

Flood-hit cities see demand for add-on 100% cover for cars

Increasing number of mid-segment car owners going for RTI option

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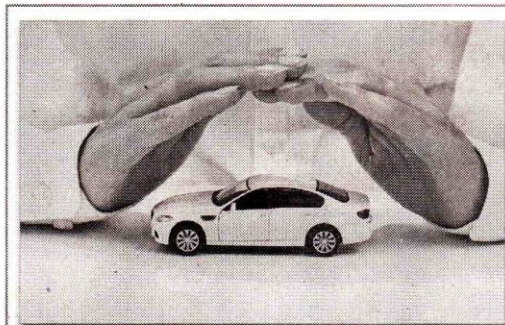
Chennai

THE cities which witnessed floods in recent times are seeing higher demand for return to invoice (RTI) add-on under a comprehensive motor cover, which provides the original on-road price of the vehicle in case of total loss or theft.

Usually, the RTI add-on cover is preferred by high-end car owners. But this year, insurers are seeing even the owners of mid-segment cars going for the cover, especially in flood-affected markets.

"In case of mid-segment brands, we have seen 40-50 per cent growth in the purchase of the RTI add-on in markets like Chennai. Overall, there has been 12-15 per cent growth in the case of mid-segment cars. Usually, 70-80 per cent of high-end car owners go for the RTI cover. Even in the top segment, there has been 12-13 per cent growth, which otherwise has remained below 10 per cent," said Vijay Kumar, president, motor insurance, Bajaj Allianz General Insurance.

"We notice demand for the RTI add-on primarily from the owners of mid- and high-segment cars, as these segments involve higher insured declared values (IDVs). There has been a 10-15 per cent rise in the demand for this segment," said Easwara Narayanan, chief operating officer, Future



Safety first

- The return to invoice (RTI) add-on provides 100 per cent cover for the vehicle in case of total loss or theft. This also includes the lifetime road tax paid at the time of vehicle buying
- While most companies provide the RTI cover for the first three years, some others could offer it for up to five years. The premiums are slightly higher in case of the RTI add-on
- The total premium, which can be 0.6-0.8 per cent of the value of the new car for a comprehensive cover, can go up to 1-1.2 per cent after including the RTI cover, according to a top official at Bajaj Allianz General Insurance

Generali India Insurance.

According to Kumar, while the RTI has been there in the market since 2009-10, the awareness and demand for this add-on has been low, as customers usually do not face a total loss of the vehicle. Floods have been a great learning for many. Most customers, whose vehicles got irreparably damaged in the floods, had to be content with the IDV the insurer paid.

In a comprehensive car cover, with or without add-

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"We also give the customer an option wherein we replace the lost car with another car of the same brand from the market," added Vijay Kumar.

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"Normally, insurers charge a percentage of IDV for this cover and the rates may range from 0.25-0.75 per cent depending on the segment. We expect the rates for this cover to hold up for now, unless we witness many more such catastrophic events in the near future. Again, the concern here for insurers would be engine-related losses," said Narayanan.

According to Puneet Sahni, head of product development, SBI General Insurance, the RTI covers the difference of the IDV and the new vehicle value. In case of old cars, the difference keeps widening as the age of vehicle increases. In such scenarios, the premium shall be dependent on the vehicle age and shall be on a higher side as compared to newer vehicles.

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