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[What does scrapping of long-term motor covers mean for existing policyholders?](#)

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The coverage for existing policies will continue as per the terms and conditions until the tenure expires

The Insurance Regulatory and Development Authority of India, in June, asked all general insurers to withdraw long-term packages offering both third-party liability (TP) and own-damage (OD) motor insurance policies from August.

What does the regulation, which will come into force from 1 August, mean for existing policyholders who own a long-term comprehensive policy?

In 2018, insurers were asked to either offer a long-term comprehensive cover comprising both TP and OD insurance for three or five years, or a bundled cover for three or five years TP cover and a one-year OD cover. The regulator mandated three-year TP covers for cars and five-year TP covers for two-wheelers. The new regulation means that you can now buy a long-term TP cover but will have to renew the OD component every year.

In its circular scrapping long-term package policies, the regulator cited affordability, potential mis-selling, policyholders being confined to the same insurer and non-uniform no-claim bonus (NCB) structure as the reasons for withdrawing the provision.

"Previously, new-vehicle buyers were pitched by the dealerships to buy long-term package policy (which includes TP and OD for three or five years). This was never a necessity for the users and some dealerships used to force this on customers. Now Irdai has asked insurers to discontinue long-term policies, thus dealerships won't be able to force the customers to buy high-ticket size insurance products and the overall on-road price of the vehicle will come down," said Animesh Das, head of product strategy, Acko General Insurance.

This, however, does not remove the option to buy bundled motor insurance policies. Aditya Sharma, business head, motor, Bajaj Allianz General Insurance Co. Ltd, said that bundled motor insurance policies remain on offer for new private vehicle owners, wherein one-year OD cover and three-year TP cover can be bought by four-wheeler owners and one-year OD and five-year TP cover can be bought by two-wheeler owners.

For existing policyholders

Though comprehensive long-term motor policies will be off the shelf from August, existing policyholders need not panic. "The coverage for existing policies will continue as per the terms and conditions until the time of expiry of the policy. The coverage will be intact as per the policy bond issued by the insurer," said Sharma.

It's advisable to keep track of the policy renewal date. Since you currently hold a long-term policy, there are chances you may skip the date of renewal. At the time of renewal, you will have the option to renew the comprehensive policy for only a year or renew the TP component for three years and the OD component for one year. You will also have the option to buy the OD cover from another insurer.

Earlier, calculating NCB benefit also became confusing for insurers. If you had a three-year policy, you would get NCB benefit all at once when you renewed the policy in the fourth year and not every year.

What happens to your NCB now? "Existing policyholders wouldn't get NCB separately during the policy tenure and this was one of the drawbacks of the long-term package policies. Now, if they have taken the bundled policy (one-year OD and full-tenure TP) then they can buy OD component from another insurer who offers them the best price. These customers will get 20% NCB if they don't make a claim in the first year and so on," said Das.

Other discounts, however, will depend upon the underwriting practices of the insurance company and the prevailing TP rates as fixed by the regulator.

Das added that for existing policyholders, it'll be a great relief if the regulator makes the policy cancellation and refund process in the policyholder's favour. Currently, the refund process is not in customers' favour and, thus, a user is stuck with the same insurer for the full tenure.