

Multi-year bike cover catches on

Policies Cheaper Than Annual-Renewal Plans

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Chennai: Multi-year policies seem to be the new norm for two-wheeler motor insurance. As many as six insurers, including ICI-CI Lombard, New India, HDFC Ergo, Bajaj Allianz General, now offer multi-year policies that are cheaper than annual-renewal plans. Insurers give discounts ranging from 2-6% on own-damage insurance for such plans.

Apart from the convenience, another added advantage is that multi-year motor policies will be exempt from Insurance Regulatory and Development Authority of India's (IRDAI) annual premium hikes, which on average could be between 10% and 15%. The regulator has been pushing for multi-year insurance policies as many two-wheeler owners buy insurance only at the time of buying the vehicle.

"Many vehicles are insured only for a year; renewals are low and there high lapse ratios in the motor portfolio. This move was aimed at increasing insurance penetration," says a United India official.

According to data with the Union ministry of road transport and highways, two-wheelers account for a large number of fatal road accidents — 60-70% of the vehicles involved in these accidents are uninsured. ICICI Lombard, which was the first private insurer to offer multi-year motor policies, saw 5.14 policyhol-

ders opt for its long-term two-wheeler policy. Gross written premium of multi-year policies stood at Rs 133 crore as of April 2016.

Bajaj Allianz said it has seen a good uptake of the long term two-wheeler insurance package policy it launched in April this year. "In the last six months, we have sold nearly 7,000 policies. The online channel has been the biggest driver of sales in this segment due to the ease of purcha-

UNDER COVERED?

> Most two-wheeler owners buy insurance only at the time of purchasing the vehicle and don't renew plans

> According to data with the govt, 60-70% of the two-wheelers involved in fatal accidents are uninsured



se," says Vijay Kumar, president, motor insurance, Bajaj Allianz General Insurance.

"Insurers offer a fixed third-party insurance rate based on current premium tariff fixed by the IRDAI. If the policyholder has taken a policy in 2016, that means he will not face the yearly increase in April 2017 or 2018. Since own-damage (OD) premiums are not under tariff, insurers are able to give better discounts on multi-year policies," says Puneet Sahni, head-product development, SBI General Insurance, which will soon be launching its multi-year motor product for which it has got IRDAI approval.