

“11th Capacity Building Seminar in General Insurance (11th CBGI)”

Insurance Institute of India, BKC, Mumbai

19th December 2024

Emerging Trends in Motor Third Party Portfolio

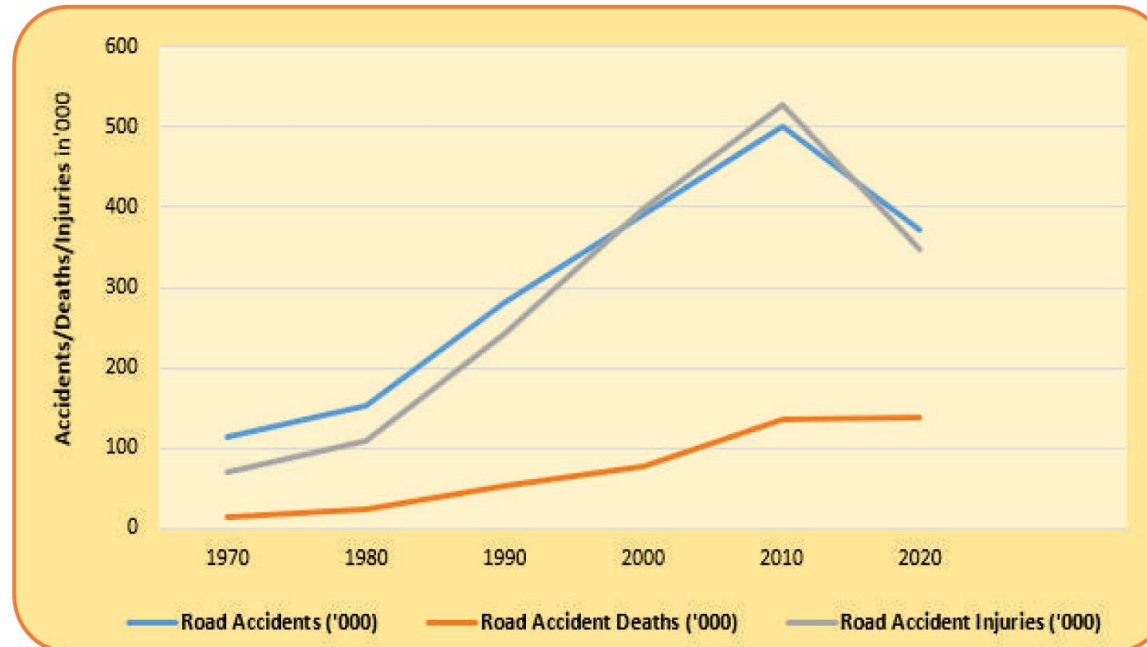
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> Accidental Death Trends - MoRTH

Chart 1.6: Decadal Trend in the number of Road Accidents, Deaths and Injuries: 1970-2020



From 2010 to 2020, while we don't see much movement in number of deaths, we observe an **overall drop** in number of road accidents and injuries due to road accidents.

