

**Date:** 24.12.2018

**Publication:** Moneycontrol.com

### [GST rate cut may boost insurance renewals of commercial vehicles](#)

GST on third party motor insurance for goods carrying vehicles has been slashed from 18 percent to 12 percent

M Saraswathy | Last Updated : Dec 24, 2018 06:34 PM IST

The reduction in goods and services tax (GST) rate for third-party motor insurance of commercial vehicles to 12 percent from 18 percent may improve renewal rates for the segment.

Sasikumar Adidamu, Chief Technical Officer, Bajaj Allianz General Insurance said the cut in GST rates will be beneficial for the consumers as it will result in a reduction in their premium outgo.

"We believe it will help the insurance industry improve penetration of motor third party insurance which is mandatory by law in our country," he added.

Goods carrying vehicles have the highest premium outgo in the third party segment because their claims ratio is high.

Industry estimates suggest the claims ratio in this segment is almost 125 percent, meaning for every Rs 100 collected as premium, Rs 125 is paid out as claims.

Third party insurance protects the vehicle owner from financial liabilities incurred due to accidents. If a pedestrian or another vehicle's passenger gets injured or dies during a mishap by vehicle X, the motor third party cover of the vehicle X owner will pay for the damages.

"The reduction in GST is not across the board but specifically for the third party section with respect to goods carrying commercial vehicles. While this will provide relief to vehicle owners to some extent, it is unlikely to have any significant impact for insurers as it is only the tax component which is changing and not the premium," said Subramanyam Brahmajosyula, Head, Underwriting and Reinsurance, SBI General Insurance.

However, he pointed out it is too early to assess whether this move will spur demand for commercial vehicles as prices of vehicles are not likely to drop.

Earlier, truck owners would delay or defer insurance purchase since the total outgo would be higher. But with a 6 percent reduction in the tax rate, overall premium payable will be lower.