

Traffic violation to be linked to premiums

Breaking traffic rules may affect your motor insurance premiums

Disha Sanghvi
disha.s@livemint.com

Soon you won't just get away by paying a fine when you violate a traffic rule; it will also have a bearing on your motor insurance premium. About a week after the government implemented the Motor Vehicles Act, the Insurance Regulatory and Development Authority of India (Irdai) formed a nine-member working committee to examine linking premiums with traffic violations.

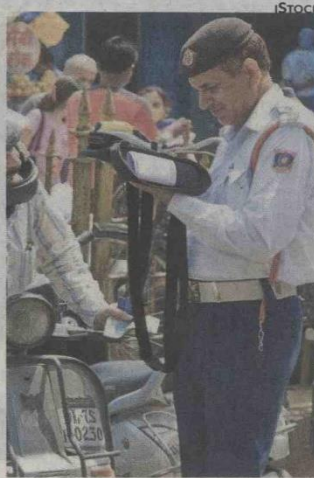
The Irdai circular, dated 6 September, came after the government emphasized that traffic violation history be considered as a parameter to fix motor insurance premiums. Until now, the premiums were, typically, dependent on the car's make, model and variant. "The move will discourage traffic rule violators and reward good driving behaviour. It will help India adopt global practices, leading to further innovations in the space," said Indraneel Chatterjee, co-founder and principal officer, RenewBuy.com, a digital insurance company.

The Irdai committee has been given two months to recommend the implementation framework and methodology, after which a pilot project will be undertaken in Delhi to implement the premium formula.

PREMIUM PRICING

The Irdai committee is expected to come up with resolutions in terms of how premium prices will be charged across traffic violations.

"If you look at the US, there are models in place which help them decide the insurance premiums. For example, not fastening the seat belt will not have too much of an implication on premiums because your car won't suffer because of that," said



Tarun Mathur, chief business officer, general insurance, Policybazaar.com. In the US, not fastening the seat belt would increase a premium of \$1,500-1,800 by about \$60, but if the driver is found driving under the influence of alcohol, then the premiums can go up by two times, he said.

"If someone is a repeat offender for driving under the influence of alcohol, in all likelihood, the number of claims will be higher," added Mathur.

The committee will be able to come up with a formula based on data. The e-challan system the government has initiated will ensure there's enough data in the system giving details about a driver's violations, the fines he's paid and so on, said Mathur. However, Abhishek Bondia, principal officer and managing director, SecureNow.in, an online insurance broker, said initially it will be a challenge to corre-

late traffic offences to motor claims. "While intuitively it makes sense, for scientific pricing, a lot more data will be required," he said.

CUSTOMER BEHAVIOUR

Though the premiums will become a bit uncertain, the new rule will reward careful drivers. In India, insurance premiums are linked to the vehicle and not the driver, which is not the right way to decide the price, said experts. "This will benefit policyholders who are safe drivers because they will most likely get a discount in premiums," Mathur said.

Remember that once this rule comes into effect, even the smallest of violations could affect the premiums. "Given that traffic violations will have an implication on the premium, policyholders will have to be cautious," said Chatterjee.

Insurers said Irdai will prescribe broad parameters for discounts or increase in premiums, as the case may be. Gurneesh Khurana, country head, motor business, Bajaj Allianz General Insurance, said there would most likely be a point system for traf-

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fic violations which will then form a centrally available pool of data.

"We would then be able to segregate good drivers from regular violators. It's something like this. The day I start exercising, I also look at what I eat. Similarly, once people know what

price they'll have to pay for violating traffic rules, they'll automatically become more careful." said Khurana.

The committee is also looking into defining different scenarios and may base the premium on the actual driver's driving patterns, he said.

It's time to get careful about how you drive.