

Stay fit, drive safe to keep insurance premiums low

Understand the lesser-known parameters that can push up insurance premiums or lead to cover denial.

by Preeti Kulkarni

The Motor Vehicles (Amendment) Act will affect your pocket in more ways than one. The stiff new penalties are already grabbing headlines. Soon, your insurance premiums could be hit too. The Insurance Regulatory and Development Authority of India (Irdai) has set up a working group to examine the possibility of linking motor insurance premiums to traffic violations. Policyholders with vehicles featuring similar standard parameters like age, make, model, insured declared value and no-claim bonus (NCB) could be charged differential premiums based on their track record on the road. If implemented, it will be yet another factor that will decide premiums and rejection or acceptance of policy proposals. We look at other parameters that affect life as well as non-life underwriting decisions.

Driving patterns

Your driving pattern has a bearing on the underwriting process. For example, the extent of usage gets factored in when insurers assess a prospective customer's overall profile. "Normally a user in a city drives around 15,000 km a year. If the usage is be-

yond this range, we need to understand the reasons for it," says Gurdeep Singh Batra, Head, Retail Underwriting, Bajaj Allianz General Insurance. Traffic violations also impact term cover applications. "A risky driver is likely to be seen as a risky life to cover," says Shivakumar Shankar, MD, LexisNexis Risk Solutions.

Your driving behaviour also has an impact on premiums by way of no-claim discounts. "If an insured's vehicle has needed frequent accident-related repairs, it will impact premiums in subsequent years," adds Batra. Your insurance purchase record, too, plays a role. "If an insured with a seven-year-old vehicle wants to buy an own damage cover after neglecting the same for five years, it is a red flag," says Vaidyanathan Ramani, Head, Product and Innovation, Policybazaar.com. To ensure a cheaper premium, adhere to road rules.

Choice of features

Besides age, health status, sum insured and location, the kind of hospital room variant you choose influences your health premiums. For example, a 35-year-old buying a ₹5 lakh cover may have to pay close to 25% more if he chooses a no room-rent sub-limit policy instead of one with a sub-limit of ₹4,000 per day. A private room in a tertiary hospital will entail higher outgo for the insurer. "Therefore, a no-limits policy will be costlier," says Dharendra Mahyavanshi, Co-founder, Turtlemint, an online insurance aggregator. Given that expenses like doctor's fees and OT charges are linked to room rent, it is best to opt for a no-sub limits policy. If affordability is a concern, buy a with sub-limits policy and upgrade to one without restrictions in future.

Health indicators

Body mass index, which indicates whether an individual is obese or underweight, plays a role in determining premium and decision on the proposal. "A BMI of over 30 can attract premium loading of 50-100%," notes Mahavir, Chopra, Director, Health, Life and Strategic Initiatives, Coverfox.com. Multiple factors coalesce to trigger a decision. "An abnormal report from a stress test may lead to a premium loading, but not rejection. However, if the proposer has other chronic health conditions, it could lead to a rejection," says Chopra.



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Features play a role in determining premiums

Policy with sub-limits*



₹5,406

HDFC ERGO's premium for a 35-year-old buying a ₹5-lakh health cover. *Room rent sub-limit of ₹4,000 per day.

Source: Coverfox.com

Policy without sub-limits



₹6,768

Good health equals higher savings

Annual premium for a standard life



₹6,768

*BMI of more than 30; premium loading of 30%; can vary as per insurers' underwriting policies and other factors. For a 35-year-old buying a ₹5-lakh health cover

Source: Industry estimates

Annual premium for higher BMI*



₹8,798

history and credit behaviour of the customer; risk models help assess the mortality risk," Yusuf Pachmarriwala, Executive Vice President and Head, Operations, Tata AIA Life. As part of the underwriting process, insurers demand multiple documents related to income and health. "Life insurers could waive off income and health checks for say a salaried individual residing in a metro with a credit score of above 650," says Chopra. Pay your EMIs, credit card bills and utility bills on time to ensure higher credit scores.

Income and occupation

Your term insurance application's approval is linked to your income and profession. For example, if your annual income is ₹5 lakh and you are seeking a ₹1 crore cover, you could be denied the cover.

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The numbers that matter



15,000 km

The approximate normal usage in a year beyond which motor insurers' scrutiny will be tighter



25

Body mass index score beyond which premium loading could kick in



8.5

HbA1C score which can attract premium loading of around 30%