Why is it important to renew your car insurance on time?

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Do you have valid car insurance? Are you following up on its timely renewal? Well, if you're an Indian resident, buying car insurance is more of a compulsion and less of a choice. As per the Motor Vehicles Act, any car on public roads has to be mandatorily covered by at least a third-party cover. A lapsed insurance policy is invalid and driver becomes liable to pay hefty fines or go through legal procedures if he's caught. Let us try to understand the importance of car insurance and why it needs your constant attention.

Importance of renewing car insurance

Most people tend to enthusiastically buy a comprehensive car insurance and/or third party cover while purchasing the car. However, it's equally important to renew the insurance plan within the stipulated timeline. Natural calamities can occur anytime and come without any warning. On-time renewal saves you from any kind of legal or financial implications and saves both time and mental stress.

"Renewing the policy after the due date can be critical because of the different procedures one has to go through as per their insurers. To avoid such situations and enjoy hassle-free services, one should renew the policy on time. Moreover, buying a new plan can lead you to pay premiums on the higher side," said TA Ramalingam, chief technical officer at Bajaj Allianz General Insurance.

To avoid the above-stated circumstances, it is always advisable to renew the car policy on time covering third party and own damage sections.

Higher premium

If your car insurance policy lapses due to non-renewal, buying a new plan can cause you to pay higher premiums than the existing sum. This is completely avoidable if you're attentive enough to pay regular premiums and renew the policy on time.

Meanwhile, there is a major possibility of your vehicle being inspected in case the policy renewal takes place after the significant gap. It can irk the insured and create unnecessary hassles. On top of that, any car damage found during such an inspection can lead to reduced Insured Declared Value (IDV) as well. This is the maximum claim your insurer will pay if your car is damaged beyond repair or gets stolen.

Legal trouble

An expired car insurance plan is as good as not having one. It will yield you no benefits and won't even stand as an excuse if caught during an inspection by traffic officials. Things get worse when your car is damaged or found breaching traffic laws. Be prepared to pay off some hefty amount for breaking the law from end to end.

"This is in accordance with the Motor Vehicles Act of 1988. A third-party insurance cover is mandatory for anyone who owns or drives a motor vehicle in India. It protects you against legal or accidental liability, financial loss or damage to property. The cover also protects you in case of a third-party injury or even death of the person because of your vehicle. Driving a vehicle without a valid insurance cover can lead to a severe penalty under the prevailing laws," Ramalingam asserted.

No Claim Bonus (NCB)

No Claim Bonus (NCB) is a reward given by an insurance company to an insured for not raising any claim requests during a policy year. The NCB is a discount ranging between 20%-50% depending on the policy year and is given to the insured while renewing a policy.

"The NCB discount is offered on the premium amount during renewal. If you do not renew the comprehensive plan 90 days after the policy's expiration date, then such non-renewal can lead to an NCB reset. Interesting to note is that NCB belongs to the owner of the car, and not to the car itself. So, if you've earned NCB discounts on your existing car, and you decide to buy another car, you can transfer the benefits to the new car," Ramalingam concluded.