

Motor Insurance

Publication of Insurance Board of Sri Lanka (IBSL)



Motor Insurance – What do you need to know

Background

Every person who wishes to use a motor vehicle on the road or where people have access is required by law to obtain minimum Third Party motor insurance. The protection of and assistance for those who are the innocent victims of negligent drivers and the need to ensure that a policyholder who has arranged insurance cover will be guaranteed the appropriate protection are the fundamental requirements for the legislation. Motor Traffic Act, No.14 of 1951 and its subsequent amendments consolidate the Laws relating to Motor Vehicles and their use on highways including provisions relating to insurance against 3rd party risks.

The vehicle population in Sri Lanka has risen to over 03 Million in 2007 from 0.8 Million in 1990. This unprecedented increase in vehicle population has consequently increased the number of road accidents and it is no wonder that motor insurance is a mandatory requirement to protect the road users. It also provides peace of mind to the vehicle owners. Unsatisfactory road infra structure, drunken/negligent driving, speeding, lack of roadworthiness of vehicles, improper maintenance of vehicles, issue of driving license for lifetime are viewed as other contributory factors for increase in road accidents.

Many of us do not comprehend the importance of motor insurance in protecting us against a loss of life or injury to a person or a damage which may occur to our motor vehicles. When we purchase a motor insurance, we are in fact protecting our investment, which, at the prices prevalent today, is probably the second most valuable asset next to our home.

How does the Motor Insurance work and how do we receive protection?

We, as policyholders, pay a premium to the insurance company of our choice in order to receive this protection. The insurance company will then accumulate all premiums collected from the motor insurance policyholders into a fund which is then used to compensate any policyholder who is unfortunate to suffer a loss from a motor accident. Thus, keeping with the concept of insurance; spreading the risk of few with many, a loss is paid to the comparatively few unfortunate policyholders from the premiums made by all the other policyholders who have been fortunate not to meet with an accident.

What are the types of motor insurance covers available?

Choosing the right insurance policy is as more important as choosing the right motor vehicle. It is required to fit our individual needs and lifestyle but at the same time be within our budget. Although, the Motor Traffic Act, No.14 of 1951 requires us to have at least a third party liability coverage, there are wide variety of covers available in the local insurance market affording various protection for the vehicle and its occupants.

The key to finding which coverage is best for your needs involves learning about four (04) types of motor insurance covers available in Sri Lanka. They are the 'Act Only', 'Third Party Only', 'Third Party, Fire and Theft' and 'Comprehensive' policies.

The 'Act Only' Motor Insurance Policy

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It provides the minimum cover required by the law, thus giving rise to the name. In terms of the Sections 99 and 100 of the Motor Traffic Act, No.14 of 1951, the drivers of motor vehicles are required to have a motor insurance in place in order to ensure that drivers can meet their legal liabilities in terms of the Motor Traffic Act if they cause bodily injury or death to a third party i.e. the people on the road, in an accident. The 'Act Only' policies are seldom issued by the insurance companies as the insurance protection is very limited. Insurance companies also issue Act Only policy, if the insured's claim history is very poor and unacceptable. The limit of cover is unlimited for third party bodily injury or death.

'Third Party Only' Motor Insurance Policy

This policy provides a wider protection than the 'Act Only' insurance cover. Besides providing insurance cover against death or bodily injury to third parties, it also provides protection against other legal liabilities such as damages to property of a third party or third parties (usually another's car, motorcycle or a boundary wall, gate, public property etc). In addition to unlimited third party bodily injury or death cover, some policies offer unlimited third party property damage cover for private cars and a limited form of cover for commercial vehicles and motor cycles (usually Rs. 15,000/-). You need to check the third party property damage cover for private cars as some insurers do not provide unlimited cover but for say, Rs. 5 million or Rs. 10 million.

'Third Party, Fire and theft' Motor Insurance Policy

Under the Third Party Fire and Theft insurance cover, a policyholder may opt to include some form of protection of his/her asset due to fire or theft in addition to the basic third party liability for bodily injury/death and/or property damage. However, the policy does not cover any other form of accidental loss of or damage to the vehicle.

