

Linking motor insurance premium with traffic violations

March 8, 2021

In News

- The Insurance Regulatory and Development Authority of India (IRDAI) released the Report of the Working Group to examine and recommend linking of motor insurance premium with traffic violation for public feedback.
- The Group was constituted in September 2019.

Key recommendations of the Group include:

- **Traffic violation premium**
 - The Group recommended that insurers add traffic violation premium to motor insurance. When a new vehicle is insured, it will attract no traffic violation premium, even if the owner of the vehicle has a history of traffic violation.
 - For a second-hand vehicle, traffic violation premium will reset to zero and build according to traffic violations after the transfer of ownership.
- **Traffic violation points**
 - Traffic violation premium will be based on traffic violation points. Points will be calculated on the basis of frequency and severity of traffic offences.
 - Points range from 10 for wrong parking, to 100 for drunk driving.
 - Enhanced penalties will be levied for repeat violations.
 - For example, if a vehicle has three offences of

wrong parking, then the total violation points will be 60 (10 points for the first offence, 20 points for the second offence, and 30 points for the third offence).

- The Group also recommended the amount of premium to be charged for two and three-wheelers, and four-wheelers, for various levels of traffic violation points.
- **Length of impact**
 - Traffic violation history will affect the motor insurance premium for two years.
 - If a vehicle does not cause any violation for two years, the violation history will be reset to zero.
- **Technical infrastructure**
 - The Insurance Information Bureau of India (IIB) already collects data on insured vehicles from insurance companies.
 - The IIB will coordinate with the traffic police of various states to capture traffic violation data. IIB will then calculate violation points and share the data with the insurers.
 - It will also store the data on violation points for two years.
- **Pilot:** NCT of Delhi will link motor insurance premium with traffic violations for one year on a pilot basis.

Insurance Regulatory Development Authority (IRDA)

- Insurance Regulatory Development Authority (IRDA) is a statutory body set up by the IRDA Act, 1999.
- It is an autonomous and apex body which has the responsibility to regulate and control the Insurance sector in India.
- Initially, IRDA was set up as an autonomous body headquartered at New Delhi. The headquarters of IRDA was later shifted to Hyderabad, Telangana in 2001. The Government of India appoints the Chairman and other

members of the

- The responsibilities of IRDA includes making and implementing regulatory rules, guidelines, and classifications along with the developmental and promotional role. IRDA is expected to facilitate the economic growth of the market, protect the interests of policyholders and facilitate a healthy growth of the Insurance sector