



# Motor Insurance Policies in Karnataka: An Overview

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**Abstract:** Motor insurance is one of the largest non-life insurance products in the world. This is because it is statutorily mandated in most parts of the world. The objective of this study is to analyse an overview of motor insurance policies in Karnataka, emphasising their types, density, penetration and recent trends. Motor insurance, mandated under the Motor Vehicles Act, 1988, serves as a financial safeguard for vehicle owners against third-party liabilities and own damages. Karnataka, one of India's rapidly motorising states, has witnessed significant growth in vehicle ownership, resulting in robust demand for both third-party and comprehensive motor insurance. The article examines the dominance of public insurance companies, the rise of private insurers, and the increasing role of digital platforms in policy distribution and claim management. Despite progress, issues such as limited awareness in rural areas, fraudulent claims, and procedural delays remain challenges. The study concludes that enhancing public awareness, promoting digital adoption, and strengthening claim processes are crucial to improving the effectiveness and reach of motor insurance in Karnataka.

**Keywords:** Motor Insurance, Digital platforms, Insurance companies, Third-Party liabilities, Comprehensive motor insurance.

## Introduction

Motor insurance is one of the largest non-life insurance products in the world. This is because it is statutorily mandated in most parts of the world. All motor vehicles are required to be registered with the road transport authorities and insured for Third Party Liability. Karnataka is the sixth-largest state in India and the eighth-largest state in terms of population. It is also a popular tourist destination. A large number of vehicles, poor road conditions, and traffic violations often lead to road accidents and fatalities in the state. Therefore, vehicle owners must have a vehicle insurance policy in Karnataka to safeguard themselves against an accident. The basic premise is that a motor vehicle could cause injury or damage to a subject and thus require insurance. In India, the Motor Vehicles Act was passed in 1939, and in 1998, third-party insurance was introduced compulsorily. The need for compulsory motor insurance was obvious. There has been a phenomenal rise in motor accidents in the last 4-5 years. Many of these are attributable to a sudden rise in the number of vehicles. Every vehicle before being driven on roads has to be compulsorily insured. The automobile insurance policy represents a combined coverage of the vehicles, including accessories, loss or damage to his property or life and the third-party cover.

## Selected Review of Literature:

Jumah Ahmad Alzyadat et al. (2021) argue that the insurance sector is considered one of the most important sectors of the economy, serving as a fundamental pillar of the financial services sector. Dr. V Johnson (2018) revealed that insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. It is the equitable transfer of the risk of a loss from one entity to another in exchange for payment. Nagaraja, B. (2015). indicated that Insurance products are the major instruments for the mobilisation of savings of the families, particularly from middle and lower group households. Somani, M., & Shetty, R. V. (2019). Motor insurance is one of the segments of the General Insurance business, and this segment claims a majority of the business at 40%. consumer buying behaviour of motor insurance products is affected by factors like premium rate, Claim settlement percentage etc. Dadson Awunyo-Vitor (2012) revealed that demand for comprehensive motor insurance is significantly influenced by income, value of the vehicle, age of the vehicle, perception of the premium and claim procedure. Verma, R., Gupta, S., al. (2021), Motor Insurance policies in India are priced traditionally, which is unjust for some policyholders based on attributes such as the make and model of the vehicle, its capacity, the geographical use etc. But there can be many other aspects, other than this, that can be considered for pricing

Insurance is an ex-ante risk management tool through which individuals and businesses hedge potential financial losses in exchange for fixed premium payments. It provides protection and assurance to people during calamitous situations such as death, illness, fire, crop losses, and similar losses to goods and property, by mitigating the insured's financial losses.

