

### [Electric Vehicle Insurance: Premiums are high, but insurers are evolving new offerings](#)

Despite a string of fire accidents involving electric bikes in the last few months, large insurers such as Bajaj Allianz and HDFC ERGO have sharpened focus on the up-and-coming segment



Bundling insurance, repair costs and a battery warranty into the deal, Toyota will lease the bZ4X sport utility vehicles (SUV) at the equivalent of \$39,000 for the first four years. Cancelling in the first 48 months will mean an additional fee. (Source: Reuters)

Several instances of electric bikes catching fire might have come to light in recent months but there is no stopping this vehicle segment from picking up speed.

Though it is still at a nascent stage, general insurance companies are turning their attention to the segment, recognising its growing potential. Large insurers, such as Bajaj Allianz General and HDFC ERGO, have set up dedicated portals that offer specialised services for electric cars as also information to prospective electric car buyers.

On Monday, we dissected loan options for **buying electric vehicles this festive season**. Today, we will focus on the protection aspect - insurance cover for your electric vehicle.

#### **Push for electric vehicle insurance**

Increasing awareness about environmental benefits and policy push from the government are likely to create a fertile ground for growth in this space in the days to come.

The central government has announced tax benefits and **the Insurance Regulatory and Development Authority of India (IRDAI)** has mandated discounted third-party liability premium rates for electric vehicle insurance.

To tap into this segment of the future, insurance companies have started offering additional services and coverage. Bajaj Allianz General Insurance, for instance, offers services such as dedicated EV helpline, SOS, charging information and so on under its 'EVforAll' service umbrella.

This is in addition to the regular services to all car insurance policyholders, such as roadside repair, medical assistance, and so on. Earlier, HDFC ERGO had launched a similar platform, 'AllthingsEV', which offers information on EV options, price, subsidies offered by state governments, charging stations in the vicinity, and so on.

"A supportive policy environment, increasing customer awareness of green technology, availability of EV models across the value chain, along with improved charging infrastructure, has the Indian EV market poised for significant growth in the next few years," Parthanil Ghosh, President, Retail Business, HDFC ERGO General Insurance, had said at the launch.

### **Shadow of fire incidents**

EVs are eco-friendly and can lead to cost savings in the long run. However, a **string of fire incidents involving electric two-wheelers** in recent months has given rise to safety concerns.

"The accidents have largely involved electric bikes, so premiums on electric cars have remained largely unaffected. However, on electric bikes, some insurers have cut down on the discounts on tariff, leading to higher effective premiums of up to 10 percent for policyholders. It is also linked to the manufacturer -- if the track record is good, the premiums do not necessarily go up," says a senior official with an insurance broking firm.

Some industry officials, however, maintain that such accidents will not push up premium rates or slam the brakes on the EV insurance segment. "The number of EVs running on Indian roads is still quite low. There have been a few mishaps like fire. However, this number is low. EV premiums have not been impacted by the series of unfortunate events," says TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

### **Coverage, exclusions for EVs**

Broadly, the terms of coverage remain the same. Premiums will be higher as the cost of acquisition itself is higher, compared to vehicles that run on conventional fuel. This is primarily because of **expensive batteries**.

"There is some difference due to third-party liability premiums and ex-showroom price. Since EVs are expensive, the insured declared value (the sum assured applicable in case of complete damage or loss) of the car will be higher. Hence, premium will be higher too," says Nitin Kumar, Head, Motor Insurance, Policybazaar.com.

While there are no specific exclusions, insurance companies are yet to design covers specifically for EVs. This results in a gap.

"Electric bikes come with replaceable batteries. In petrol or diesel vehicles, batteries are installed within the body of a two-wheeler, but in the case of electric bikes, they are located outside. So these batteries are vulnerable to theft, but currently a regular comprehensive motor policy does not cover this part," he says. Insurance companies are working to develop specific add-ons, he adds.

Also, while electric two-wheelers have been involved in fire accidents - and certain models have been recalled by manufacturers - any related expenses you incur on this count may not be covered. "The recall takes place in the case of a manufacturer's fault or only to update any software or any other feature of the vehicle that has originally been missed out. This falls outside the purview of motor insurance and hence not covered," says Ramalingam.

### **The road ahead**

The growth in the electric vehicle insurance segment is linked to that of the EV space, which faces several challenges. Safety concerns aside, the cost of acquiring an electric car can be prohibitive for many, even if they understand the environmental and monetary benefits over the long term.

"Since we lack significant experience in this area, there are certain concerns over the problems that are associated with batteries. However, despite the fact that the EV sector is now facing obstacles such as the high prices of electric cars and lack of infrastructure such as charging stations, the situation is rapidly improving, thanks to the creation of ecosystems that increase sustainability," says Ramalingam.