of two types: TPPI and TPPD (for personal injuries and property damage)
15. What is extended warranty policy
- This policy is issued to cover the manufacturer's warranty beyond the period of warranty given initially. It is extended by insurance companies by agreeing to pay the claim in the extended period. Additional premium is charged for this.
16. What is act only/own damage/ comprehensive policy
- Act only policy is for covering the minimum legal liability. Own damage policy is for covering damages to the vehicle. The comprehensive policy combines own damage and TP liability covers.
17. What are the various underwriting and rating factors in motor insurance
- These include IDV, embedded devices, no claims, model hazard, membership of Automobile Association, and special purposes of use, anti-theft fittings, and capacity of vehicle and drivers skill.
18. What is co-insurance and re-insurance
- In coinsurance the risk is shared between multiple insurance companies. The sharing is for premium and claims. The same vehicle under the same policy is insured combinedly

by these companies. Re-insurance however means that the first insurance company will insure a part of the risk with the re-insurance company but re insurance is not common in motor insurance.

19. Does it apply in motor policies

- Co-insurance is common but re insurance is not common.

20. Can passengers be covered under motor policy

- Yes. Up to capacity of vehicle. Additional premium is charged. The passengers can be either named or unnamed and fair paying or non-fair paying.

21. What is hypothecation clause

- This is applied wherever loans are given by banks or financiers. This clause protects the interest of bankers and financiers in case of claim.

22. What are the extra perils/catastrophic perils that can be covered

- These include terrorism, flood, cyclone, earthquakes, etc. by payment of additional premium.

23. What are the typical exclusions under motor policy

- These are mentioned in the policy which includes geographical limits, limitations as to use, illegal purposes beyond policy period. No documents, no claim intimation non-cooperation by insured, etc.

24. How does “Payd” (Pay as you drive) function? What about India?

- PAYD means – pay as you drive. This is not practiced in India. Abroad discounts are given by fitting the embedded devices to record movements of vehicles, recording road conditions, speed, distance covered, etc.

25. When should matter be reported to police

- Whenever the accident involves third party vehicles having negligence of their driver, or there are deaths or injuries or a hit and run case is involved. FIR needs to be lodged with the nearest police station.

26. What is “MACT” Motor Accident Claims Tribunal?

- It is a special court established for speedy settlement of motor, 3rd party claims.

27. How does it operate?

- These cases are lodged with these MACTs in various states. Evidence is produced by the claimant and insurance companies are allowed to their defense. Then the compensation is awarded by MACT courts depending on merit of each of the cases and factors like negligence, age, career details, life expectancy, etc. . . . Structured compensation is being considered.

28. When should hospitals be approached?

- In case of injuries, serious cases and emergencies the patients are rushed through ambulances to hospitals.

29. How to lodge FIR?

- FIR is lodged in the nearest police station for involvement of third party vehicles and hit and run cases. The final investigation report is also received from the same police station.

30. What is Lok Adalat; Why is it a success

- It is a method of settling cases where both the parties first discuss informally and then come with a compromised proposal before the lok adalat who finally agrees for settlements of compensation as agreed upon. These sessions are held periodically and it saves time and money through simple procedure for one and all.

31. In case of overloading how do insurers deal with claim

- This is a breach of warranty. So the claim is reduced by a certain percentage and extra premium is charged for multiple years as penalty. This occurs usually in goods carrying vehicles.

32. What about drunken driving – is the claim payable

- The driver is not allowed to drive a vehicle when he is under the influence of liquor. Normally the insurance companies repudiates the own damaged liabilities but various courts have held that third party compensation has to be paid.

33. What are out of court settlements

- Out of court settlements arise when both the parties meet outside the court and decide to negotiate and compensate the damages to be paid. In case they agree they may withdraw the court case.

34. When is it called a compromised claim

- In this case both the parties approach the court and submit a common proposal for compromise in the case. The court will have to agree to this before the case is finalized.

35. What about issuance/availability of the multiyear vehicle insurance policy

- Only in the case of two wheeler vehicles recently New India Assurance Company had agreed to issue a policy of three years. In all other cases vehicles are covered only under 1 year policy.

36. What is the limit for third party compensation in India in Motor accidents

- The limit for third party liability in India is unlimited. This is not the case in other countries. Therefore insurance companies in India have to provide large amounts for this purpose.

37. What is called a super dari vehicle

- Whenever a vehicle which has been stolen is recovered by police authorities they have to keep it in their custody and inform the court. This is known as a super dari vehicle.

Nobody can use it during this period. If the theft claim has already been settled, then with court orders insurance company may dispose off the vehicle under subrogation clause.

38. For theft claims what is the special procedure

- All theft cases of vehicles will have to be reported to the police by filing FIR.