### Importance of the study:

Accidents are unfortunate events that can leave a tremendous lifetime burden if you are uninsured. This project details several reasons why you must go for vehicle insurance, apart from the fact that vehicle insurance in India is mandated by law. Lack of proper infrastructure makes vehicle insurance in India a necessity. With the kind of traffic management we have in India, you will hardly find a day not see or at least hear about vehicles banging into each other, causing major damage. Haste and negligence on top of a poor infrastructure and lack of safety practices make us at Risk of road accidents in India. India enjoys the dubious distinction of reporting the highest number of road fatalities in the world. India recorded 4.73 lakh road accidents and 1.8 lakh deaths, and injured more than 5 lakh. And, this does not include the smaller accidents, most of which go unreported. Another pertinent reason for the increase in accidents is the rapid growth in the number of vehicles, while infrastructure improvement is not keeping pace. This exposes vehicle owners to a greater risk of accidents. One may be confident about their driving skills and would tend to avoid buying an insurance cover as it always pinches to pay the Premium, especially when you do not have to make any claims. But you only realise the value of insurance when you are in a situation and you may need to make a claim. But remember, no matter how good a driver you may be, you are always exposed to the risk of getting hurt by somebody else's negligence. The consequences of an Accident can be severe, and besides financial loss and personal injuries, it also causes severe mental stress. Having motor insurance helps relieve a lot of your financial and mental pain.

### Objectives:

1. To overview the motor insurance in Karnataka.
2. To analyse the density and penetration of motor Insurance policies.
3. To identify and analyse the recent trends in the insurance industries.

### Methodology:

The study uses a qualitative and conceptual research methodology that is primarily based on secondary data, which was collected from sources such as annual reports of IRDA, Swiss Re sigma, GIC reports, Government of Karnataka Transport Department data, Insurance companies' Reports, and academic journals. The study uses standard tools such as percentages, Annual Growth Rates, Average Annual Growth Rates, etc, for analysis and interpretation of data.

### An overview of motor insurance in Karnataka:

Vehicle ownership has steadily increased in Karnataka, one of the most motorised and economically active states in India, especially in cities like Bengaluru, Mangalore, Mysuru, and Hubballi-Dharwad. Karnataka is now a major market for both public and private insurance companies due to the increased demand for auto insurance policies brought about by this growth. Karnataka secured the 2<sup>nd</sup> rank in GDPI in the years 2022-23 and 2023-24 (Indian Non-life Insurance Industry Yearbook 2023-24). Karnataka's expanding transport sector and increasing personal mobility have driven the growth of motor insurance. According to regional data from insurance companies, the private car and two-wheeler segments contribute the most to policy subscriptions. In Karnataka, Bengaluru and Mangalore, show high penetration of comprehensive motor insurance due to greater awareness and vehicle value. Rural areas on the other hand, exhibit lower insurance coverage, often limited to third-party policies. The state has four public insurance companies, namely, New India Assurance, National Insurance, United India Insurance and Oriental Insurance. They continue to dominate the market, though private players like ICICI Lam board, HDFC ERGO, Bajaj Allianz and Reliance General are rapidly expanding. National premium income increased 11.06% with respect to the previous year 2020-21. Karnataka state earned 18% amount of the premium. (Yearbook,2021-22). The number of Insurance offices also increased from 2022-2023. In India, motor insurance is given based on the type of vehicle owned for which insurance is taken.

The types of vehicles can be:

1. Private Car
2. Two-Wheeler and
3. Commercial Vehicle

Table 1: List of General Insurance Companies in Karnataka

S.No.	Name of the company
1.	New India Assurance company Ltd.
2.	Oriental Insurance Company Ltd
3.	National Insurance Company Ltd.
4.	United India Car Insurance
5.	Reliance General Insurance company Ltd.
6.	Bajaj Allianz General Insurance
7.	HDFC ERGO General Insurance Company
8.	ICICI Lombard General Insurance Company Limited
9.	Chola Mandalam MS General Insurance
10.	IFFCO Tokio General Insurance Company Limited
11.	Royal Sundaram General Insurance
12.	SBI General Insurance
13.	Tata AIG General Insurance Company Limited
14.	Liberty General Insurance Limited
15.	Shriram General Insurance
16.	Kotak Mahendra General Insurance Company Ltd.
17.	Go Digit General Insurance Ltd

Source:(Indian Non-life Insurance Industry Yearbook)

Table 2: Total number of insurance offices in Karnataka:

