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Tips to reduce your motor premium

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The third party motor premium rates keep getting revised from time to time. In the last three years, the rates have gone up by 20 per cent for private cars and 15 per cent for two-wheelers, leading to a higher outgo towards your motor policy premium. While the third party motor premium rates are fixed by the regulator, you could control the cost you incur towards the own damage section of your motor policy to ensure it does not pinch your pocket. The following measures would help you lower your outgo towards your motor own damage premium:

■ **Keep your no claim bonus intact:** A no claim bonus is a discount the insured is entitled to get on his premium during renewal of the motor insurance policy, depending on the number of years he/she has not made a claim. It is earned only in the own damage (OD) section of motor insurance policies. If you avoid filing small claims and pay for minor repairs yourself during the year, your premium amount at the time of renewal will be lower due to the no claim bonus (NCB) that you earn. It is advisable that when your car gets damaged, get an estimate for the repairs.

If the amount that you need to spend towards repair of damages is lower than the amount you could end up saving during the renewal of your policy through the no claim bonus you can earn, you could avoid making the claim. If your claims are of a negligible amount for issues such as a broken taillight or scratches on your vehicle, not filing them can help you keep your no claim bonus intact.

■ **Get the vehicle repaired at a network garage:** You should take your vehicle to a network garage of the insurer to get the damages repaired at a lower, negotiated cost. You might be able to get the damages repaired at a cost around 20 per cent lower than that charged by your local garage. For instance, if the repair cost is Rs 5,000, you could get the work done at Rs 4,000. So you would not only

get better and convenient service, but would also end up saving on your out-of-pocket expenses towards the repairs. Also, the lower the repair cost, the lower would be the depreciation amount borne by you.

■ **Avail of a long-term motor insurance policy:** Today, products in the market offer a long-term cover for two-wheelers with an option of two and three-year coverage, along with 24X7 roadside assistance. This means the vehicle can be insured for up to two or three consecutive years at one time and the policy does not have to be renewed every year. If you avail such a policy, not only would your vehicle be insured for a longer duration, but you would also save your expenditure towards your motor premium as compared to a single-year policy. Also, third party motor premium and service tax hikes would not affect such a policy.

■ **Opt for voluntary deductible:** Another way of reducing your outgo towards motor premium is by opting for a higher voluntary deductible component in case of a claim. A deductible is a specified amount that the insured has to bear when he files a claim, following which the insurer pays the balance. Opting for a higher deductible earns you a discount in your premium. So, you could opt to contribute towards your claim and pay a lower premium, discounts

for which could go up to 20 per cent to 35 per cent subject to the voluntary deductible amount you choose. For instance, the defined deductible in the motor insurance policy is Rs. 1000/1500.

However, if you avail of a higher voluntary deductible, say of Rs 7,500, you would be entitled to 30 per cent discount in your own damage premium. There are different ranges of deductibles depending on factors such as the size of your car as well as the risk exposure. Ideally, if the insured is confident of his/her driving skills, then he/she should opt for a higher deductible.

(The writer is a chief technical officer, Motor, Bajaj Allianz General Insurance)

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