

Steep jump in demand for basic motor insurance

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It may seem bizarre, but true. Vehicle insurance policies, especially of two-wheelers, saw a nearly 500 per cent growth this month, following the implementation of the Motor Vehicle Amendment Act-2019 (MVA) from September 1.

It seems the hefty penalty, of Rs 2,000 for the first offence, stipulated in the MVA is the trigger for the sudden pick-up in vehicle insurance policies. Insurers expect the trend to remain for at least a couple of months more, as many more would still be driving without insurance.

"We have seen a 500 per cent jump in the third-party (TP) insurance for two-wheelers in September on a month-on-month basis so far. People are insuring their vehicles for TP insurance through various channels, including agencies and online," said Ritesh Kumar, CEO, HDFC Ergo General Insurance, adding that this will definitely lead to more vehicles being insured and a decrease the number of uninsured vehicles.

A public sector general insurer too confided that the increase in policy sales could go up by more than 500 per cent in a couple of months.

Not wishing to be identified, he said: "We have seen a sharp rise in sales of motor insurance policies. Even the owners of very old



vehicles, both two-wheelers and four-wheelers, are coming forward to get their vehicles duly insured."

"Especially two-wheeler owners, for whom the premium rates are comparatively low, people would rather opt for insuring than paying huge fines. This will bring more people within the ambit of insurance as around 70 per cent of the two-wheelers that are plying on road are uninsured," he added.

The motor insurance segment accounts for Rs 65,000-crore business, the largest part, of the Rs 1.75 lakh crore general insurance industry, which boasts of 25 players in the space. For most general insurers, more than 40 per cent of the business comes from motor insurance.

The third-party segment witnessed the largest volume growth this month, as the sector regulator Irda has made TP insurance mandatory. The demand for own damage (OD) category is rather low.

Gurneesh Khurana,

President & Country Head Motor Business, Bajaj Allianz General Insurance, said the growth in TP motor insurance business was more than two-fold this month for his company compared to last month.

"A larger share of the two-wheelers plying on road are uninsured, with this new MVA Act, two-wheeler owners are feeling the need for taking TP insurance as premium rates are lower than the fine for not having insurance," he said.

"The growth of vehicle insurance has happened even in those states that are yet to implement the Act. Vehicle insurance policies have to be renewed on a yearly basis, and it is here too insurers are quite hopeful of getting much more business," Khurana added.

"We have also seen much more enquiries for renewals of the existing vehicle insurance policies," said Roopam Asthana, CEO & Whole-time Director of another private sector non-life insurer, Liberty General Insurance.