

TAKING COVER

# Tips to save on motor insurance premium

You can explore pay as you go model and work on deductibles, too

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Do you own a four-wheeler but find commuting via public transport on a daily basis more feasible than driving? Or are you someone who owns more than one vehicle but usually drives one of them more than the others? If yes, here are a few tips for you to save on your motor insurance premium.

**Pay as you go:** Usage-based or telematics car insurance is a relatively new concept in India but is gradually gaining popularity. Traditionally, motor insurance is determined by the make and model of the car, and not by the driving behaviour of the customer.

'Pay as you drive' model emphasises the driving behaviour and usage (distance covered) of the car. Premium calculation based on this can help bring down your premium cost compared to when computed conventionally.

Insurers will shortly be looking at introducing products where premiums are based on vehicle usage, post approval from the regulator.

**Evaluate claims v/s No claim bonus:** No claim bonus (NCB) is granted by the insurer for each claim-free year. The NCB discount starts from 20 per



cent and goes up to a maximum of 50 per cent for five consecutive claim-free years. This makes for a considerable reduction in your premium. So, make sure you opt for NCB during claim-free years.

The other important point is that you should avoid raising a claim for a minor damage that will not cost you much because if you break your no-claim streak for small repairs, you will not be eligible for NCB in the following year.

For example, let's assume you are eligible for an NCB discount of ₹5,000 next year and face a minor damage for

which the cost of repair is ₹2,000. If you raise the claim for this, you will lose your right to claim the NCB of ₹5,000.

**Opt for voluntary deductible:** Almost all insurance policies have a compulsory deductible — that amount of the claim which the insured has to bear. Suppose the deductible in your policy is ₹1,000 and your assessed payable claim amount is ₹10,000, it means your insurer will pay you ₹9,000 and you have to pay ₹1,000. The compulsory deductible is fixed by the insurer and has no impact on the premium.

However, if you are willing to opt for a higher deductible and are ready to bear a higher amount during any loss, then this can help lower your premium.

**Choose only third party cover for older vehicle:** Your car insurance comprises two elements, third party (TP) cover and own damage cover which together make for a comprehensive cover. A TP cover is mandatory and covers you against third party liability, which may arise if a third party suffers a financial loss attributable to your vehicle.

However, TP does not protect your vehicle and a comprehensive cover is highly recommended. But, if your car is older than, say, 10 years, then you can consider taking a third party cover only.

**Anti-theft device:** Apart from enhancing the safety of your car, installing an anti-theft device (only that approved by the Automotive Research Association of India) also helps you get a discount on insurance premium.

Now that you are aware of these smart tips, explore them to save on your motor premium.

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SMART DRIVE

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