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Insurance to cost more as cars comply with BS VI

Premiums To Go Up 25% As Auto Cos Go Green

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Chennai: Insurance premiums might go up between 20-25% as auto makers start bringing out greener, more fuel-efficient cars that are Bharat Stage VI emission norms compliant, says industry experts.

The Centre has asked auto companies to become Bharat Stage-VI compliant by 2020. Auto makers have said that the average cost of production will go up by ₹1-2.5 lakh. “If manufacturing costs rise, then price of the car, and the sum insured will push up premiums,” says Tapan Singhel, CEO, Bajaj Allianz General Insurance.

The auto industry has been lobbying for pushing the deadline on implementation of Bharat Stage VI to 2023 as the move requires heavy investments in infrastructure and resources. Auto makers will have to invest in new technology that could increase the cost of a diesel car by as much as ₹65,000 to ₹1 lakh and



COSTLY AFFAIR: the average cost of production of a car is set to go up by ₹1-2.5 lakh

the cost of petrol engines from ₹7,000 to ₹11,000, industry sources said.

With more sophisticated technology like diesel particle filters (DPF) and selective catalytic reduction (SCR) involved, small diesel vehicles could become expensive, thereby affecting vehicle insurance.

“It is similar to what we saw with CNG vehicles. Insurance costs went up with the introduction of CNG buses and cars; because these vehicles on average

cost more than their less environment friendly counterparts,” a source said.

As to the premise that the spike in insurance premiums could see a little moderation from the safety features installed in cars, industry sources say the idea is a little ‘far-fetched.’

“Third-party premiums are fixed by the IRDA. And, owned-damage (OD) premium rates though fixed by general insurers are subject to IRDA clearance. So if cars in future have more safety features — and say accident rates go down — then there is a slight possibility in that actuaries could factor that in,” says the underwriting head. There is also the view that the IRDA will need to increase rates to make it more acceptable to insurance purchasers. “They’ll have to stagger the hike. If it’s brought in over a period of time it will be more acceptable,” says Vinod Sahgal, MD Bajaj Capital Insurance Broking Ltd.