



INDIAN INSTITUTE OF INSURANCE SURVEYORS AND LOSS ASSESSORS

(Promoted by IRDA, Govt. of India)

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Date : 05.01.2016

To all the Members of IIISLA,

NOTICE - EXPOSURE DRAFT ON UNDER MENTIONED TOPICS

In continuation of two days National Seminar which was held at Vigyan Parishad, Civil Lines, Allahabad on 22nd & 23rd Feb, 2014 on MOTOR INSURANCE CLAIM PROCEDURE. In this connection views of surveyors from all over the country along with the Insurers and other stake holders were called for on the under mentioned topics:

a. Emerging need to review TL/CTL/NET OF SALVAGE Motor claim settlement process.

b. Significance of the term “All other parts” in Motor Package Policy for the purpose of depreciation in Motor Claims

Some conclusions were drawn for adoption of the Institute. These are, before adoption, hereby put for information & comments of all the stake holders.

All stakeholders are requested to offer their comments/suggestions on the proposed guidelines for consideration of the same by the Institute.

The comments/suggestions should reach the Institute by 05th February, 2016 to the undersigned by email [“feedbackseminar.iiisla@gmail.com”](mailto:feedbackseminar.iiisla@gmail.com) or sent by post to the Admin Office at the below mentioned address

**Indian Institute of Insurance Surveyors and Loss Assessors
D.No.3-5-890, Flat No.315 , Paras Chambers, Himayatnagar
Hyderabad-500029 ,Telangana**

With Warm Regards

Ashok Kumar
President (IIISLA)



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Registered Office :-ParishramBhawan, 5-9-58/B, BasheerBagh , Hyderabad – 500004(A.P)
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Exposure Draft on under mentioned Topics / Points

Main objective of the Institute is :

“To promote research and studies in loss control and minimization techniques and measures and share the same with Insurance Industry and general public and to update its members on application of new techniques for improving service to the users and consumers.”

Duties and responsibilities of surveyor is:

- A. Advising the insurer and the insured about loss minimization, loss control security and safety measures wherever appropriate to avoid further loss.
- B. Commenting on salvage disposal wherever necessary.

In this continuation a two days National Seminar held at Vigyan Parishad auditorium, Civil Lines, Allahabad on 22nd & 23rd Feb, 2014 on MOTOR INSURANCE CLAIM PROCEDURE. In this connection views of surveyors from all over the country along with the Insurers and other stake holders were called for on the under mentioned topics:

- a. **Emerging need to review TL/CTL/NET OF SALVAGE Motor claim settlement process.**
- b. **Significance of the term “All other parts” in Motor Package Policy for the purpose of depreciation in Motor Claims.**

For discussions on the above topic IIISLA has approached/invited the under mentioned stake holders related to insurance industries/organization/companies:

- A. IRDAI
- B. General Insurance Corporation of India
- C. GIPSA
- D. G I Council. Chairman, secretary general and all members.
- E. Head offices/Regional offices of all four public sector insurance companies
- F. Head offices/Regional offices of fifteen private general insurance companies
- G. Consumer organization.
- H. Members of IRDA surveyor committee
- I. Auto dealers
- J. Judiciary
- K. Transport department
- L. Police Authorities
- M. Salvage buyers
- N. Media



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A committee was formed to hear the views of all speakers in the seminar and conclude on above subjects to express the matter as an exposure draft:

1. Mr. B S Chauhan (Chairman)
2. Mr. Ramesh Jalan (Member)
3. Mr. R Venkataraman (Member)
4. Mr. Sanajay Dasharath (Member)
5. Mr. Anil Jauhri (Member)

Apart from the Surveyors the Insurers, an officer from transport department, a senior advocate, a police officer, a salvage buyer and a representative of dealer have also deliberated their views on it. The policy holder views/greivance were expressed by Mr. Nirmal Tripathi, Surveyor & Loss Assessor on the basis of the detailed survey conducted on the matter and information gathered from the General Insured. The participants are:

1. Mr. K P Singh (Suprintendent of Police)
2. Mr. Narendra Kumar Yadav (Regional Inspector, Transport Department, Allahabad)
3. Mr. Sarvesh Kumar Jaiswal (Senior Advocate, Allahabad, Highcourt)
4. Mr. Manish Misra, GM, G P Motors, Allahabad, a Tata Motors dealers
5. Mr. Ainul Haq, Salvage buyer, Kanpur
6. Mr. V P Tripathi, Zonal Claim Head, Magma HDI GIC
7. Mr. Sabhajeet Singh, Zonal Claim Head, Universal Shompo GIC
8. Mr. Harendra Singh, Zonal Claim Head, Iffco Tokio, GIC
9. Mr. J L Ahuja, CRM, OIC RO Lucknow
10. Dr. D B Singh, Sr. D M, OIC, Allahabad
11. Mr. Anand Shukla, Sr. D M UIIC, Allahabad
12. Dr. Pawan Agarwal, Sr. D M NIA, Allahabad
13. Dr. R C Srivastava, Manager, NIC, RO, Lucknow

The following surveyors from all over the country have presented their papers .