City	Number of Insurance Offices
Bengaluru	325
Mysore	86
Mangalore	68
Hubli	59
Yelahanka	48
Bellary	34
Bijapur	34
Shimoga	34
Tumkur	32
Davangere	27
Hassan	24
Udupi	22
Hosapet	20
Raichur	20
Chitradurga	19
Chikmagalur	16
Gadag	16
Mandya	15
Kolar	14
Dharwad	12

(Source: insurer's official website)

### Types of Motor Insurance Policies:

Motor insurance in Karnataka, as across India, is broadly divided into two categories:

#### a) Third-Party Liability Insurance:

It is to give protection to third parties involved in the accident. It covers legal liabilities towards third parties in case of injury, death, or property damage due to the insured vehicle. Insurance rates are regulated by the Insurance Regulatory and Development Authority of India (IRDAI).

b) **Comprehensive Insurance:**

Coverage for protecting the vehicles, which is voluntary, as it is the discretion of the owner of the car to decide whether they need protection against the vehicle or not. It offers coverage for both third-party liability and own damage. It includes protection against theft, fire, natural calamities, and man-made incidents.

Table 3: Macroeconomic, Demographic and Insurance Data in Karnataka:

	2020-21	2021-22	2022-23	2023-24
No. of Insurance Offices	776	727	645	682
State Domestic Product (₹ in crores)	16,65,320	20,49,379	22,41,368	25,70,000
Premium Insurance (₹ in crores)	16,975	19,976	24,354	26,658

**Source:** (Indian Non-life Insurance Industry Yearbook 2023-24)

The national premium income grew by 12.40% in the fiscal year 2023–24. Among the top 10 states ranked according to the amount of premium earned. Karnataka's share is 22%.

The following table presents information for Karnataka State regarding GDPI, number of offices, per capita income, and insurance density.

Table 4: GDPI and Offices:

	2021-22	2022-23	2024- 25
GDPI ((₹ in crores)	19,976	24,354	26,6582
No. of Offices	727	645	8682

**Source:** (Indian Non-life Insurance Industry Yearbook 2023-24)

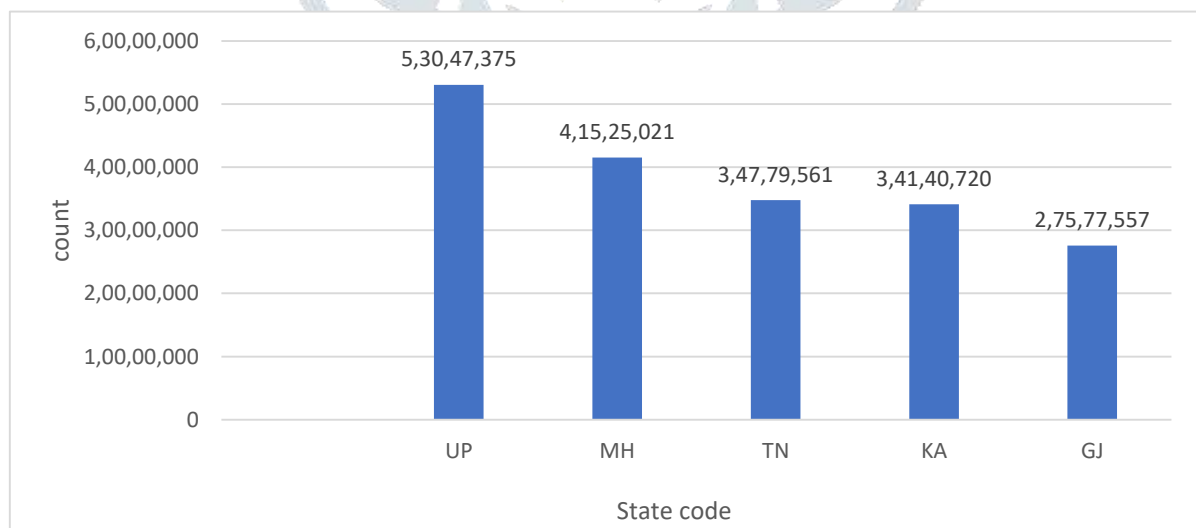
Table 5: Economy and Insurance

<b>Population (2011)</b>	<b>6,11,30,704</b>
SDP (State Domestic product ₹ in Crores)	25,70,000
Per Capita Insurance	1.04 %
Insurance Density (₹)	4,361
Literacy	76%

**Source:**(Indian Non-life Insurance Industry Yearbook 2023)

In Karnataka, the total number of vehicle registrations to date is 3,41,40,720 (as per the Vahan Parivahan 4 dashboard). The state ranks 4th in total registrations and 3rd in total transactions. This information is presented in Tables 3 and 4 below.