39. If only accessories of scooter/cars are stolen is the claim payable

- In case of a scooter, accessories are payable only if scooter is also stolen at the same time. However, in case of car even the theft of accessories alone is covered.

40. What is known as a disposal part

- A disposal part is one which is an old part having been used for the same period and can be used in replacement cases for old parts but this practice is not very common.

41. What are warranties

- Warranties are stipulations as a part of the contract. These indicate what conditions the insured should abide by.

42. What are riders

- These are mechanisms to provide variety in covers by paying additional premium.

43. Are drivers/coolies/mechanics coverable under motor policy

- Yes. They can be covered subject to payment of additional premium but to a limited number.

44. What is self-survey; What is IRDA limit for this

- Self-survey is done by insurance companies' own employees who are well trained in survey work. At the moment IRDA has put a limit of Rs. 20,000 only up to which motor OD claims can be assessed by in-house surveyors.

45. Can a repudiated claim be reconsidered

- Yes. It can be done once at the request of the insured in writing. At such a review, an officer one step senior to the officer who repudiated the claim can review it.

46. Can you make a claim after 3 years

- No. The limitation period will apply.

47. Can you get a claim if there is delay in intimation

- Technically, no. But practically yes. Up to reasonable period with the concurrence of the company if insured gives convincing reasons for delay in intimation.

48. What types of frauds can occur in motor claims

- Overall there are two categories, 1) absolutely in genuine claim which means without accident damage is claimed, 2) where the claim amount is too much inflated.

49. Is revised valuation of old vehicles a must for renewal

- Yes. But it should be done by experienced and senior surveyors and automobile engineers. The insurance company should advise the insured accordingly.

50. What is the value payable for total loss claim

- IDV – or market value whichever is less (minus) salvage.

51. What are the geographical limits for coverage of vehicles under the policy

- As per IRDA guidelines, only the vehicles lying in India can be covered for insurance by Indian insurance companies.

52. What are the limitations as to use in the policy

- The practices differ, but depending on the type of vehicle and policy the usage is mentioned in the terms of the policy clearly. For example, it could be for personal use, office use, commercial use, or racing purposes in sports events.

53. If insured does not take care/guard/look after safety of salvage or damaged vehicles is enhanced is claim payable

- It is a warranty that he must look after the safety of salvage. In practice, if he violates this condition some amount is appropriately deducted from the assessed claim amount.

54. Are proposal forms/claim forms same for all the insurance companies

- No. but the principles and purposes of the questions framed in this forms for all the companies are the same.

55. Are drivers names to be specified in the proposal form

- If it is possible. In some cases the drivers names are given when available.

56. Can government owned vehicles be insured

- It is the practice in India that government properties including automobiles are not insured. However, if government changes its rules, the insurance companies will have no objection to do this.

57. What are special purpose vehicles

- These will include fire brigade vans, ambulances, formula one, sports cars, police vehicles like jeeps and vans and military vehicles.

58. Can they be insured

- Yes. These are insured at special rates of premium because the risk increases.

59. IF license is expired can company repudiate a claim for theft/OD all stationary vehicles

- No. these claims are to be paid because the vehicle was not operating and therefore driver's license is immaterial in these circumstances.

60. If there is no fitness certificate or permit can claim be paid

- These documents are required in case of commercial vehicles. For other vehicles a claim can be paid (maybe partially) in such cases.

61. If you have applied dark colored film on window glasses is claim payable

- This is a violation of RTO guidelines. Moreover it results into poor visibility and illegal use. Therefore, such claims cannot be entertained.

62. Are damages like scratching, denting and bending payable

- Partial losses always cause disputes but comprehensive policy does cover this type of damages but not full replacements of bodies.

63. What is product recall liability policy applicable to motor parts

- This is in great demand. It is not easily available in India as on date. This is claimed to be insured if the vehicle has some manufacturing defect in important auto parts like in engines.

64. Is it available in India

- It is not available in India easily though there is a great demand for it.

65. for how long an no use vehicle be covered

- It will depend on circumstances of individual cases.

66. Is fire damage/burnt vehicle given a claim under the policy

- Yes, fire is a covered peril under motor policy.

67. Can a second surveyor be allowed in case of claim disputes

- Earlier it was allowed but now IRDA doesn't want this practice to continue.

