

Seminar Name: 8th CIGI

Venue : Mumbai

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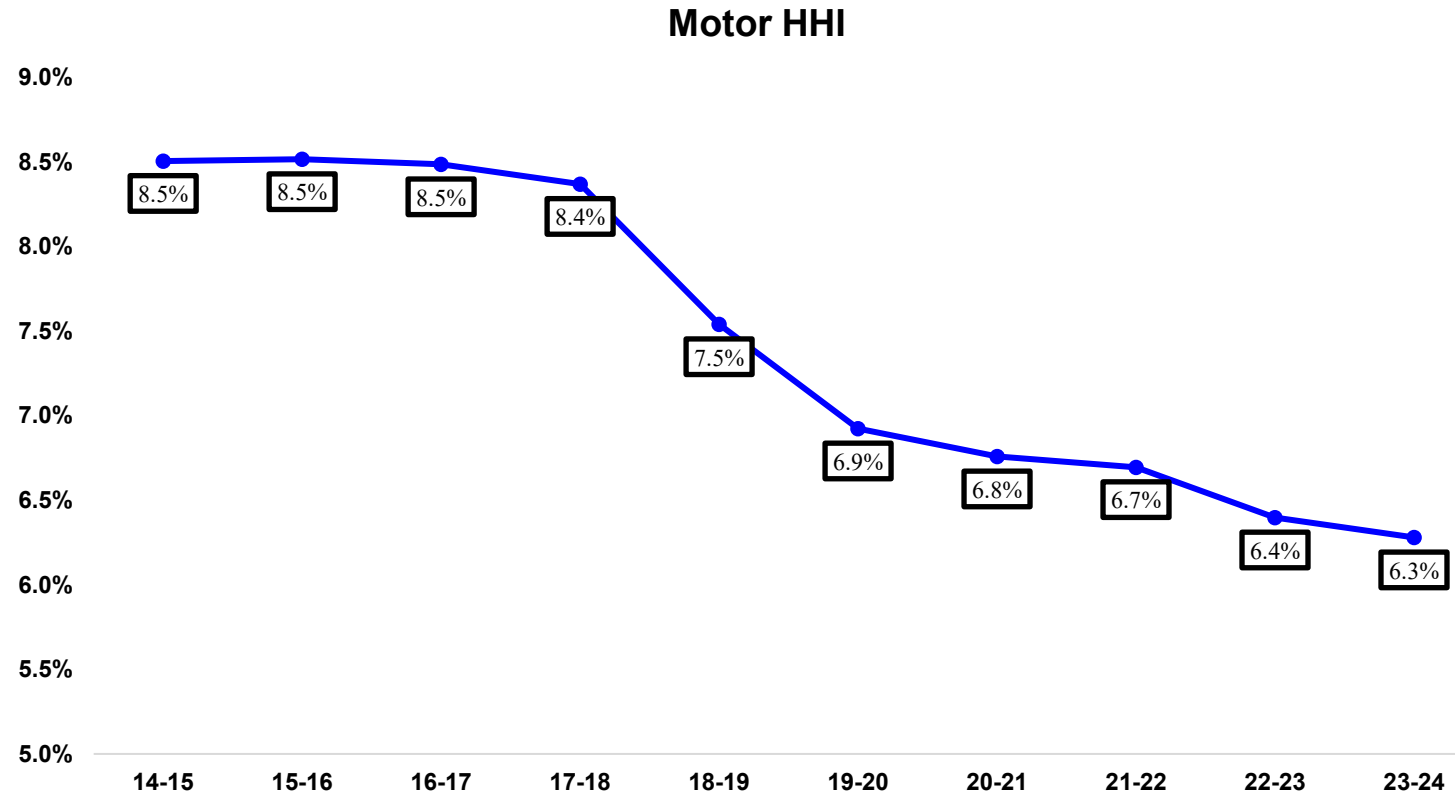
Motor Insurance Changing dynamics

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Designation: Valueattics Reinsurance, AA (Non-life)

Motor Insurance Competition Intensity



HHI refers to the Herfindahl–Hirschman Index. Formula: Sum of Squares of Market Share (Over Time)