Figure 1: Registration in top 5 state



**Source:** <https://vahan.parivahan.gov.in/vahan4dashboard/>



Figure 2: Transaction in Top 5 State

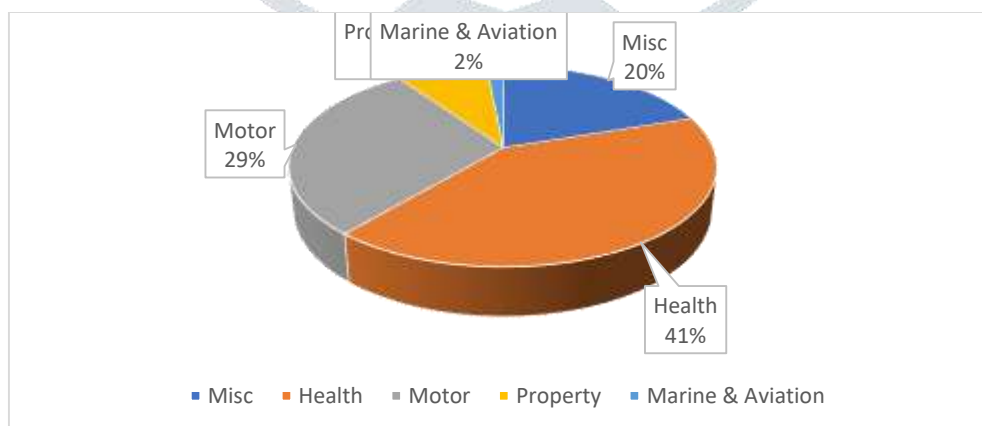


Source: <https://vahan.parivahan.gov.in/vahan4dashboard/>

### Insurance Density and penetration:

Insurance penetration and density are two metrics, among others, often used to assess the level of development of the insurance sector in a country. The penetration and density of the Indian insurance sector is still quite low. While insurance penetration is measured as the percentage of insurance premiums, insurance GDP, and insurance density are calculated as the ratio of premiums to population (per capita premium) (IRDA Report 2023). As per the Swiss Re Sigma Report, the insurance penetration of the Life Insurance sector in India is reduced from 3.2 per cent in 2021-22 to 3 per cent in 2022-23, and the same for the Non-Life Insurance sector remained at 1 per cent in both these years. As such, India's overall insurance penetration reduced to 4 per cent in 2022-23 from 8 per cent in 2021-22. According to the General Insurance Council yearbook 2022-23, Karnataka's non-life insurance density is Rs 3,984 per capita. Karnataka had a density of Rs. 2,777 per capita, as per GIC data for the year 2023-24, which shows Rs. 4,49 in the year 2023-24. Karnataka's insurance penetration is 1.09 per cent (premium as a percentage of state GDP). There is a good chance that motor insurance penetration will rise significantly in Karnataka due to growing vehicle registrations and awareness, particularly in the underinsured segments. The dearth of precise, motor-specific public data highlights the significance and urgency of field and scholarly research on motor insurance in Karnataka.

Figure 3: 2022-23 GDPI Class-wise Split



Source: Council Compilation as per source data submitted by companies

The above figure shows the contribution of motor insurance in Karnataka to the GDPI. in the year 2022-23, motor insurance's share is 29%, and in the year 2023-24, the share is reduced to 28.5%.

### Recent Trends in Motor Insurance:

- Online renewal platforms and mobile apps allow easy access to policy comparison and purchase.
- IRDAI's push for e-Vahan and e-Challan integration has improved policy verification and compliance.
- New technology-driven products, like **usage-based (pay-as-you-drive)** and **telematics-based** policies, are being introduced in urban markets.

