

# Third party motor insurance on an uptick in Tamil Nadu

## Premium Increased by 17% Y-o-Y To ₹2,014 Crore In 2015

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**Chennai:** Motor third party insurance premium in Tamil Nadu increased by 17% year-over-year to ₹2,014 crore in 2015 and insurers expect 2016 to also see a similar growth given the state's burgeoning economy. Motor insurance forms more than 43% of the state's total income from insurance and insurers say it is to be expected given Chennai's position as the 'Detroit of South Asia.'

"With the flourishing economy, higher disposable income and the industrial growth in IT and automobiles, there is an expectation for higher car and two-wheeler sales.

This will translate into higher insurance sales," says Puncet Sahni, head product development, SBI General Insurance Co.

When it came to motor owned-damage (OD) rates there was a slight dip of 1.6% to ₹1,566.09 crore in 2015 from the previous year. The dip, insurers say, need not necessarily mean lower demand, but lower pricing of policies. "Post

### NORTHWARD BOUND

**Tamil Nadu has seen an increase in gross direct premium income from motor third-party insurance. Motor insurance forms a sizeable chunk (43%) of the state's overall insurance portfolio (₹ in crore)**

Tamil Nadu	2012	2013	2014	2015
Third Party	1,067.39	1,376.47	1,716.25	2,014.49
Owned Damaged	1,277.13	1,613	1,591.56	1,566.09
<b>Total Insurance</b>	<b>5,126.05</b>	<b>6,713.97</b>	<b>7,518.80</b>	<b>8,237</b>

Source: IRDA Handbook

de-tariffing of motor OD, insurance companies have slashed prices in the last eight years. Today's rates are half of what they were in the year 2000. So while there has been an increase in demand, OD has seen softer prices," says Sahni.

Insurers say they have noticed a shift in consumer buying towards more high-end models like sedans, SUVs from hatchbacks when it comes to cars and two-wheelers with engine capacity between 350-1,000 cc.

"Discounts in OD are not noticeable in the premium segments. There has been no-

ticeable shift in consumer buying pattern and more people are opting towards the new-gen, high-performance vehicles," says Vijay Kumar, president, motor insurance, Bajaj Allianz General Insurance Co.

The exponential growth in the transport sector, particularly commercial vehicles will also help drive growth in the next year.

"Tamil Nadu has a sizeable number of transporters operating from the state. Some of the biggest commercial vehicle makers are also present, so growth in third-party can be expected," Sahni says.

"But with regard to motor owned-damage, there won't be any perceptible change in commercial vehicles as the segment already has benefited from steep discounts."

Insurers say that they have also been increasing their product offering and introducing new-riders to attract more clientele.

SBI General said it has got IRDAI approval for a multi-year policy for two-wheelers and will soon be launching the product. ICICI Lombard, New India Assurance and Bajaj Allianz General have already launched multiyear two-wheeler policies that are cheaper than their annual renewal policies.

Insurers say they have got positive feedback in South India for the launch of multi-year policies because apart from the cost premiums are lower compared to yearly renewal policies - customers appreciate the convenience and ease. Most policies lapse because customers tend to forget the renewal date a year after they have bought their vehicle from the showroom.