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**Headline :- 95% car buyers opt for zero-dep cover: Study**

# 95% car buyers opt for zero-dep cover: Study

## Low Deduction Amount In 'Bumper To Bumper' Insurance Policies Means More Frequent Claims

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**Mumbai:** Over a decade since their debut, zero-depreciation policies have become the top choice for 95% of new car buyers. Often referred to as bumper to bumper coverage, they do not deduct for part depreciation as vehicles age, which has resulted in increased claim frequency.

In the past, motor insurance claims included a depreciation clause to align with the principle that claimants should not financially benefit from a claim, but this often left them with out-of-pocket expenses despite the intention to cover the replacement value of old parts. Besides deduction for depreciation, the standard motor policy also had deductions for non-metal parts which is not there in zero-depreciation covers.

According to a study by Policybazaar, over 95% of new car buyers choose this coverage. It is not only new car owners, but also policyholders renewing or swit-

### No Out-Of-Pocket Payment For Damages

“People are realising the policy's benefits. In the initial years, car owners are particularly concerned about their new vehicles and prefer not to pay out of their pockets for damages, which is why the policy has gained popularity — **T A Ramalingam** |

CHIEF TECHNICAL OFFICER, BAJAJ ALLIANZ GENERAL INSURANCE

#### Average claim size (₹)

Zero-Dep	21,000-22,000
Standard	13,000-14,000



Source: Policybazaar

ching insurers who opt for zero-depreciation coverage. More than 85% of buyers choose this coverage for up to the third year of ownership.

Nitin Kumar, head of motor business at Policybazaar, explains that claim amounts under zero-depreciation policies are higher than average claims due to the absence of deductions. Claims under policies without zero depreciation average between Rs 13,000 and Rs 14,000, whereas those with zero depreciation policies see claim amounts rise to Rs 21,000 to Rs 22,000.

Kumar adds, “While the

size of claims has not increased significantly, the frequency has risen as car owners are now more conscious of the external appearance of their vehicles, with more people purchasing high-end cars. Another indicator of this consciousness is the increasing adoption of ceramic coating compared to earlier.”

T A Ramalingam, chief technical officer at Bajaj Allianz General Insurance, notes, “In the initial years, car owners are particularly concerned about their new vehicles and prefer not to pay out of their pockets for damages.”

