

The Chief Executive Officers
of All Non-Life Insurers

Dear Sir,

Solvency Margin in respect of Motor Pool

This refers to the discussions held at the meeting with members of the General Insurance Council, on 8th March, 2007 on the said subject.

During the course of the deliberations on the industry scenario post de-tariffing, some of the CEOs referred to the issues arising from the manner of computation of the solvency requirements for the premium underwritten in the Motor-TP segment in accordance with the IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000. The insurers, in particular, drew attention to the resultant impact on solvency margin requirements of the general insurance companies due to accounting for Motor Act Liability premium through the Pooling arrangement.

Given the nature of reinsurance which is arising on account of the Motor Pool arrangement, it is clarified that for the purpose of computation of solvency in respect of Motor Third Party segment, which is passed on to the Pool managed by the General Insurance Corporation (in compliance with the Notification No. 035/IRDA/Motor-TP//Dec-06 dated 4th December, 2006 issued by the Authority), the term "Gross" shall now be defined as relating to the business written direct before reinsurance cessions and without adding reinsurances accepted.

These instructions are effective from the date of commencement of the Motor - TP Pool.

Yours faithfully,

(C. R. Murlidharan)
Member