Date: 4.6.2018	**Publication:** The Financial Express
Page No: 9	**Edition:** Delhi, Kolkata, Bangalore, Chandigarh, Pune, Ahmedabad, Hyderabad, Chennai, Mumbai

● MOTOR INSURANCE

Long-term third-party cover for new private cars and two-wheelers

The insurance regulator has asked non-life insurance companies to design third-party insurance covers which will be five years for two-wheelers and three years for four-wheelers

SAIKAT NEOGI

IN ORDER TO cover more people under the mandatory third-party motor insurance cover, the insurance regulator has advised companies to design long-term cover for new private cars and two-wheelers. At present, the rates of third-party motor insurance are fixed by the regulator every year depending on the engine capacity.

Long-term covers

The Insurance Regulatory and Development Authority of India (Irdai) note underlines that third-party insurance should be five years for two-wheelers and three years for four-wheelers. Half of the vehicles plying on the roads are uninsured despite the third-party insurance being mandatory. "With a view to ensuring that these uninsured vehicles are covered against motor third-party insurance, the Supreme Court Committee on Road safety is of the view that general insurance companies should issue long term insurance covers, namely five-year policy for two-wheelers and 3-year policy for four-wheelers," the communication from Irdai to non-life companies says.

The regulator underlines that long-term third-party insurance will reduce the hassle of renewing the policy every year, and an increase in the number of insured vehicles could bring down the rates as the risk pool becomes larger. It will also ensure that the policyholder has some stability in rates for a defined period. For insurers, too, such a move will increase the number of insured vehicles and lead to higher penetration and premium volumes. Also, an increase in critical mass could mean better experience.

Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance, says with long-term third-party cover policyholders will not have the hassle for renewing their motor insurance every year. From the industry point of view, he says risk will be high, as during the long terms the laws keep changing and the losses could also go up. "We are awaiting further clarity from IRDAI on how this is going to be priced, since the long term premium can't be priced on the lines of the current one year rates and long term inflation rates will also need to be considered," he says.

ILLUSTRATION: SHYAM

Rates fixed by Irdai

For 2018-19, the insurance regulator had reduced the premium rates for motor third-party insurance. The premium for cars with engine capacity of less than 1,000 cc was reduced from ₹2,055 to ₹1,850. There has been no change in the existing rate for cars with engine capacity higher than 1,000 cc. Similarly, the premium on two-wheelers with less than 75 cc engine was lowered from ₹569 to ₹427. However, the premium on two-wheelers over 350 cc has gone up from ₹1,019 to ₹2,323.

Motor insurance comprises own-damage and third-party insurance. Any vehicle that plies on the road needs the mandatory third-party cover under the Motor Vehicles Act and insurers will have to ensure that the policy is available at each of their underwriting offices. To arrive at the new third-party motor premium in April ever year, Insurance Regulatory and Development Authority of India (Irdai) analyses the data on accidents given by the Insurance Information Bureau of India.

The rates are fixed by the regulator depending on the engine capacity and the vehicle owner has to pay the amount every year. No insurer can give any discount on the third-party premium fixed by the regulator. Then, there is own-damage premium which is fixed by the company depending on their underwriting losses and this is where one can negotiate the premium with the insurer. Third-party liability is decided and awarded by the judiciary taking into account the age of deceased, earning capacity, wages, etc., which keep rising due to inflation and other factors. The Motor Vehicles (Amendment) Act has substantially increased compensation for accident victims.

Considering the mandatory nature of third-party insurance, Irdai had asked insurers to ensure that the cover is made available at their underwriting offices and through all available channels of distribution. The reported claims frequency is the highest for the goods carrying segment, followed by passenger vehicles and private cars.

Policyholders should look at a comprehensive cover which takes care of the own damage portion, especially loss or damage due to fire, explosion, accidents or while in transit by road or rail, and even burglary and theft. A comprehensive motor insurance cover comprises own-damage and third-party insurance.