68. Can a copy of survey report be officially given to the customer
- Practices differ. However, insurance company can give a letter to the insured stating the extracts of the relevant portion of the survey report. Alternatively the survey report can be shown to the client.
69. Why many motor OD claims occur at the beginning of rainy season
- Because of washing of surface of the road in the first showers which brings nails and other sharp objects to the surface, causing bursting and puncture of tires and tubes of vehicles.
70. Are towing charges payable; How much
- Yes towing charges are payable as per policy conditions and the amount is specified by each company in the policy. It is different for different types of vehicles.
71. Are parking charges payable; How much
- These are never paid in claims
72. How to insure/renew when there is break in period of insurance
- In such cases the insured must bring the vehicle for inspection so that any damaged or stolen parts in the intervening period can be determined before renewal is done.
73. What services motor dealers offer for fresh insurance of new vehicles and renewal of the same.
- Normally the dealers give the offer to cover insurance free of premium to the purchaser. They issue the basic documents by getting authorization from the respective insurance companies. For this purpose, some of the dealers may have arrangements for agency, etc.
74. Do insurance companies accept 3rd party premium check
- No. It is not allowed to pay premium through third party checks. It is only allowed that the insured himself pays the premium amount through cash or his own check.
75. For a joint family owned vehicle who is the insured; Whom is claim paid to
- The insurance is taken by Karta who is head of the family. He fills up the proposal form and gets the claim check.
76. What is no depreciation clause policy, Is extra premium charged, What is the advantage
- This is a new type of cover in India wherein, the insurance company agrees that they will not deduct depreciation amount from claim amount. Therefore they charge extra premium for this policy. The advantage is that the customer gets full amount of claim.

77. What about claims of fiber glass body vehicles, how are they settled.

- These claims run into difficulties because the insured wants full replacement of the fiber-glass body which is not allowed. Since the partial claims cannot be subjected to strict indemnity of the body, the problem is faced while settling such claims so some of the insurers do not like this risk.

78. Is damage due to fog/ terrorism/ riots/ catastrophic perils covered

- Damage due to accident in poor visibility conditions or fog is payable. As far as claims arising out of the other 3 perils mentioned are concerned the same are payable if the insured has paid an extra premium of these perils in the policy.

79. For transit vehicles what are the special features of insurance

- The vehicles must be safely and securely stacked inside the big vehicle which carries it. The packaging and support must be sound to avoid damages during transit. Extra premium and special warranties are designed for this list.

80. How are sports vehicles covered

- These are special purpose vehicles like formula one where racing takes place. Here the risk of skidding is heavy due to sharp turns and extra speed. Premium is bound to be too high.

81. Will fittings like air bags/ anti-theft devices reduce premium

- Yes. Because these fittings reduce the claim ratio and chances of accidents.

82. Will membership of recognized automobile association reduce premium

- Yes. This is because these associations provide for special services like towing of vehicles, premium discounts, free seminars and a few other advantages to the members. All this helps insurance companies indirectly.

83. Will insurance companies give alternate car for use of insured till damaged vehicle after accident is repaired, for how long?

- Practices differ in this regard from insurer to insurer in India. Some companies charge extra premium and give these facilities for a specified number of days for the convenience of the insured when the vehicle is given for repairs.

84. What is arbitration clause when is it applied

- This clause is applicable in case of disputed claims for amount of payment. Whereas the liability is established under the policy and arbitrator is appointed. To sort out the

differences between insurer and insured and efforts are made to arrive at a claim amount which is acceptable to both the parties.

85. Should reasons for repudiation of claim be given by the insurance company

- Yes this chance is given once only. The claim is reviewed at the request of the insured by the insurance company. The officer who is senior to the repudiating authority will review the claim.

86. How to fix the valuation of vehicle for insurance purposes at the time of fresh insurance and renewal.

- IDV is the choice of the insured. He can choose a value which is in line with the market trends, consider the age of vehicle, the premium aspect and may even consult the insurance company or a reputed surveyor. The process is the same at every renewal of the policy. This is important because it has bearing on premium as well as claim. Many customers are not aware of these aspects.

87. How to cover accessories in insurance policies of various types of vehicles.

- It is necessary to show the individual values of accessories and extra fittings like fans, radios and similar items inside the car. This is required to help in underwriting as well as claims.

88. How to report insurance claim/to whom/by what means/ within what period

- The insurance claim has to be reported within 24 hours by phone, email, letter, personal visit (any of these) to the nearest office/call center/claims dept./ any of these. In addition, there are toll free numbers available also. In any case, the claim intimation cannot be delayed beyond 7 days because claim can be technically rejected for delay.

89. What is the relevance of each and every question in proposal form and claim form?

- Proposal form is a legal basis of contract of insurance. It has to be filled up and signed by insured. All questions are to be replied in full and with facts and figures. Any mistake or false information may lead to breach of utmost good faith, resulting into the possibility of repudiation of liability by the insurance company. The proposal form contains important information regarding the insured, the vehicle, the type of cover required, past claims history, physical hazard, etc. it has bearing on acceptance and rating of risk by the company.

Similarly, the claim form is also an important form to be filled up fully and correctly and signed by the insured. It forms the basis of settlement of the claim. It is issued by the insurance company when the claim is intimated by the insured. Along with claim form, certain documents are also to be submitted to the company in support thereof. A detailed description of the accident has to be mentioned.

