



Vehicle Insurance in India

 [drishtias.com/printpdf/vehicle-insurance-in-india](https://www.drishtias.com/printpdf/vehicle-insurance-in-india)

Why in News

Recently, the **Insurance Information Bureau of India** released its annual report (**Motor Annual Report 2018-19**).

Insurance Information Bureau (IIB) was promoted by **Insurance Regulatory Development Authority of India (IRDAI)** as a single platform to meet the needs of the insurance industry, in 2009.

Key Points

- **Key Findings:**
 - **Uninsured Vehicles:**
 - Nearly **57% of the total vehicles on the road were uninsured** as of March 2019, up from **54% in March 2018**.
 - The **bulk of uninsured vehicles are two-wheelers**, with the numbers being as high as 66%.
 - According to the **Motor Vehicles Act, 2019**, it is **mandatory** for all vehicles to be insured with **third-party vehicle insurance policy**.
 - Third-party insurance is essentially a form of liability insurance purchased by an insured (first-party) from an insurer (second party) for protection against the claims of another (third party). The first party is responsible for their damages or losses, regardless of the cause of those damages.
 - **Reasons:**

Weak enforcement by traffic police in states, lack of follow-up by insurers and **rising cost of third-party covers** has resulted in a larger number of vehicle owners not renewing their motor insurance policy.

- **Concerns:**
 - About 13.2 crore vehicles on Indian roads are plying without the mandatory third-party insurance covers. **Victims of accidents caused by these vehicles will not get adequate compensation** as there would not be any one insurance company on which the liability can be pinned. The owners, too, have limited means to provide compensation.
 - Findings from the annual report on Road Accidents in India, released by the Ministry of Road Transport and Highways in 2019:
 - **The road accidents numerics:**
 - It **kills almost 1.5 lakh people annually** in India.
 - The **accidents, as well as accident-related deaths** in the period 2010-2018, **dropped drastically compared with the previous decades**, despite the very high rate of growth of automobiles.
 - The road accident **severity** (the number of persons killed per 100 accidents) has **increased by 0.6% in 2018 compared to 2017**.
 - **Major Cause:**
 - **Over-speeding** is a major cause, accounting for 64.4% of the persons killed.
 - **Two-wheelers accounted for the highest share (35.2%)** in total accidents in 2018.
 - **For insurance companies**, the low level of compliance results in a **higher claims ratio as**, on several occasions, the tribunals have held the insurers liable for compensation, asking them to recover from the insured.
- **Related Global initiatives:**
 - **Brasilia Declaration on Road Safety (2015):**
 - The declaration was signed at the second Global High-Level Conference on Road Safety held in Brazil. The first conference was held in Russia (2009).
 - Through the Brasilia Declaration, countries plan to achieve the **Sustainable Development Goal 3.6** i.e. to half the number of global deaths and injuries from road traffic accidents by 2030.
 - The **United Nations** has also declared **2010-2020 as the decade of action for Road Safety**.

Way Forward

- India is **one of the largest auto markets in the world** with over 20 million vehicles sold annually. It is also among the countries with the **highest number of road accidents and fatalities**. In this scenario, it is very risky and dangerous when more than half the vehicles in the country are uninsured.

- Insurance will definitely not reduce the death and accidents however it will reduce the loss and will help in post accident recovery.
- There is a **need for complementary thrust to spread awareness and improve financial literacy, particularly the concept of insurance, and its importance.**
- Another area that necessitates regulatory scrutiny is that of **application of technology** in insurance.
- The regulator needs to **exercise vigilance** on three other aspects.
 - It must ensure that **insurance is not denied to lower-income people** who make up the bulk of the population and have the most need for protection.
 - It should insist that **insurers facilitate a simple online process** for direct buying of insurance products, bypassing intermediaries.
 - It should ensure that **players do not overcharge or add hidden costs.**

Source:IE