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[Pay More For New Vehicle From September 1, Motor Insurance Will Now be Sold as Long-Term Policy](#)

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The way you buy motor insurance is going to change. From September 1 the Supreme Court has ruled that new cars and two-wheelers must purchase upfront insurance cover for at least three and five years, respectively. Your cash outgo is going to increase as you will now be asked to pay lump sum premium for long-term policy. You will, however, be saved from the trouble of yearly renewals.

The car insurance has two components-Own Damage and Third Party Insurance. While Own Damage covers your own car, Third Party insurance covers damage done to the third party in the accident. The ruling applies to the Third-Party cover of the motor insurance policy.

How will it affect premium rates? Onkar Kothari, Compliance Officer and Company Secretary Bajaj Allianz General Insurance, says,"It may not become costlier for either of the insurer or insured. For the insured, he would end up paying 3 or 5 years' third party premium upfront while buying the vehicle, but it would also remain fixed for the given tenure, which otherwise would have changed annually. Loan based on on-road price of new vehicle (which includes insurance) is not a new concept either."

Will it affect no-claim bonus? Tarun Mathur, chief business officer, general insurance, Policybazaar, said, "One thing that will get affected is no-claim bonus, as now it would be credited at the end of the policy term."

Insurance Regulatory and Development Authority of India (IRDAI) has also notified, on August 28, that 3 years and 5 years long-term motor policies will be effective from 1st September. Considering insurers do not have the long-term policy, the regulator has said that the pricing would be 3 times 5 times of current rates.

The two options have been provided by the regulator stating a) Long-term package cover offering both Motor Third Party Insurance and Own Damage insurance for three years or five years as the case may be, or b) a bundled cover with a three-year or five-year term (as applicable) for the third party component and a one-year term for the Own Damage.

Considering, it needs pricing to be done differently the regulator has asked insurers to start selling long-term policies in line with their current pricing structure and later file such products under the File and Use Guidelines before 15th September, 2018.

The IRDAI circular states, "Insurers may price the Own Damage component of the long-term package covers suitably, in line with their current approach for pricing. Given the immediate need to offer long-term package covers, insurers may start issuing such policies effective 1st September, 2018 even while ensuring filing such products under the File and Use Guidelines before 15th September, 2018."