



Premium for Traffic Violation

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Why in News

A Working Group set up by the **Insurance Regulatory and Development Authority of India** (IRDAI) for Traffic Management has recently proposed to add “**traffic violation premium**” to the vehicle insurance policy.

Previously in **September 2019**, the IRDAI constituted the Working Group to examine the establishment of a system of Linking Motor Insurance Premium with Traffic Violations.

Key Points

- **About the Premium:**

- Vehicle owners may have to pay **insurance premium** depending on the **traffic violations involving the vehicle**.
- The working group has recommended inserting a **fifth section to motor insurance** called “**traffic violation premium**” in addition to **motor own damage insurance, basic third-party insurance, additional third party insurance and compulsory personal accident premium**.
- **Calculation of Premium:**
 - A system of calculating **traffic violation points basis frequency and severity of different traffic offences**.
 - The amount of traffic violation premium will depend upon **driving habits** which will be determined by the **number and types of challans**.
 - Traffic violation premium shall be payable by the **registered owner of the vehicle**, whether an individual or an entity.
- **Calculation of Points:**

As per the table of offences provided by the working group, drinking driving will attract the highest penalty of **100 points**, while wrong parking will have **10 points penalty**. The **amount of premium** will be **linked to these penalty points**.
- **Data Storage:**

The data of traffic challans will be stored by the **National Informatics Centre (NIC)** and shared with the **Insurance Information Bureau of India (IIB)** on a daily basis.

IIB aims to provide **information support in a Complete, Consistent, and Concise manner**, to all **stakeholders associated** either directly or indirectly with the **Insurance Sector**, including Insurers, Regulator and Government Agencies.
- **Mechanism:**
 - The **premium is on the vehicle and not on the driver**. This means when a **new vehicle is bought**, it will start with a **clean traffic violation history and its owner**, when buying motor insurance, will **not need to pay any traffic violation premium**, even if he has a past traffic violation history, either as a driver of a vehicle owned by another person or his own vehicle of similar or a different category.
 - **However**, if a person **renews motor insurance**, s/he will be **assessed for her/his traffic violation points and traffic violation premium** s/he needs to pay.
 - In case of **transfer of insurance** of a vehicle after sale, the traffic violation premium **would start from ground zero** from the date of vehicle ownership transfer and build depending upon the traffic violations caused by vehicle after ownership transfer.

- **Use of technology:**

Insurance Information Bureau of India (IIB) will coordinate with **various States Traffic Police and National Informatics Centre** to capture the **traffic violation data**, calculate violation points of each violating vehicle and make this information available to all general insurers through IT system integration with insurers.

- **Road Accidents in India:**

- According to the **Ministry of Road Transport, Road Accidents Report issued in 2018**, India witnessed **4.67 lakh road accidents** that killed **1.51 lakh citizens**.

- India ranks **first in the number of road accident deaths** across the **199 countries** reported in the **World Road Statistics, 2018** followed by China and US.

- **Other Government Measures:**

The government has already introduced heavy penalties on different types of traffic violations in the amended **Motor Vehicles Act 2019**. In addition, the Government of India is also focusing on **Intelligent Traffic Management System** in the Metropolitan and smart cities.

Source:IE