Source: Based on the GDP figures reported in IRDAI Handbook (2023-24) Table 41

Consolidation in Distribution

Motor Premium Sourcing Mix

Year	Brokers	Corporate Agents – Banks	Corporate Agents - Others	Direct Business	Individual Agents	Others	Grand Total
2014-15	23%	4%	6%	20%	47%	0%	100%
2015-16	24%	3%	7%	16%	49%	0%	100%
2016-17	27%	4%	11%	13%	45%	0%	100%
2017-18	26%	3%	11%	8%	46%	6%	100%
2018-19	31%	4%	9%	6%	42%	9%	100%
2019-20	31%	3%	7%	7%	40%	11%	100%
2020-21	35%	3%	7%	6%	39%	10%	100%
2021-22	44%	3%	6%	6%	35%	7%	100%
2022-23	45%	2%	5%	5%	31%	10%	100%
2023-24	47%	2%	6%	4%	31%	11%	100%
Grand Total	35%	3%	7%	8%	39%	7%	100%

Source: Based on the GDP figures reported in IRDAI Handbook (2023-24) Table 103

Consolidation in Distribution

Key Takeaways

- POSP, MISP, Web aggregators
- Increased price transparency, pricing volatility, diminishing pricing power
- Common digital journey, limited power to segment risk
- Convergence in pricing and UW, broker influence in pricing is increasing
- Difficulty in letting go business
- Winner's curse [[GIRO](https://actuaries.org.uk/media/rcgjimtj/winnerscurse-mainreport.pdf)]

GIRO: <https://actuaries.org.uk/media/rcgjimtj/winnerscurse-mainreport.pdf> , accessed on 15 Sep 2025