### Key Challenges:

**a) Low penetration and density rates:**

In Karnataka large section of the population is still uninsured; as a result, there are low levels of penetration and density of insurance. A report by Lloyd's (2018) points to an enormous insurance gap of USD 27 billion in absolute terms in India. To harness the potential of the insurance sector as a driving force of economic growth in Karnataka, these low penetration rates will have to be dealt with.

**b) Lack of capital:**

An insurance company is a capital-consuming financial service, and a growing insurance company require on-tap capital. In Karnataka, some insurers are situated at the end and are struggling to meet their solvency requirements. National Insurance Company, Oriental Insurance Company, and United India Insurance Company are unable to meet their solvency margin due to inadequate capital. Finance Minister Nirmala Sitharaman may announce a second round of capital infusion for the public sector general insurance companies to improve their financial health. The government infused Rs. 2,500 crore to the three insurers, namely National Insurance, Oriental Insurance and United India Insurance, in the Financial year 2019-20. However, these insurance companies would require additional Rs. 10,000 -12,000 crore to meet their prescribed solvency margin. Therefore, the lack of capital is emerging new risk that makes it difficult for insurers to face the competition.

**c) Rising Fraud and Cybersecurity:**

Fraudulent claims are a significant issue for insurers, leading to higher payouts and increased premiums for customers. Examples include staged accidents, exaggerated damages, and fake injury claims. The challenge for Insurers is identifying and preventing fraud without increasing cost to honest customers. With the increasing use of technology, the risk of fraud and cybersecurity threats has grown. Insurers must invest in robust security measures to protect sensitive customer data.

**d) Increased Accident Rates:**

In some regions, rising accident rates due to overcrowding, distracted driving or poor infrastructure pose challenges. This leads to more frequent and larger claims; it will increase the burden on insurers.

- Low awareness among rural and commercial vehicle owners.
- Delay in claim settlements and lack of transparency.
- Fraudulent claims and misuse of third-party coverage.
- Poor road conditions and increasing accident rates raise the risk factor.

**System & Procedure for Claiming / Issues in Karnataka:**

Some aspects specific to Karnataka:

- In Karnataka, the High Court has held that the insurer must pay third-party compensation even if there is a breach of policy conditions by the insured; the insurer can later recover from the insured.
- The High Court has also ruled that a pillion rider is *not* a third party for purposes of TP cover in Karnataka.
- Procedure typically: Report accident, police FIR or GD (general diary) as applicable, insurer claims process, settlement of third-party claim (via MACT / tribunal sometimes).
- Challenges: Delay in claim settlement, documentation, and involvement of legal tribunals, especially for third-party compensation.

**Findings:**

The analysis clearly indicates that the general insurance sector in Karnataka is on an upward trajectory, driven by an impressive AAGR of over 16 percent in gross direct premiums during the past four years. The entry of private operators has created a healthy competitive environment in the industry, leading to an increase in the number of insurance agents, policyholders, and premium collections. Recent trends show that the general insurance industry in Karnataka is progressing steadily, despite occasional dips in certain segments such as motor insurance, which require special attention. The insurance density and penetration levels in India remain significantly below global standards, indicating that the development of the insurance sector in Karnataka is still at a promising and evolving stage.

**Conclusions:**

In Karnataka, driving without insurance is not only illegal but also exposes vehicle owners to significant financial and legal risks. The state imposes severe fines to ensure that all vehicles on the road are adequately insured. Following traffic regulations promotes road safety and responsible driving. However, many vehicle owners—especially in rural areas—are unaware of the full scope of third-party (TP) insurance and often underreport or fail to renew their policies. This results in data gaps between the number of registered vehicles and those actually insured. Very few academic or field-based studies have been conducted specifically on motor insurance in Karnataka, and existing literature mostly relies on national-level trends, leaving a clear gap in localized insurance research. With its growing vehicle population and evolving insurance awareness, Karnataka is poised to become an attractive market for the motor insurance industry in the coming years.

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