Possible Considerations for ‘Similar Risk’ and ‘Managed Together’

Similar Risks:
For:

- Risk exposure and risk triggers are same for OD & TP in certain cases
- Similar risk should be interpreted as “risk of accident on road”. Similarity shouldn’t be read basis the profitability of risk event or quantum of loss. All sub segments (TW, PC, CV) have similar risk but different likelihood and outcome
- Probability/likelihood of risk event would be different basis geography models, make as well, and one does understand the portfolio at that level & drive preferred/decline choices. Therefore, similar risk arguments can be stretched to geography and make/model as well
- Sub segment level information not disclosed currently as it could possibly lead to internal strategy being exposed to competition

Against:

- Claim frequency and claim severity are different for OD & TP due to different factors e.g., vehicle damage due to accidents versus third party liability etc.
- Most risk events don't result in both OD & TP claim at same time
- Interpretation closer to the standard as each sub segment is regarded as “similar risk and managed together”
- IRDAI proforma have asked this bifurcation

Managed Together:
For:

- UW and Business calls are taken on a combined basis using business metrics which combine both OD & TP
- Business KPIs are similarly aligned to the business calls taken on a combined basis
- Internal MIS/dashboards are similarly aligned to the business calls taken on a combined basis
- No exclusive channels/verticals for sourcing OD or TP separately
- Product conceptualisation, technical working/analysis and subsequent filing considering both OD & TP together against comprehensive policies
- Practically entire policy is lapsed/surrendered and therefore cannot be separated. Legally one can lapse/surrender only the OD part
- Independent pricing/COA of components occurs only legally, commercially they are significantly dependent on each other
- The seller’s intention is to sell together and the buyer’s intention is to buy a contract which indemnifies him for anything that happens to/through his motor vehicle

Against:

- SA OD & SA TP are generally sourced on different business parameters
- Underwriting rating factors are different for OD &TP
- TP tariff and benefits are controlled by regulator/MoRTH, as compared to OD which is de-tariffed
- Commission structure is also different for OD & TP in most of the cases
- RTO agents mostly sell TP only policy

- Claim characteristics (/development profile) for OD & TP are quite different due to difference in reporting and settlement practices.
- Separate claims teams and skillset required for handling of OD & TP claims
- OD claims are reported directly to insurer/ dealer, whereas TP claims are reported through MACT
- Catastrophe claims mostly impact OD cover
- Actuarial models have these sub segments managed / captured / documented / analysed separately
- OD and TP sold separately also so rights and obligations can be subject to separate transactions. 1+3 policy expire in different pattern and therefore should be separated
- If the bundling is just for convenience and there is no deep rooted seller/buyer rationale for the bundling, it should be separated