

Does a 3-year cover for 2-wheelers work?

Driving without insurance is a big issue with two-wheelers, not merely because they usually have small-ticket policies. Can multi-year policies improve the situation?

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Do you find it difficult to locate an insurance agent to renew your two-wheeler insurance policy? You may forget the policy renewal date sometimes.

According to RenewBuy.com, an online broker that deals only with motor insurance, around 75% of two-wheelers plying on the roads do not have insurance, becoming a compliance issue.

"It is mandatory that every two-wheeler running on the road be insured, at least for third-party insurance cover. The increased number of uninsured vehicles has become a serious concern. People usually find the process of renewal cumbersome or at times forget to renew their policies," said Puneet Sahni, head-product development, SBI General Insurance Co. Ltd.

To address this concern, the insurance regulator has allowed multi-year two-wheeler insurance policies and over the past couple of years, at least six general insurance companies have come out with such policies for two-wheelers. "For a two-wheeler customer, finding an agent for renewing a policy has been a challenge and multi-year plans address this problem directly," said Balachander Sekhar, co-founder and chief executive officer, RenewBuy.com.

"Moreover, with technology-enabled products like multi-year two-wheeler plans delivered through the web and mobile, consumers across tier 2, 3 and 4 cities and rural India will have access to transparent prices without the concern of renewing every year," he said.

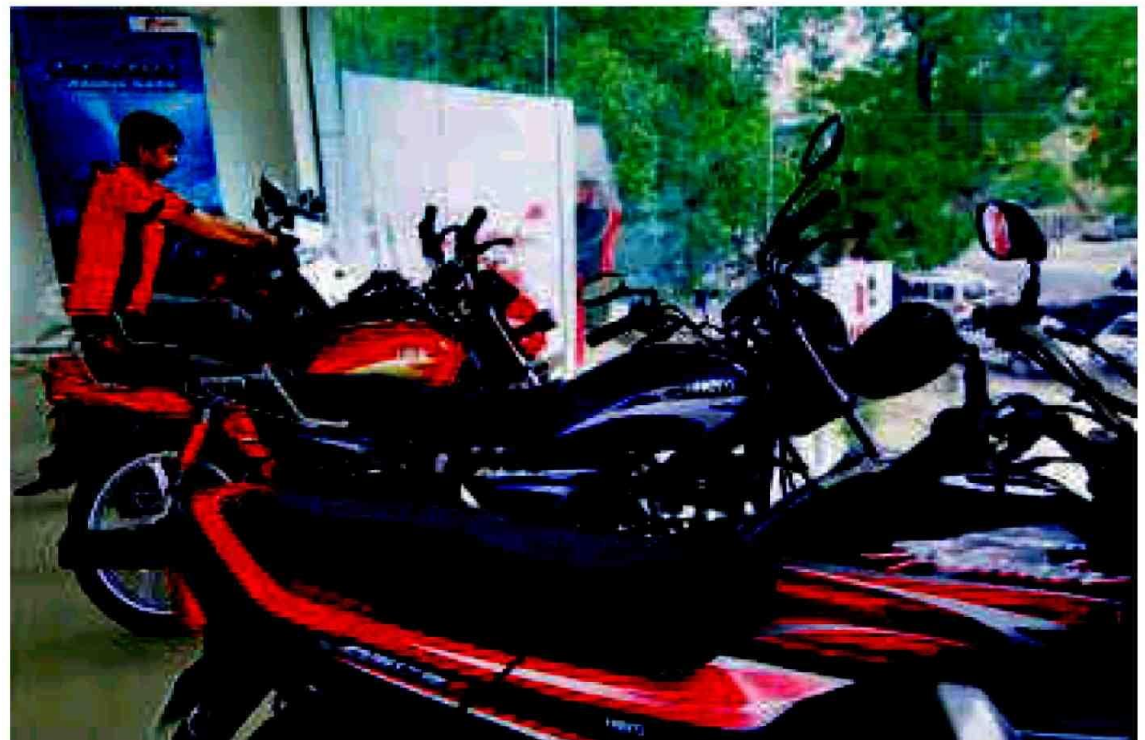
Manohar Bhat, chief business head-motor, Bajaj Allianz General Insurance Co. Ltd, said that over 5% of the total two-wheeler policies are now multi-year policies for the company. "We have seen a rising demand for the long-term two-wheeler policies. We expect more two-wheeler owners to opt for the long-term insurance covers," he said.

Here's a detailed look at these policies.

BENEFITS

The biggest advantage is convenience, of not having to renew your policy every year. Currently, these policies are available for up to 3 years. In case of a single-year policy, you could only be uninsured for the period between the date when the policy lapses and the date on which you are able to renew it.

The other major benefit is lower premium for the subsequent years. As the premium for third-party liability is fixed at the beginning of the first year, you are insulated from the rise in premi-



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ums in later years. According to online insurance broker Coverfox.com, the insurance regulator raises third-party insurance premiums by about 20% every year. Once you buy the policy, for consecutive three years, you escape the annual third-party rate hikes.

The premium is calculated on the insured declared value (IDV) of the vehicle, which in turn is calculated on the basis of manufacturers' listed selling price of the brand and model at the commencement or renewal of insurance, and it is adjusted for depreciation as per a schedule specified by the insurance regulator. IDV for each year is adjusted for depreciation and hence it is lower for each subsequent year. This is the maximum amount payable if a claim is made for vehicle theft or accidental damage.

When it comes to no-claim bonus (NCB), multi-year two-wheeler insurance policies again have an advantage over single-year policies. NCB is the discount provided to policyholders for the next year of policy, if they did not make claims during the previous years.

For instance, if you are eligible for 20% NCB in the next policy, then in a multi-year policy, 20% discount will be applied on the premium of all 3 years, and not just on the first-year premium.

"In a yearly policy, even if a single claim is made, the entire NCB rolls back to zero. However, if you avail a long-term insurance policy for your two-wheeler: first, the NCB earned is higher than what you would earn at the end of 3 years through a normal annual policy. Second, unlike in annual policies, your NCB does not fall

back to zero even if you make one or two claims during the policy period," Bhat said. So you get to retain some percentage of the NCB, even after you report a claim.

DISADVANTAGES

"One disadvantage of long-term insurance plans could be where a consumer decides to sell the vehicle during the policy period, or in cases where the insurance premium may reduce in the future. In that case, the consumer may incur minor loss for the extra period for which he has already paid," Sekhar said.

However, company executives also said that the possibility of premiums going down in future is extremely low. "Premiums are not likely to fall at all in the subsequent years, considering the industry experience in third-party claims," Sahni said.

SHOULD YOU BUY?

As it looks now, the advantages seem to outweigh the disadvantages. Long-term insurance policies for two-wheelers are currently offered by at least six general insurers. "Long-term insurance plans can contribute in addressing the under-penetration in two-wheeler category in a big way," Sekhar said.

So, if you plan to hold on to your vehicle for a few years, you can certainly save some money, and also free yourself from worries of renewing the policy every year. So, the next time you are due to renew insurance for your two-wheeler, consider opting for a multi-year policy.