



Multi-year motor plans to add to initial cost of new vehicles

Front-loaded costs

The premium amount for three or five years will now get bunched up at the time of purchasing the vehicle

Figures in ₹

Private cars			Three-year third-party policy premium (September-March 2018)
Engine capacity	One-year third-party policy premium (2018-19)		
<1000 cc	1,850		5,286
1000-1500 cc	2,863		9,534
>1500 cc	7,890		243,05
Two-wheelers			Five-year third-party policy premium (September-March 2018)
Engine capacity	One-year third-party policy premium (2018-19)		
<75cc	427		1045
75-150 cc	720		3285
150-350 cc	985		5453
>350 cc	2323		13034

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The Insurance regulatory and Development Authority of India (Irdai) has asked general insurance companies to start offering multi-year third-party insurance policies for all new private cars and two-wheelers. The directive came in a circular on 28 August, following an order of the Supreme Court on 20 July. The court had ordered that from 1 September, third-party insurance cover for new cars should mandatorily be for a period of three years and for five years for two-wheelers.

While insurance companies have been offering multi-year policies of up to three years for two-wheelers, there are no such policies for four-wheelers. Also, the SC order pertains only to third-party insurance for new private cars and two-wheelers.

A motor insurance has two components—third-party liability and own damage. It is mandatory for all registered vehicles to have a third-party cover.

IMPACT ON POLICY

As a buyer of a new vehicle, you will now have three options. "Either you can take only a third-party policy for three or five years, or you can take a comprehensive policy for three or five years, or you can take a third-party policy of three or five years and one-year own damage policy (comprehensive for a year). But the ticket size of the policy will go up," said Animesh Das, head of product strategy, Acko General Insurance.

You will have to remain with the same insurer till the third-party policy expires, which will be three years for a new private car and five years for a

new two-wheeler. "The regulator will have to permit standalone own damage policies going forward, which is what the consumer can buy in subsequent years for a single year at a time," said Rupam Asthana, chief executive officer, Liberty General Insurance.

IMPACT ON COST

The immediate impact will be on the total amount that you will spend as a vehicle buyer.

Irdai has notified third-party premiums for multi-year policies (*see graph*). The new premium is not just a multiple of the existing third-party premium: in some cases, like small cars and two-wheelers, it is less than three times or five times the current premium. In others, it is higher by three or five times the current premium.

Third-party premium has gone up each year in the past five years; it is based on the claims experience of the past years, Das said. "Third-party losses for small cars are lower compared to large cars. Hence

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our understanding is that the revision in premium for small cars and two-wheelers is on the lower side and the revision for large cars and bikes on the higher side," he said.

The largest issue will be the increase in the initial cost for consumers, Asthana said. "For a buyer of a high-end car, the third-party premium is substantial. While she may have paid the same amount over the years in premium, but the upfront payment will result in some financial pressure," he said. For two-wheelers, the sudden increase in the initial cost may deter a few purchases, as this segment is fairly price-conscious, Asthana said.

But remember, you don't have to pay anything in subsequent years of the policy term.