

Riding high on insurance

THIRD-PARTY INSURANCE Supreme Court said PUC certificate is mandatory for all two- and four-wheelers to get this cover, but what does it mean for you? HTMoney helps you understand the basics

Revati Krishna
revati.krishna@htlive.com

MUMBAI: Basis on a Supreme Court directive, the Insurance Regulatory and Development Authority (IRDA) recently asked insurance companies not to renew third-party insurance of any vehicle unless it is accompanied by a valid Pollution Under Control (PUC) certificate. It is mandatory to have a PUC certificate for vehicles.

Also, IRDA has made long-term third party insurance compulsory for all new two wheelers and cars—three years for cars and five years for two-wheelers.

"If you don't have your PUC certificate, your third-party insurance will not be renewed. It needs to be declared to the insurer," said Sasikumar Adidamu, chief technical officer, Bajaj Allianz General Insurance.

But apart from the obligatory clause, what else does this new rule mean for you?

On a larger note, the Supreme Court mandate aims to cover a maximum amount of vehicles plying on the roads

THE SUPREME COURT MANDATE ON THIRD-PARTY INSURANCE AIMS TO COVER A MAXIMUM AMOUNT OF VEHICLES PLYING ON THE ROADS AND INCREASE MOTOR INSURANCE PENETRATION WITH THE NEW RULE

and increase motor insurance penetration with the new rule, said Adidamu.

"A more targeted benefit of this rule is for the consumers, as they will be protected from any hikes in the third-party liability premium for the next three or five years, as the case may be. Apart from that, the long-term third-party insurance will remove the hassle of renewing policy every year," said Adidamu.

"On the flipside, the only issue the consumers may face is the entire chunk of money for premiums will have to be paid upfront in one go, which is an advantage for the insurer. This is why financial institutions should come up with premium financing products," said Easwara Narayanan, chief operation officer of Future Generali India Insurance Co Ltd.

Terming it a "welfare regulation", Narayanan said the new rules are aimed to benefit the society at large.

BUT WILL YOU BE PAYING MORE?

Apart from the burden of paying the entire premium for three or five years in one instalment, which may be a financial burden, on an average, there might not be an increase in the amount, said Narayanan. However, insurers themselves are waiting for pricing guidelines from the regulator. "As the new third-party premium will be a long-term product, its pricing will require detailed considerations compared to an annual product, as inflation and administration costs for a long term need to be taken into account,"

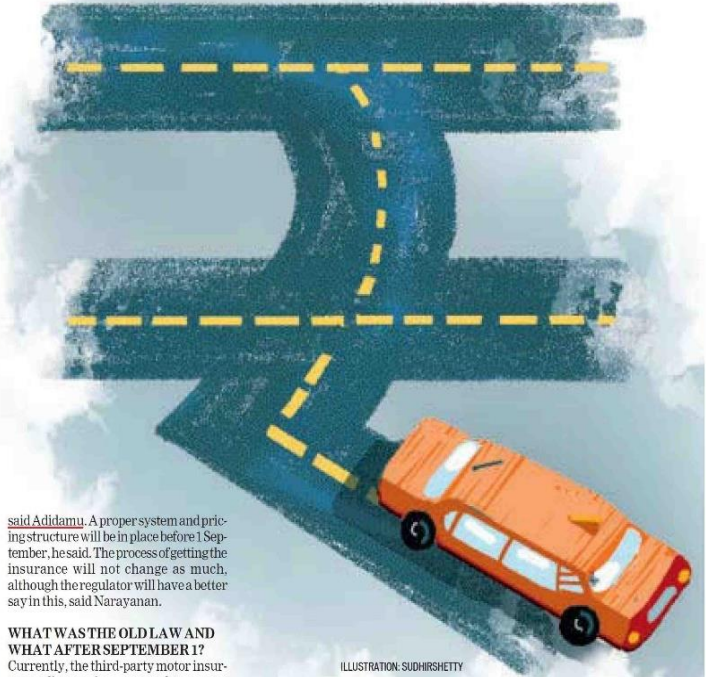


ILLUSTRATION: SUDHIRSHETTY

said Adidamu. A proper system and pricing structure will be in place before 1 September, he said. The process of getting the insurance will not change as much, although the regulator will have a better say in this, said Narayanan.

WHAT WAS THE OLD LAW AND WHAT AFTER SEPTEMBER 1?

Currently, the third-party motor insurance policy requires a renewal every year for four-wheelers. Pricing for the third-party motor insurance is decided and revised by the regulator annually while pricing for the own damage section of a

motor insurance is devised by the insurer. For two-wheelers, comprehensive insurance is already available for one, two and three years. With the new

regulation, the duration of third-party insurance for new two-wheelers will be five years and for new cars it will be three years.