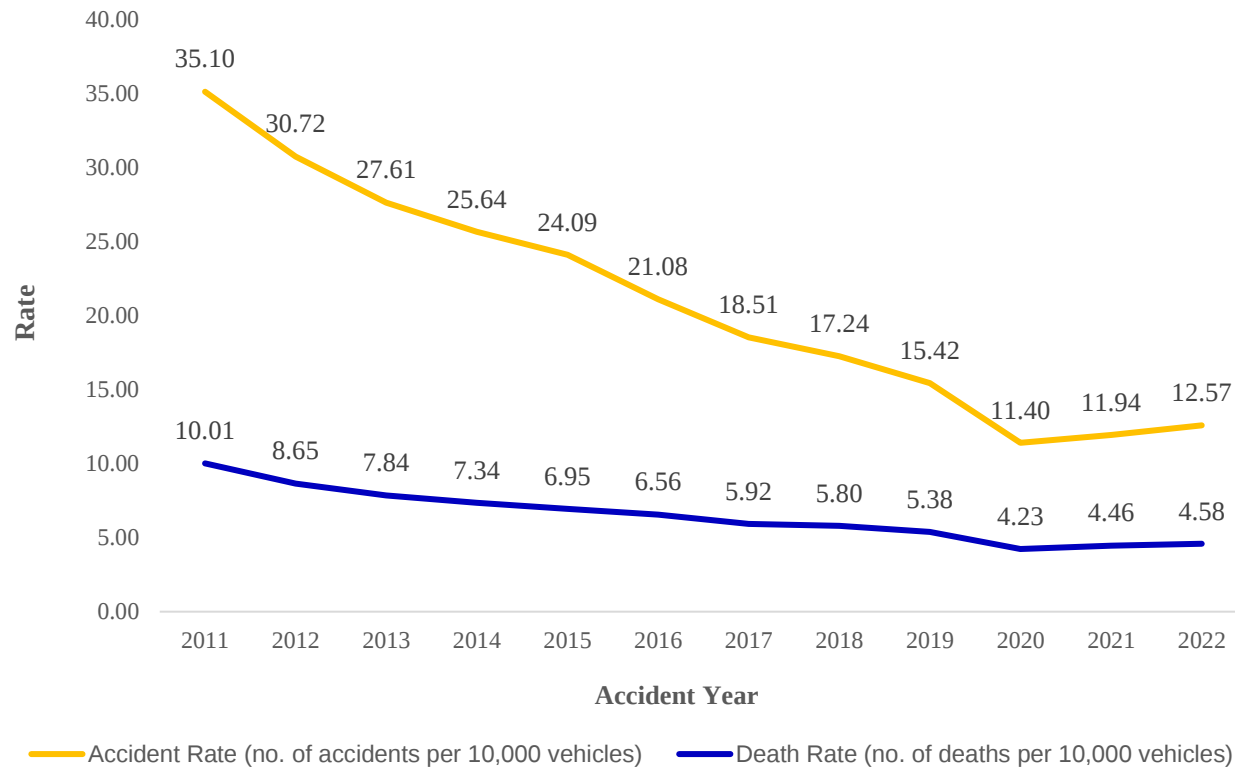
Note: In 2020, reduction in Road Accidents, death and injuries have been recorded, which is due to restriction imposed on movement of vehicle across the country on account of COVID pandemic

