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Own damage and third party insurance: Which is more important?

GETTING ACCIDENT PROOF

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Motor insurance is one of the best ways to protect your vehicle. It helps manage various risks related to your car and provides financial security against unforeseen situations. In India, typical motor insurance has two components: Third-Party (TP) insurance and Own Damage (OD); both serve distinct purposes and play vital roles in safeguarding against potential liabilities. People often ask the difference between these two and what is more important. Let us find out how these two covers differ.

Third-party (TP) insurance: TP is known as an 'act only' or 'liability only' cover. You must understand that the Motor Vehicle Act in India mandates TP insurance; if someone is found driving a vehicle without TP cover, they might be penalised and/or imprisoned. Regarding what the policy covers, TP shields against the third-party liability of the car owner. This includes injuries or death to the third party and third-party property damage. You might think that such liabilities may arise only once in a blue moon and



would hardly run into a few thousand, but contrary to popular opinion, this is not true. Such liabilities may range from a few thousand to a couple of crore. TP ensures that in case of an unfortunate incident where you are liable for damages to someone else's property or person, you have your policy to support you. Please note that TP does not cover any damage to your vehicle; OD takes care of that aspect.

Own damage (OD) insurance: As the name suggests, Own Damage Insurance provides coverage for damages to your vehicle due to various factors. These can include accidents, theft, natural calamities like floods or earthquakes, fire, vandalism, and more. Essentially, OD insurance protects your vehicle from many risks, providing financial assistance for repairs or replacement as per the policy's terms. The coverage under OD insurance is comprehensive and can be tailored

based on specific needs and preferences. Unlike TP, OD is not mandatory by law, yet it is prudent to buy this to ensure comprehensive protection of your vehicle.

Which is more important?
Legal obligation: As already mentioned, TP insurance is mandatory to drive a vehicle on Indian roads. Fulfilling this requirement is non-negotiable, ensuring compliance with the law and protecting against potential legal consequences. This relatively simple cover requires little analysis of features and coverage. However, TP only offers the policyholder a primary or bare minimum protection, but is that sufficient? The answer is no; you require OD for that.

What makes OD important? Your vehicle is an important asset; you would have spent a fair share of your hard-earned money to buy it, so why not invest some amount to protect it? OD cover shields your vehicle against previously mentioned risks and helps you build a more wholesome cover.

A few people think that OD is more important for new vehicles, but that is not true; one should opt for comprehensive coverage irrespective of the age of the vehicle. OD has become ever more critical with the rise of natural calamities across the length and breadth of the country since it covers various natural disasters. Opting for a comprehensive cover also opens the options for buying valuable add-ons like engine protection, 24x7 spot assistance cover, vehicle replacement, and no-claim bonus protection, to name a few. You can also opt for 'pay as you consume' (PAYC), which allows you to select coverage according to vehicle usage. The premium would be subject to the distance covered; you can tailor your coverage according to your specific needs.

To sum it up, OD and TP insurance serve distinct purposes in vehicle insurance and are helpful in their ways. However, it is highly recommended to buy both and build comprehensive coverage for your valuable asset; after all, the cost of purchasing insurance is much lower than the financial burden that may arise in case of an unforeseen incident.

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