

Long-term third-party motor insurance mandate kicks in

Satyanarayan.Iyer
@timesgroup.com

Pune: People looking to buy new vehicles, including two- and four-wheelers, will have mandatorily buy long-term motor cover from now on.

Under the government policy, new four-wheeler buyers will now have to purchase a three-year third-party insurance and all two-wheeler will have to mandatorily buy a five-year cover.

The move follows July 20 judgment of the Supreme Court, which observed that about 66% of vehicles were running on road without any third-party insurance cover and the victims of accidents were not getting compensation because the vehicles were not insured.

"Most people buy their vehicles on loans (hypothecation). To cut cost, they end up buying the bare minimum cover. We have seen that people start opting for third-party cover after their vehicles are 6-7 years old," Pune-based insurance advisor, Deepashree Dhule, told **TOI**.

This attitude often proves costly. For instance, Pimpri's Gopalakrishnan Iyer had a rough time getting compensation after he and his son met with an accident in Ajmera. It took him almost three years to get Rs 4.5 lakh in settlement.

By law, the motor accident claims tribunal has to decide the third-party payout amount in case of injury or death to the victim. The same is based on the perceived earning potential and the residual age of the victim. However, since it takes about 4-5 years on an average for a third-party claim to be

THINGS TO KNOW

File photo



INDIA STATS
Of the 18cr vehicles plying on roads, only about 6cr have third-party insurance

THE CATEGORIES

- **OWN DAMAGE** | Covers the owner of the vehicle with injury to self or to the vehicle up to the declared value of the vehicle
- **THIRD-PARTY INSURANCE** | This determines the extent to which the aggrieved party will be compensated for loss on behalf of the person who holds such a cover. Typically, the maximum legal liability is fixed at up to ₹7.5 lakh
- **FOR DEATH/INJURY** | The liability is determined by the court based on the earning capacity and the residual age of the injured or deceased
- **COMPREHENSIVE INSURANCE** | Covers both own damage and third-party loss. It also has the option to insure co-passengers

WHO IS COVERED UNNAMED PERSON/S WHO IS/ARE AT THE RECEIVING END OF THE ACCIDENT



THIRD-PARTY COVER

WAS IT MANDATORY? YES, IT WAS FOR ONE YEAR

SO, WHAT HAS CHANGED

The tenure. The new order mandates that such covers be brought over a longer-term upfront (3-years for four-wheelers and 5 years for two-wheelers) as it was found that people seldom renewed their third-party cover after one year

WHY DO PEOPLE OPT OUT

40%

Due to the cost involved. The third-party cover constitutes at least 60% of the total premium cost, while own damage constitutes about

adjudicated, parties go in for a mutual settlement.

For insurers, motor vehicle claims continue to be on top of the list. Third-party claim ratio for the industry was 101.6% for financial year 2016-17 and 95.9% for financial year 2017-18. "People often drive quite rash and it is a headache for the insurers. Every year, motor vehicle insu-

rance claims go up. Even though the third-party premiums have gone up by almost 2.5-3 times in the last decade, insurers are not too keen to push this cover," an insurance agent said.

Some industry players, however, were upbeat at the prospect that the new law brings. "The move will certainly contribute in increasing

the penetration of third-party motor insurance because despite being mandatory at present, not all vehicles plying on the roads are insured. Compared to four-wheelers, a bigger percentage of two-wheelers remain uninsured," Sanjay Saxena, head - Motor Underwriting and Motor Claims, Bajaj Allianz General Insurance, said.