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[SC refuses to extend Sep1 deadline on Long Term Motor Policy](#)

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New Delhi: The Supreme Court(SC) on Friday turned down the last ditch attempt by the general insurers to extend the time frame of Sept 1st for implementing its own order- passed on July 20- in the matter of issuing long term motor policies-three year for the four wheelers and five years for the two wheelers.

A division bench headed by Justice Madan B Lokur after hearing the all the sides including General Insurance Council, the official representative body of all the 33 general insurers, Road Safety Council in India, refused to modify its own order and had asked the industry to stick to its earlier order from Sept1st.

The GI Council had argued that the industry wanted more time as a lot of groundworks need to be completed yet apart from the fact that the state government and Regional Transport Offices all over the country should be instructed to supervise the issuance of the long term policies at the time of registrations of all new vehicles and at the time of renewals.

The GI Council also pointed that the entire industry is now busy in settling claims on account of massive Kerala floods disaster that have triggered a claims worth over Rs 1200 crores.

However, amicus curie Gaurav Agrawal opposed the GI Council's application saying all the intimations have been given to RTOs and police officials and no change could be made now.

After the final stand of the SC, the general insurers are now all ready to issue long term motor policies-three year for the four wheelers and five years for the two wheeler.

Earlier on Aug 28th,the insurance regulator,IRDA had issued detailed procedures and pricing (only for the long term third party motor policy) for ushering in the new regime.

Puneet Sahni, Head – Product Development, SBI General Insurance,(SBIG) said that there is a substantial backend work that is required to be done prior to entering the market with a new set of offering.

“SBIG had anticipated the same and has been working on this for a while now. We would be able to offer the new set of policies, well in time. The pricing of the Own Damage policies have to be worked out at insurer's end and the benefit of savings in cost shall be passed on to the customer.The pricing for Third Party premiums, however, has been implemented by the IRDAI, said Sahni adding that this development would have to be tracked on a very minute and continuous basis and it is expected that the IRDAI to publish the summary on this on regular basis to understand the impact.

Onkar Kothari, Compliance Officer & Company Secretary, Bajaj Allianz General Insurance,observed that from the the industry point of view, risk will be high, as during the long terms the laws keep changing and the losses could also go up.

“It may not become costlier for either of the insurer or insured. For the insured, he would end up paying three or five 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. As far as insurance companies are concerned, amount of premium and commission thereon is to be written in books on annual basis and rest of it remains as advance premium, which may not impact profitability adversely,” he explained.

Subrata Mondal, Executive Vice President (Underwriting), IFFCO Tokio General Insurance, said that the new regime will offer price stability and convenience as customers need not renew each year and they are insulated from the yearly hike in TP premiums. It will minimise the presence of non-insured vehicles to a large extent.

One of the major disadvantages is that the upfront payment of premiums that may be unaffordable for some customers, as almost 100 per cent of 4-wheelers are insured before they leave the dealerships, pointed out Mandal.

“The challenge for the insurers is on pricing the product and ensure easy administration in case of a bundled product as it has a long term TP cover and yearly OD part, stated Mandal

Sanjeev Mantri, Executive Director, ICICI Lombard General Insurance said,“The introduction of mandatory long term policies for new vehicles will go a long way in addressing the problem of under-insurance of motor vehicles. As is well known, motor insurance penetration drops to around 40 per cent for 2 wheelers and 60 per cent for 4 wheelers within two to three years of vehicle purchase.”