

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1576  
ANSWERED ON:04.03.2011  
THIRD PARTY MOTOR INSURANCE  
Paranjpe Shri Anand Prakash

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Insurance Regulatory and Development Authority (IRDA) has recommended to raise in third party motor insurance premium;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the action taken by the Government on the recommendations made?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): The Insurance Regulatory and Development Authority (IRDA) has issued exposure draft on 4.1.2011 in respect of revision of third party motor premium rates. The Exposure Draft envisages an increase of 10% to 80% in the premium rates of third party motor insurance. The premium increase for private cars and two-wheelers is envisaged at 10% and for goods carriers it ranges upto 80%. The last increase in the third party premium was made in the year 2007 and it is more than three years now that there has been no increase. The insurance companies would incur a loss of approximately Rs. 2500 - 3500 Crores in the current year i.e. 2010-11 on account of this business of which a substantial portion will be borne by public sector insurance companies. If the situation was allowed to continue, there will be a severe dent on the solvency of insurance companies which could lead to both solvency and liquidity issues for these companies. The Government has also advised IRDA to effect proposed increase in premium of third-party motor insurance after taking into consideration the view-points of various stakeholders.