1. Mr. T. Panneerselvan
2. Mr. H.M.Walia
3. Mr. Alind Kumar
4. Mr. Manohar S Sainani
5. Mr. Vijay Kumar Gadre
6. Mr. Sanjay Jain
7. Mr. A K Sinha
8. Mr. Raj Kumar
9. Mr. Laxman Iyer
10. Mr. Jeewan Aggarwal
11. Mr. V P Singhal



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The following members/surveyors have submitted their papers

1. Mr. S Anoop Kumar
2. Mr. Giriram Ji Ashok
3. Mr. Rajesh Papriwal, Indore

Now after going through the deliberations of all the speakers, the queries/suggestions of approxiamte three hundred participants the exposure draft on the under mentioned points have been framed for further objections and consents:

1. Policy interpretation of term 'CTL' in Motor Package Policy
2. Settlement of claim of burnt/extensively damaged vehicle in the light of Motor Vehicles Act 1988
3. Settlement of claim of vehicles though repairable but settled as 'Consturctive Total Loss' under terms and conditions of the policy
4. Reasonable estimation charges by Repairers/Dealers
5. Reasonable storage charges of vehicle wreck by Repairers/Dealers
6. Disposal of salvage
7. Classification of 'All Other Parts' mentioend in the Motor Package Policy

Policy interpretation of term 'CTL' in motor package policy

In section I of Motor Package Policy it is clearly given that "The insured vehicle shall be treated as a CTL if the aggregate cost of retrieval and/or repair of the vehicle **subject to terms and conditions of the policy**, exceeds 75% of the IDV of the vehicle" .

These terms and conditions are -

- a. One must have insurable interest in the subject matter.
- b. The loss must fall under defined perils.
- c. The loss must not be in contravention to general exceptions of the contract
- d. Assessment should be in lines with the endorsements reflecting on the face of the insurance certificate
- e. As mentioned under section I subject to a deduction for depreciation on the parts replaced at the rates mentioned in the policy

Accordingly it was concluded that the vehicle shall be treated as "Constructive Total Loss" if the aggregate cost of retrieval and/or repair of the vehicle **after deducting prescribed depreciation and without deducting the salvage value** exceed 75% of the IDV of the vehicle



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Settlement of claim of burnt/extensively damaged vehicle in the light of Motor Vehicles Act 1988

Section 55 of Motor Vehicles Act 1988 says that -

It is satisfied that the vehicle is in such a condition that it is incapable of being used or its use in a public place would constitute a danger to the public and that it is beyond reasonable repair, may cancel the registration. - - - -

In view of above provision of MV Act it was concluded that accordingly all the vehicles which are either extensively burnt or extensively damaged to the extent of beyond technically repair should be recommended for settlement of claim only after cancellation of registration certificate.

Settlement of claim of vehicles though repairable but settled as 'Constructive Total Loss' under terms and conditions of the policy

Motor Package Policy has already defined the parameters of "Constructive Total Loss". Almost all vehicles where claims are settled under CTL are damaged to the extent that if repaired may constitute danger to the public and its occupants, thereby such repaired vehicles lost all the safety parameters incorporated by the manufacturer. Accordingly the technical committee concluded that all these vehicles should also be disposed off only after cancellation of registration certificate.

Reasonable estimation charges by Repairers/Dealers

Every manufacturer has declared the per man hour labour schedule of their vehicle. Preparing an estimate of any extensively damaged/burnt vehicle will not take over eight hours. The estimation charges of any vehicle should be only eight man hours as decided by the manufacturer of that make of vehicle.

Reasonable storage charges of vehicle wreck by Repairers/Dealers

The half of the per man hour schedule prescribed by the manufacturer should be the per day storage charges by every repairer/dealer subject to under mentioned conditions

- A. The charges should be commenced after a fortnight from the date of completion of all the formalities by the Insured/Repairer.
- B. The charges so settled should be for three months and there after the Repairer/Dealer should be entitled for full per man hour charges for a day till the wreck is lifted.
- C. During the period of storage the Repairer/Dealer should ensure no removal/interchange of components should take place.

Disposal of salvage

1. To ensure any misuse/manupulation of the salvaged vehicle it is recommended that the contents/details of the vehicle should be displayed either on the site of IIISLA or on the sites of the different concerned insurance companies.
2. The salvge should be disposed off only to the registered buyers registered in the repective taxation departments of different states
3. If disposal of salvage is to be executed by any surveyor, it should be considered as separate assignment and in that case 5% of the value of wreck recovered should be passed on to the surveyor.

Classification of `All Other Parts` mentiodn in the motor package policy

Section I of Motor Package policy:

The following rates of depreciation shall apply for **replacement of parts for partial loss claims** in respect of all categories of vehicles / accessories.

1. Rate of depreciation for all rubber nylon/ plastic parts, tyres and tubes, batteries and air bags - 50%
2. Rate of depreciation for all fiber glass components - 30%
3. Rate of depreciation for all parts made of glass - Nil
4. Rate of depreciation for **all other parts** including wooden parts is to be as per the schedule given in the policy
5. Rate of depreciation for painting: In the case of painting, the depreciation rate of 50% shall be applied only on the material cost of total painting charges, the material component shall be considered as 25% of total painting charges for the purpose of applying depreciation. This depreciation is applicable w.e.f. 01-02-2013 .

During deliberations in the seminar and after discussions it was concluded that all those parts which neither come under the category of rubber, nor fiber or glass, shall be treated under “All Other Parts” as per Motor Tariff has not provided any specific percentage in respect of composite parts.

Accordingly all components of mixed constituents like radiator with plastic tanks and metallic core, motorized head lights, rear view mirror, sensors, ECM, fan shrouds consisting of motor and fan blades, even engine foundations comes under category of all other parts without any discrimination. Even the laminated glass now being mounted in the vehicles should also come under all other parts.