



Motor Insurance



INSURANCE
REGULATORY
COMMISSION
OF SRI LANKA

Market Development & External Relations Division
Insurance Regulatory Commission of Sri Lanka

What is Motor Insurance?

1.



Motor Insurance provides financial coverage to the vehicle owner for damages caused to the vehicle resulting from accidents or other damages.

What is the requirement of Motor Insurance?

2.



You should have Motor Insurance coverage before you drive your vehicle on the road. Running a vehicle on the road without valid insurance coverage is a punishable offense as per the Motor Traffic Act. It is compulsory to have at least third – party motor insurance, covering death and injury to third party as per the Motor Traffic Act.

What are the types of Motor Insurance policies available in the Sri Lankan market?

3.



- Act Only Motor Insurance - Covers death and bodily injury to third party. This cover is the minimum required by law.
- Act only Motor Insurance - Covers death and bodily injury to third parties. This cover is the minimum required by law.
- Third Party Motor Insurance - Covers death, bodily injury to third parties and liability to third party property.
- Third Party Fire and Theft Motor Insurance - This policy covers the damages to the vehicle from fire and theft and in addition, death & bodily injury to third parties and liabilities to third party property.
- Comprehensive Motor Insurance - This policy covers the damages to the vehicle and/or its accessories and also legal liability to third parties including death, bodily injury to third parties and third party property damages.

4.

Motor Insurance Types and Coverage



Inclusions Types of Motor Policies	3rd Party	3rd Party Bodily Injury & Death	Property Damage	Loss/ Damage to Vehicle by Fire/ Theft	Loss/ Damage to Vehicle due to Accident
Act Only Cover	✓	✗	✗	✗	✗
3rd Party Cover	✓	✓	✗	✗	✗
3rd Party Fire & Theft Cover	✓	✓	✓	✓	✗
Comprehensive Cover	✓	✓	✓	✓	✓

What aspects should be considered When purchasing motor insurance?



- **Insurable interest** - The insurable interest of a vehicle lies with the present owner of the vehicle. As such, the present owner of a vehicle cannot claim under a policy issued in the name of its previous owner. Therefore, make sure to obtain a new insurance cover or have an existing cover to your name, in purchasing a used vehicle.
- **Market value** - When purchasing or renewing a motor insurance policy, it is important to insure the vehicle at its current market value, as compensation is provided based on the current market value. If the vehicle is insured below its market value, the compensation in the event of a total loss will be less than the actual market value. Similarly, if the vehicle is insured at a value above the market value, the amount of compensation is limited to the current market value of the vehicle.
- **Insurance coverage that matches the use of the vehicle** - The details such as the purpose for which the vehicle is used (i.e., personal use, transportation of goods or people, driver training) should be disclosed to the company via the insurance proposal form. Claims may be rejected if the insurance coverage does not align with the actual use of the vehicle, as both premium payable and the applicable policy conditions are determined based on the declared purpose of use.

Further, the risks covered and the exclusions under a particular motor insurance cover are clearly outlined in the insurance policy document. It is important to read and understand the policy document carefully. Also, policyholders should ensure they obtain all necessary coverage, even if it requires an additional payment, to secure adequate insurance protection.



- **The right of selecting an Insurance Company** - A motor insurance policy can be purchased from any general Insurance Company registered with the IRCSL or through a registered Insurance Brokering Company or licensed insurance Agent. No one can force to buy an insurance cover from a certain Insurance Company.
- **Valid period of a policy** - A motor Insurance is valid for a period of one year. It should be renewed by paying the applicable premium before the coverage expires.

Dos and Don'ts When Obtaining Motor Insurance coverage

6.



a) Dos:

- Obtain coverage from a registered general insurance company, through a registered Brokering Company, or authorized Insurance Agent.
- Fill the insurance proposal form with accurate information.
- Clearly communicate the usage of the vehicle when obtaining the insurance coverage E.g. Private use, hiring, renting, transportation, learner driver, etc.
- Keep a copy of the perfected insurance proposal form.
- Read the insurance policy to know the risks covered and not covered by the insurance coverage.
- Seek clear explanations from the Insurance Company/ Insurance Brokering Company/ Insurance Agent for additional coverage requirements.
- Pay premiums on time.
- Insure at market value.

b) Don'ts

- Let an outside party fill the insurance proposal form.
- Leave any section blank on the insurance proposal form. If there is no specific answer to a particular question, mark it as “Not applicable”.
- Sign a blank Proposal form.
- Provide false statements about the actual usage of the vehicle.

*What types of damages
are covered by
comprehensive
Motor Insurance?*



7.

Standard comprehensive Motor Insurance policies generally cover the following risks to the motor vehicle;

- Vehicle accidents (Damages to vehicle by accidental external means)
- External explosions
- Fire inside
- Lightening
- Theft

Optional covers can also be obtained upon request by paying an additional premium. Some of these include;

- Damages caused by external reasons such as riots and civil unrest, terrorist activities.
- Floods and natural disasters

*What types of
damages are not
covered by
Motor Insurance?*

8.

- Damages caused due to driving a vehicle without a driver's license.
- Damages caused as a result of driving after having liquor.
- Damages caused due to the use of the vehicle for illegal activities, and damages caused due to the use of the vehicle purposes not indicated in the insurance policy.
- Mechanical Problems
- Damage or liability incurred outside the land limits of Sri Lanka.
- Damages caused as a result of driving the vehicle by an under – aged person.

9.

What is No Claim Bonus?

No claim bonus is a financial incentive offered to the insured person for not making a claim in the preceding year. No claim bonus is offered on the renewed premium



How to file a complaint With the Insurance Regulatory Commission of Sri Lanka?

10.

The Insurance Regulatory Commission of Sri Lanka (IRCSL) in line with its regulatory functions and powers, handles complaints with a view to providing protection to policyholders and potential policyholders, and the steps to be followed are as follows:

Initially, file a complaint with your insurance company. Visit <https://ircsl.gov.lk/list-of-insurance-companies/> to know how to file a complaint with the insurance company. The company should resolve it within a reasonable time and provide a response to you.

If you haven't received any response within a reasonable time period or if you are dissatisfied with the response received from your insurer, then you may submit a complaint to the IRCSL or the Insurance Ombudsman.

For more information on filing complaints with the Insurance Regulatory Commission of Sri Lanka, visit <https://ircsl.gov.lk/policyholder-complaints/>

This handbook has been issued by the Insurance Regulatory Commission of Sri Lanka as a guide to the public and contains only general information. None of the information provided herein replaces or contradicts the terms and conditions of an insurance policy. Contact the insurance company, insurance brokering company or insurance agent for specific information regarding an insurance policy or any other additional information.



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