Decadal trends in the number of Road Accidents, Deaths and Injuries

Source: MoRTH 2022 Report

> Shift in Frequency Trends after 2020

Road Accident Rate and Death Rate - AY wise

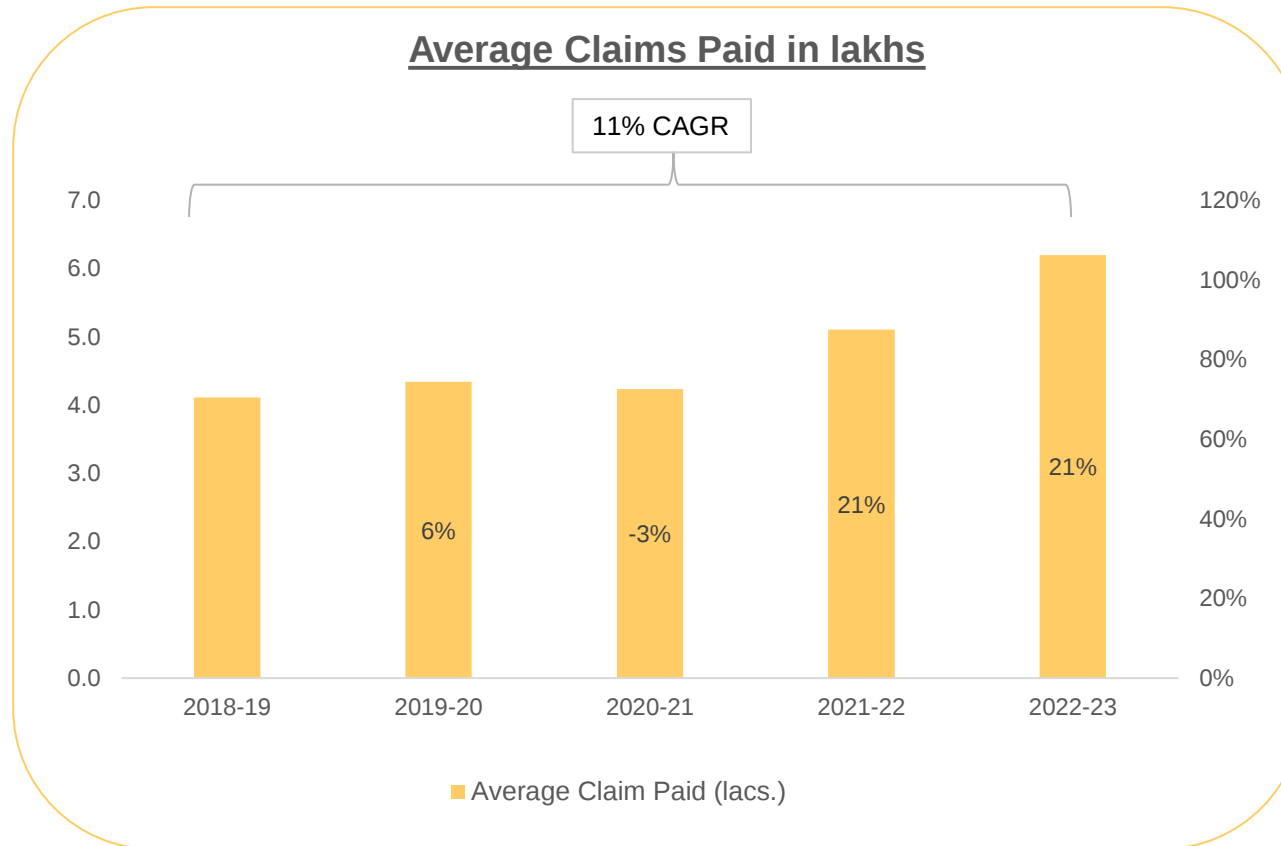


Source: MoRTH 2022 Report

While the accident and death rates were falling till 2020, in the last 2 years, we have seen an increase in Death rate as well as overall accident rates.

According to MoRTH, Death rate has decreased by only 15% in the last 4 calendar years with trends changing and frequency is expected to either remain stable or increase in future.

