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## 3/5-year term may be made mandatory for motor insurance

Industry will offer inputs to IRDAI on product pricing

**GNAGA SRIDHAR**

Hyderabad, July 25

You may soon have to buy a mandatory three-year third-party insurance for your car. For two-wheelers, the required term could be up to five years.

The Insurance Regulatory and Development Authority of India (IRDAI) is currently working on the modalities, and a decision is likely in a month, according to a senior of-



### How a longer term helps

- For the customer, it offers more price stability than an annual policy
- For the insurer, increased product penetration offers better returns
- Possible challenge:** Pricing could be an issue, since inflation over a longer term has to be considered

icial. At present, it is mandatory to buy a one-year policy at the time of vehicle purchase, after which it must be renewed every year. The insurance pays for legal liability in case there is injury or damage to a

third party or property caused by the use of the vehicle in a public place. Driving a vehicle without the cover is an offence under the Motor Vehicles Act, 1988.

The IRDAI sprung into action

after it received a directive from the Supreme Court last year to make a three-to-five-year term mandatory. In January, the regulator had directed all general insurers to sell third-party cover online along with other regular channels.

### Roping in the police

It also advised insurers to liaise with the police to facilitate the issue/renewal of third-party policies.

"It's a positive step; we support and welcome this move," Sasikumar Adidamu, Chief Technical Officer, Bajaj Allianz General Insurance, told BusinessLine.

For the customer, a longer-term

policy offers more price stability than an annual one. It will also help increase insurance penetration, added Adidamu.

### Fewer renewals

However, renewals remain a challenge, even if they are needed less frequently.

Product pricing is another challenge, since inflation over a longer term has to be considered. IRDAI will determine the prices with industry inputs.

It is estimated that 40-50 per cent of vehicles ply at present without third-party cover. How the new rule will affect compliance is to be seen.