'Comprehensive' Motor Insurance Policy

Most policyholders have found it is more cost effective and worthwhile to pay more and be protected under the Comprehensive Motor Insurance Policy, which provides indemnity to the insured against loss of or damage to the motor vehicle and third party liability. Whilst the Comprehensive Motor Insurance Policy is the widest form of cover available, it does not provide cover for every conceivable type of risk, i.e. it does not provide a blanket cover no matter what the nature, extent and cause of the loss. More importantly, this policy covers any type of accidental damages to the insured's own vehicle in addition to fire and theft including theft of parts in or on the vehicle. This additional cover enables the vehicle owner to have his vehicle repaired, reinstated or replaced in case of accidental damage or loss.

Additional Covers

On payment of an additional premium, the following additional covers for a motor vehicle can be obtained along with the above main comprehensive insurance cover:

- Breakage of glass in windscreens or windows due to any cause
- Specified Natural Perils i.e. Floods, Landslides, Earthquakes or other convulsions of nature
- Airbags
- Riot, Strike and Civil Commotion
- Terrorism
- Duty Free Cover
- Personal Accident Benefits
- Workmen's Compensation to the driver and attendant
- Learner Driver Cover
- Increased Towing Charges
- Personal Accident Cover for occupants of the vehicle
- Passenger Legal Liability (For Commercial Vehicles)
- Goods in Transit (For Commercial Vehicles)
- Inclusion of specified items (For Commercial Vehicles)
- Increased Third Party Property Damage Cover (For Commercial Vehicles)
- Protection of No Claim Bonus
- Accidental Medical Cover

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- Inconvenience allowance to hire another vehicle after an accident pending repairs
- Replacement of a similar vehicle for temporary usage

The vehicle owners are advised to inquire with their agent, insurance broking company or the insurance company on these additional coverage as well as the standard exclusions, general exclusions, deductibles/excesses, policy conditions, extensions and clauses relating to the motor insurance policies.

What is the duty of a motorist in case of an accident?

In terms of the Section 161 of the Motor Traffic Act, No.14 of 1951, it is obligatory for you to immediately stop the vehicle upon occurrence of an accident, carry the injured to the hospital if the injured person requests to do so, unconscious or in a critical condition and report the incident to the nearest Police Station furnishing necessary details such as your name, address, number of the vehicle, the name and address of the owner in case the accident involves a third party property, etc. It is your duty to produce your Certificate of Insurance when required to do so by the police.

Further, you are bound by the conditions of the insurance policy to immediately report the accident to the insurance company and thereafter submit all the necessary information. It is your responsibility to take all necessary precautions to safeguard from further loss/damage to the vehicle. You should not discuss whose fault it was, make any admission, offer or promise to pay without the concurrence of the insurance company as this may create difficulties for your insurance company in their handling of your claim. Moreover, you should not abandon the vehicle after an accident and should provide your assistance to the insurance company for speedy settlement of your claim.

What are the steps to be taken when making an accident claim?

As explained, you must follow certain procedures to protect yourself if an accident occurs.

In the event you are making a claim, you should:

- Obtain the name and address of other driver involved.
- Note his/her vehicle registration number.
- Ask for the name of his/her insurance company and his/her insurance policy or certificate number.
- Note names and addresses of independent witnesses and make a rough diagram of the accident.
- If there is injury to any person or damage to another vehicle, or other property, give your name and address and the name and address of the owner of the vehicle you are driving and its registration number to anyone who has reasonable grounds of wanting them.
- Fill in the claim form received from the insurance company completely and do not hesitate to provide any additional relevant information not provided for in the questions.
- In the event any writ or summons is issued, it should be forwarded to the insurance company for necessary action immediately without acknowledging it nor offering settlement or accepting liability.
- Extend your fullest co-operation to the insurance company for speedy settlement of the claim.

Once you have reported an accident, your insurance company, depending on the policy conditions, will send a loss adjuster to the site of the accident or to the nearest Police Station or work shop if it has been towed or to a place arranged after discussion with the insurance company in order to assess the damage to your vehicle and identify the circumstances of the accident. A loss adjuster is a specialist whose job is to find out what really happened and how it happened. He will recommend to the insurance company the quantum of the claim. In certain circumstances, the insurance company may appoint an investigator to check on the circumstances surrounding the claim.

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The Insurance Board of Sri Lanka (IBSL) was established under the Regulation of Insurance Industry Act, No.43 of 2000 with effect from March 1, 2001. The IBSL is responsible for the development, supervision and regulation of the insurance industry in Sri Lanka.

The object and responsibility of the IBSL is to ensure that insurance business in Sri Lanka is carried on with integrity and in a professional and prudent manner with a view to safeguarding the interests of the policyholders and potential policyholders.