

YOUR MONEY

Tips to reduce your car premium

Use accumulated no-claim bonus and increase voluntary deductible to get a better deal

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With the Insurance Regulatory and Development Authority of India (Irdai) raising the premium rates for third-party motor cover last week, these rates are set to increase by 25-40 per cent, depending on your car's engine capacity. Overall premiums of private vehicles could rise by five or six per cent in the case of a car with an engine capacity of up to 1,000cc, and by as much as 15-20 per cent in case of a car with a capacity of above 1,500cc. While third-party premium rates are set by the regulator, there are ways and means by which you can reduce the premium you pay on the own damage cover.

Accumulated no-claim bonus: Before deciding to make a claim, do a cost-benefit analysis. "How much will you save on next year's premium through the no-claim bonus (NCB) and how much is your current claim? If the latter is lower, pay out of your own pocket," says Deepak Mendiratta, managing director, HII Insurance Broking Services. If

your car is less than five years old, buy an add-on cover called NCB Protector. This will restore your NCB, despite a claim, at one slab lower. If you have accumulated 40 per cent NCB in your policy, and you make a claim, the Protector will restore your NCB at 30 per cent. If you have not made a claim for four years, you are entitled to an NCB of 50 per cent at the time of the fifth renewal. But, if your existing policy mentions that you have accumulated only 20 per cent NCB, you will only get the next higher level of NCB. "Make sure that the correct NCB is mentioned in your policy at the time of renewal," says Neeraj Gupta, vice-president (motor insurance) at Policybazaar.com. When you sell your car, obtain an NCB certificate from your insurer. "This will ensure the NCB you have accumulated stays with you," suggests Kapil Mehta, CEO of Secure Now

Insurance Broker.

Opt for a higher voluntary deductible: Deductible is the amount of claim you pay out of your pocket before the insurer chips in with the balance. By increasing the deductible, you can reduce your premium. A higher deductible is advisable in the case of a customer who has accumulated a high NCB. After all, a person with a 50 per cent NCB is unlikely to make a claim for a small sum of ₹5,000. The amount of deductible should also depend on your level of affordability and risk appetite, and on the size of car. "In case of cars where the average cost of repair is likely to be low, it makes sense to opt for a lower level of deductible and vice-versa," says Vijay Kumar, chief technical officer (motor insurance) at Bajaj Allianz General Insurance.

Compare premium rates online: Many websites offer comparisons of the premium rates by different insurers. The rates offered on the same vehicle in the same geography can vary from one insurer to another because of the different claims experience they have had. By making comparisons, you can take advantage of such disparities. Also, bargain with the insurance portal or insurance companies. Sometimes, if they are keen not to lose business, they could offer you a higher discount. Installing anti-theft devices and becoming a member of bodies like the Automobile Association of India can also help you earn small discounts.

