

Long-term motor insurance on cards

IRDAI urges insurers to design third party five-year policy for two-wheelers, three-year cover for cars

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General insurers may soon come out with a long-term motor third party (MTP) insurance policy for two-wheelers and cars, with the Insurance Regulatory and Development Authority of India (IRDAI) urging them to design such products to increase the number of vehicles with the mandatory cover.

IRDAI's nudge comes in the backdrop of the Supreme Court Committee on Road Safety suggesting that insurers should issue long term covers - five-year policy for two-wheelers and three-year for four-wheelers.

IRDAI is also of the opinion that long-term third party policies would benefit stakeholders in the long run.

Member (Non Life) P.J. Joseph, in a communication to the insurers concerned, said that IRDAI encouraged all of them to design long-term MTP products.



Risky ride: More than 50% of vehicles plying on Indian roads do not have MTP, according to estimates. •GETTY IMAGES/ISTOCK

According to estimates, more than 50% of the vehicles plying on Indian roads do not have MTP despite being mandated by law.

The third party cover is one component of insurance for automobiles – own damage being the other but not

mandatory – and has to be renewed after a year.

A longer-term MTP cover for the policyholder is expected to bring more vehicles under the insurance protection net and reduce the hassle of renewing every year. An increase in the number of insured vehicles could perhaps bring down the rates. It would also ensure some stability for the policyholder with regard to the rates.

Premium volumes

For the insurance companies, more vehicles insured would mean increase in penetration and premium volumes. The increase in the numbers could also mean better claims experience, Mr. Joseph said, adding that “pricing of these products would be dealt with appro-

riately by IRDAI.”

With time, more clarity on the contents of the policy and pricing would emerge, the communication said.

Bajaj Allianz General Insurance managing director and CEO Tapan Singhel said long-term MTP policies would help increase penetration of third party motor insurance and benefit the policyholders as they provided the ease of insuring the vehicle for a long term.

“For the industry it will be a big risk as the laws keep changing in a 5/3 year tenure and the loss in the later years could be high. We are awaiting further clarity from IRDAI on pricing as it can't be priced on the lines of the current one year rates and inflation for such long term period also needs to be considered,” he added.