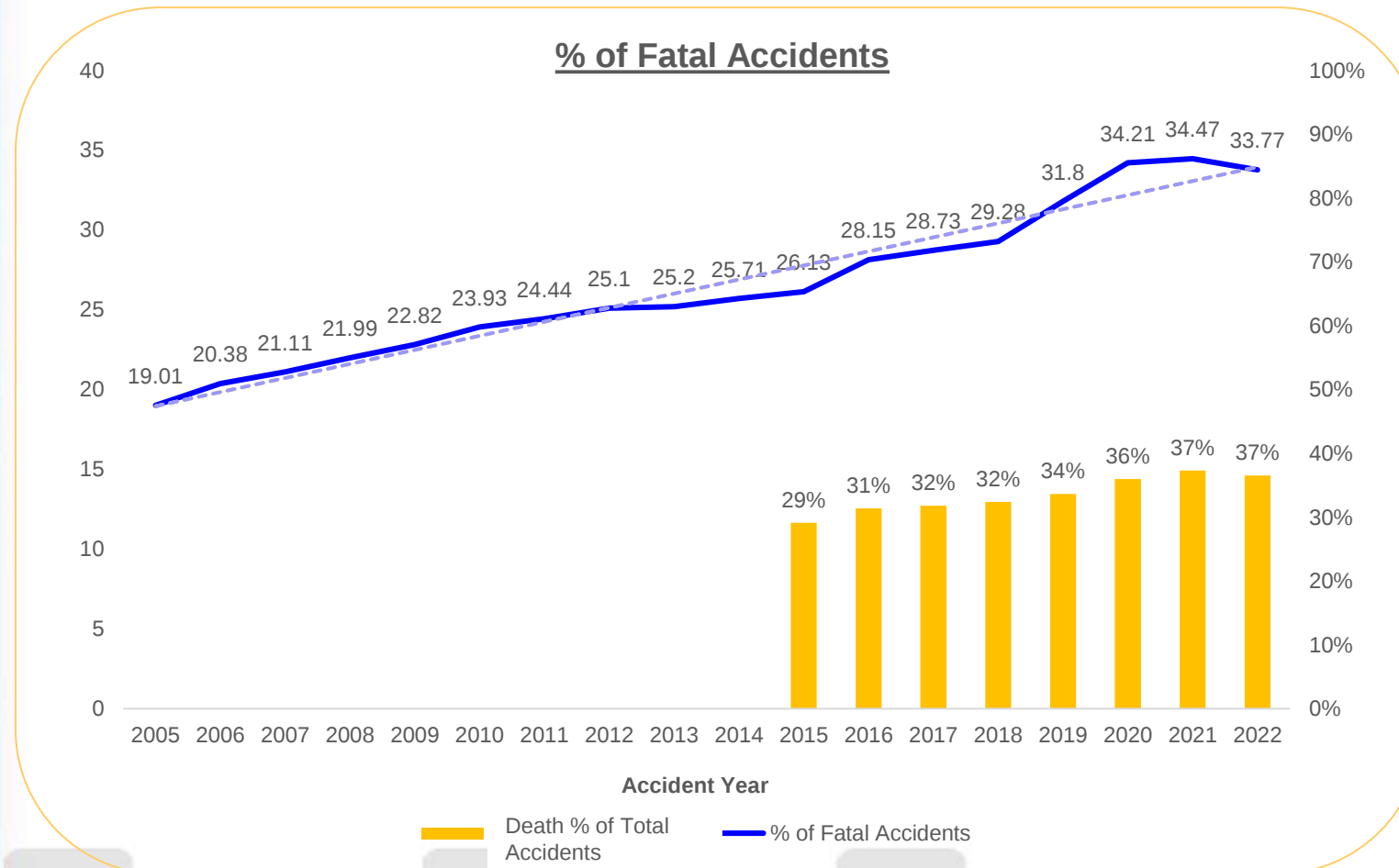
> Severity Increase



From 2019-20, Severity has been increasing by an average of 11%, and a **CAGR of 11%**. So cumulative increase since 2019-20 has been **around 70% till 2024-25**.

Source: GI Council Yearbook, 2023

> Future Severity Outlook



Going Forward Severity will increase further due to % of death increasing. This will lead to an even higher inflation in future

Source: MoRTH 2022 Report

> **Future Severity Outlook- Higher Claim Inflation**

- With Centre increasing minimum wage for unorganized sectors, severity is going to further increase in future due to higher death severity
- Cost of Medical Treatment has increased as well leading to higher injury inflation
- Various landmark rulings of courts over the years have led to increase in TP inflation. This includes Pranay Sethi judgement(future prospect on fixed income group), Satinder Kaur(Inclusion of parental consortium along with the existing spousal consortium) and Kirti (future prospect extended to notional income group)
- Th Injury compensation increased significantly over last few years

> Premium Rate (GCV and Private Car)

LOB	Details	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Annualised Growth
Private Car Old	Not exceeding 1000CC	2,072	2,072	2,072	2,094	2,094	2,094	0.2%
Private Car Old	Exceeding 1000cc but not exceeding 1500CC	3,221	3,221	3,221	3,416	3,416	3,416	1.2%
Private Car Old	Exceeding 1500CC	7,890	7,890	7,890	7,897	7,897	7,897	0.0%
Private Car New 3 Year	Not exceeding 1000CC	5,286	5,286	5,286	6,521	6,521	6,521	4.3%
Private Car New 3 Year	Exceeding 1000cc but not exceeding 1500CC	9,534	9,534	9,534	10,640	10,640	10,640	2.2%
Private Car New 3 Year	Exceeding 1500CC	24,305	24,305	24,305	24,596	24,596	24,596	0.2%
GCV Public- Other than 3W	Not exceeding 7500 Kg	15,746	15,746	15,746	16,049	16,049	16,049	0.4%
GCV Public- Other than 3W	Exceeding 7500 Kgs but not exceeding 12000 Kgs	26,935	26,935	26,935	27,186	27,186	27,186	0.2%
GCV Public- Other than 3W	Exceeding 12000 Kgs but not exceeding 20000 Kgs	33,418	33,418	33,418	35,313	35,313	35,313	1.1%
GCV Public- Other than 3W	Exceeding 20000 Kgs but not exceeding 40000 Kgs	43,037	43,037	43,037	43,950	43,950	43,950	0.4%
GCV Public- Other than 3W	Exceeding 40000 Kgs	41,561	41,561	41,561	44,242	44,242	44,242	1.3%