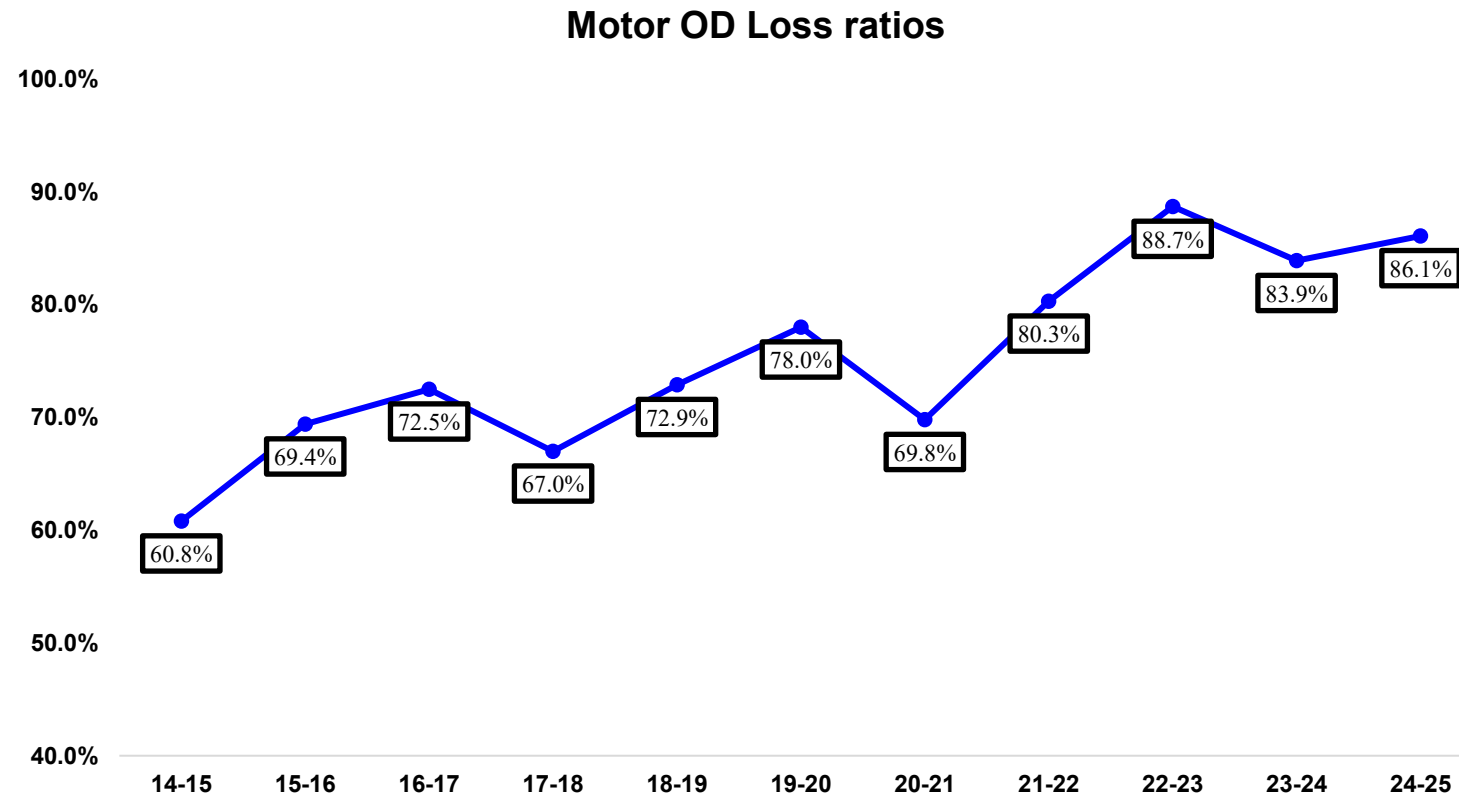
Expenses vs GDP Growth

General Insurers	Motor GDP (in Crs.)			Whole Account Expense and Commission over Net Premium [^]		
	2023-24	2024-25	Growth %	2023-24	2024-25	Delta (Absolute)
GI TOTAL	91,781	99,066	8%	29%	29%	0%
A	9,634	10,740	11%	33%	32%	0%
B	9,518	10,494	10%	24%	20%	-3%
C	7,437	9,085	22%	38%	42%	4%
D	7,047	8,124	15%	29%	29%	0%
E	5,848	6,340	8%	26%	28%	2%
F	5,471	5,864	7%	38%	37%	-2%
G	4,964	5,427	9%	36%	37%	1%
H	5,035	5,313	6%	31%	29%	-2%
I	3,560	4,669	31%	22%	27%	5%
J	4,361	4,658	7%	34%	34%	0%

[^]Formula used is: (Management Expense + Net Commission) / Net Premiums

Source: GDP figures reported in GI Council Segment wise Report 2024-25, Expense and Commissions as reported in GI Council Financial Highlights 2024-25

Rising Motor OD Net Loss Ratio



Source: GIC Council Year Book 2023-24

Severity Inflation - The Constant Companion



- Rise in parts price, painting and Labour charges
- Fixed deductible since 2012
- Less child parts availability
- Increase in wages and income level
- Medical and legal inflation

Industry Changes – OEM

- BS VI – Demise of smaller diesel engines, rise of Hybrid and CNG
- Rise of smaller but powerful Turbo engines [<1000 cc]
- Revised axle load norms -10%-20% higher load carrying – TP frequency

Industry Changes – Rise of EV

- Very low repairability overall
- Battery 60% of cost – prone to total loss
- Commercial EV – public charging stations (accumulation of losses)
- 5 years EW + 3 years MW – Business risk or insurance risk

Registration type and Usage

Types of Number Plates

IND **KA 04 MA 3402**

Private Vehicle

KA 04 MA 3402

Electric Vehicle

KA 04 MA 3402

Transport Vehicle

KA04-TC-2024-34-F

Temporary Registration Vehicle

24 TD 20

Diplomat Vehicle

↑ 01A 096725 J

Military Vehicle

KA 04 MA 3402

Rental Vehicle



President of India/Governors of States Vehicle

Private registered commercial use

- Less than 1% of two-wheeler is commercially registered
- A few states have provision for commercial registration
- Rise of Bike taxi platforms
- Self drive rental car platforms
- Difficult to detect usage in UW
- Premium leakage w.r.t underlying risks

Regulatory changes: Long term TP

- Business accretion for industry esp. in 2W
- Increased share of 2w in overall Motor
- Difficult to course correct –cowboy underwriting can be costly
- Rate lock but some implied rate hike due to advance premium
- In hindsight with no rate hike, long term TP rate hike faired better than single year TP – another variable in business planning

Net Retention Ratios – Motor OD | TP

Net Retention Ratios		
Year	Motor OD	Motor TP
2015	90.4%	91.8%
2016	90.1%	92.4%
2017	86.8%	89.7%
2018	87.6%	87.6%
2019	84.7%	90.3%
2020	81.9%	88.7%
2021	86.1%	88.4%
2022	84.5%	90.1%
2023	82.6%	90.0%
2024	83.0%	90.6%

Source: GIC Council Year Book 2023-24

RBC and the Economic Way Ahead



- Current RSM Formula doesn't differentiate between OD and TP
- RBC has higher Premiums Risk charge for TP (45%) vs OD (24%)
- Time to re-assess retention levels to balance underlying risk profile and capital efficiency