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A joke about motor insurance goes, "I collided with a stationary truck coming the other way." But motor insurance is no laughing matter. From attempting to cut corners by reducing costs to depreciation, there are a host of items that Indians tend to overlook when insuring their dream wheels.

People tend to look for short-term gains at the expense of long-term gains while taking car insurance.

"People usually look for cheaper options in most products and insurance is one of them," says Gurdeep Singh Batra, head - retail underwriting, Bajaj Allianz General Insurance.

For instance, to shell out less money from their pockets, customers reduce the Insured Declared Value (IDV) of the vehicle, which results in lower premium rates when buying a comprehensive policy. Insured Declared Value is nothing but the maximum sum assured agreed by the insurer at policy inception. It is advisable to get IDV which is close to the cost of the market value of the car. Less IDV does attract less premium, but lesser coverage too. "Hence, just for the sake to lower premium, people shouldn't reduce IDV as it may affect their claims if that situation arises," says Batra.

Another oversight is your vehicle's accessories - both electric as well as non-electric. You need to inform your insurance company about the same, and your IDV, in turn, will increase.

In case the car uses bio-fuel, the customer needs to inform the insurance company to insure the gas kit and accordingly add it up to the IDV.

Ironically the most important thing that you overlook in insuring your wheels is - the engine!

"We have seen cases where add-on covers like the engine and gearbox protector were not opted for, which resulted in the customer bearing a huge cost of the repairs and/or replacement of engine parts or components," says Anurag Rastogi, chief actuary & chief underwriting officer, HDFC Ergo General Insurance.

Thus, you need to go in for an engine protector that covers damage to the engine, which many won't be aware is not covered under a standard motor insurance policy.

As against a comprehensive policy, customers try to reduce their expenditure by opting for third party cover and rarely think about protecting their assets

Things you overlook while buying vehicle insurance



Remember that the engine is probably the most expensive part of your vehicle.

In fact, the lack of information is one of the key bug-bears of motor vehicle insurance in India.

"The penetration of motor insurance in India is far from perfect," notes Batra. Thus, just about 25-30% of all two-wheelers plying on the road are insured, and about 15% of cars remain un-insured.

And we have ourselves to blame. "Of the customers (that we) surveyed significant part accept to buying insurance only for regulatory compliance rather than risk protection," says Anik Jain, co-founder and CEO of Sympo Insurance.

"Customers try to reduce their expenditure by going in for third party as against comprehensive insurance," notes Jain.

Third-Party Liability insurance, which is mandatory

for all vehicles, covers liability for injuries and damages to others that you are responsible for.

"In addition, it is prudent to cover loss or damages to the vehicle itself by way of comprehensive/package policy, which covers both "liability" as well as "own damage" to the insured vehicle," stresses Jain.

Please remember to do your own research at the time of taking your policy.

If one is buying a policy through an insurance advisor, one expects the advisor to suggest the best option available in terms of coverage. The insurance advisor would not only recommend the insurers and the coverage for the vehicle but also facilitates the changes to policies and assistance required in case of a claim.

"However, this recommendation of the insurer and the

FOR A SMOOTH DRIVE

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cover might get limited to the choice of insurer, with whom the advisor is empanelled," cautions Rastogi.

"Advisors prioritising the earning potential instead of the customer risk protection leads to wrong/incomplete guidance to the customer," agrees Jain.

"The new generation tries to do a lot of research on the

web before buying any vehicle, but seldom thinks about protecting their asset in case of any damage/loss of the vehicle," ends Batra.

Depreciation and your dream wheels

Depreciation is an accounting term that simply means a reduction in the value of an asset over time. This staid accounting term is also applicable to your vehicle.

"It is important to understand that the depreciation of the vehicle and its parts are not covered under a standard comprehensive motor insurance policy," says Gurdeep Singh Batra, head - retail underwriting, Bajaj Allianz General Insurance. The moment you drive from the showroom, depreciation of 5% is applicable on the IDV (Insured Declared value) in the first year, which increases

as the vehicle ages further up to 50% according to the India Motor Tariff.

Depreciation for all rubber nylon/plastic parts, tyres and tubes, batteries and airbags is 50% as per tariff provisions. This depreciation is calculated at the time of claim, thereby reducing the amount an insured gets.

There is a solution called a zero depreciation cover. "Zero depreciation is an excellent support for the customers when there is an accident as the entire depreciation which otherwise will be charged based on the age of the vehicle is waived off," says Gopalakrishnan S, executive vice president - Motor at Global Insurance Brokers.

"Zero depreciation is an add-on cover, which one can take with their comprehensive motor insurance policy," says Anik Jain, co-founder and CEO of Sympo Insurance. It helps the customer to make the maximum use of their policy at the time of a claim. An illustration of how depreciation affects your claim is in the table.

How to take the best insurance for your car

"I strongly believe that one must have a comprehensive motor insurance with appropriate IDV (Insured Declared Value the sum insured), combined with relevant add-on covers as per their requirement," says Gurdeep Singh Batra.

Add-on covers that may reduce your expenses

Engine protector: Not many are aware that a comprehensive motor insurance policy only covers accidental damage to your vehicle and not a consequential loss. For which one must have this add-on cover as it ensures that any damages caused to the engine due to water seepage or gearbox leakage due to accidental damaged oil leakage are covered.

Zero depreciation cover: This cover ensures that the age of the vehicle doesn't affect the claim amount paid for spare parts.

Return to invoice: This add-on ensures that in case of a total loss to your vehicle due to an accident or theft, you will get the market value of the vehicle of similar make/model plus the registration charges and road tax paid.