LOB	Details	Industry Proportion
Private Car	Not exceeding 1000CC	15%
Private Car	Exceeding 1000cc but not exceeding 1500CC	55%
Private Car	Exceeding 1500CC	30%

LOB	Details	Industry Proportion
GCV	Not exceeding 7500 Kg	32%
GCV	Exceeding 7500 Kgs but not exceeding 12000 Kgs	7%
GCV	Exceeding 12000 Kgs but not exceeding 20000 Kgs	17%
GCV	Exceeding 20000 Kgs but not exceeding 40000 Kgs	30%
GCV	Exceeding 40000 Kgs	14%

Over the last 6 years, there has been 1 rate hike leading to minimal annualized rate growth of ticket size in Private Car. In GCV, premium growth has been less than 1% for all tonnages

> Premium Rate (Two Wheeler and Tractor)

LOB	Details	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Annualised Growth
Two Wheeler Old	Not exceeding 75 cc	482	482	482	538	538	538	2.2%
Two Wheeler Old	Exceeding 75 cc but not exceeding 150 cc	752	752	752	714	714	714	-1.0%
Two Wheeler Old	Exceeding 150 cc but not exceeding 350 cc	1,193	1,193	1,193	1,366	1,366	1,366	2.7%
Two Wheeler Old	Exceeding 350 cc	2,323	2,323	2,323	2,804	2,804	2,804	3.8%
Two Wheeler New 5 Year	Not exceeding 75 cc	1,045	1,045	1,045	2,901	2,901	2,901	22.7%
Two Wheeler New 5 Year	Exceeding 75 cc but not exceeding 150 cc	3,285	3,285	3,285	3,851	3,851	3,851	3.2%
Two Wheeler New 5 Year	Exceeding 150 cc but not exceeding 350 cc	5,453	5,453	5,453	7,365	7,365	7,365	6.2%
Two Wheeler New 5 Year	Exceeding 350 cc	13,034	13,034	13,034	15,117	15,117	15,117	3.0%
Agricultural Tractors	upto 6 HP	857	857	857	910	910	910	1.2%

LOB	Details	Industry Proportion
Two Wheeler	Not exceeding 75 cc	1%
Two Wheeler	Exceeding 75 cc but not exceeding 150 cc	83%
Two Wheeler	Exceeding 150 cc but not exceeding 350 cc	15%
Two Wheeler	Exceeding 350 cc	1%

Around 90% of the Two Wheelers insured Industry wise is in the range of 75-150CC and in this segment, the rate increase has been minimal over the last 6 years. Tractor has seen an annualized increase of only 1% over the 6 years

> Industry Reserving Loss Ratio

Company	Ultimate Loss Ratio	
	Mar-23	Mar-24
1	97%	99%
2	88%	96%
3	81%	84%
4	85%	93%
5	97%	103%
6	81%	79%
7	81%	77%
8	92%	92%
9	83%	84%
10	91%	91%
11	79%	79%
12	89%	85%
13	92%	105%
14	110%	112%
15	78%	82%
16	79%	82%
17	114%	113%
18	81%	78%
19	118%	145%
20	76%	77%
21	107%	130%
22	83%	79%
Overall	88%	90%

The Industry loss ratio for AY 2023-24 does not reflect the change in frequency trend and still accounts for reduction in frequency.

Are we recognizing the emerging trends? Surprisingly, many assumed decrease in frequency.

Industry Reserving ULR stands at 90% for AY 23-24.

Assuming that is well reserved and with no TP rate hike in AY 2024-25, change in frequency trends and stable increase in severity, the ULR for AY 2024-25 is expected to increase

> **Future Expected Loss Ratio**

- Expense + Commissions are paid at 20% average across the Industry.
Therefore 2023-24 is going to be around 110% for the Industry.
- With Frequency stable and Severity Increasing due to various factors, the overall LR of the Industry is going to increase by ~ 10% year on year.
- This will lead to following LR:
AY 2024-25 ~ 99%
UY 2024-25 ~ 104%

Thank You!

