

New vehicles to get long-term third party motor insurance from Sept 1

SURABHI



Insurers have to ensure that the cover is available through online channels too and advertise the introduction of the long term third party motor insurance. - shutterstock.com

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General insurers will provide long-term third-party motor insurance covers for new cars and two-wheelers from September 1.

The Insurance Regulatory and Development Authority of India (IRDAI) directive follows the **Supreme Court order in July**.

Accordingly, third party cover for new cars will be for three years and for new two-wheelers, five years.

At present, **third party cover** is mandatory under law but is offered only for one year.

The IRDAI in its guidelines has said the premium should be collected for the entire term at the time of sale of insurance but will be recognised on a yearly basis. The insurance will be cancelled only in case of double insurance, loss or sale of vehicle, it added.

“The premium for the year shall only be recognised as income and the remaining premium shall be treated as “premium deposit” or “advance premium,” the IRDAI has said.

For package policies, which provide comprehensive cover for third party liability and own damage, the regulator says insurers have the option to provide a long term package for both or a bundled cover with a three- or five-year term for the third party component and a one-year term for ‘own damage’.

Insurers have to ensure that the cover is available through online channels as well and should advertise the introduction of the long term motor third party insurance as stipulated by the Supreme Court.

“They shall also liaise with the police authorities to facilitate issuance and renewal of third party insurance cover and ensure its easy availability,” IRDAI has said.

‘A welcome move’

Insurers have welcomed the move and said the industry had been preparing for it since the Supreme Court ruling.

“According to estimates, about 60 per cent of two-wheelers and 35-40 per cent of four-wheelers are being driven without any motor insurance cover. With the launch of mandatory long term motor policies, we are sure that motor insurance penetration levels will rise further in the coming years,” said Sanjeev Mantri, Executive Director – ICICI Lombard General Insurance, adding that the company is ready to offer such products from next month.

Pricing for own damage

Rakesh Jain, Executive Director and CEO, Reliance General Insurance, said the pricing of premium for ‘own damage’ had to be worked out.

“A lot of policyholders forget to renew or find it difficult to retain insurance. For the own-damage part - it is too early to comment. The premium needs to be worked out taking into consideration inflation on labour and spare parts over the future policy period. Industry needs to gather more data points and decide on the pricing approach,” he said.

However, another executive with an insurer questioned how this directive would work in sync with that on Pollution Under Control Certificate. Vehicle owners have to get the PUC ahead of policy renewal. “The long term cover would be for three to five years while PUC is for a shorter time period,” he pointed out.

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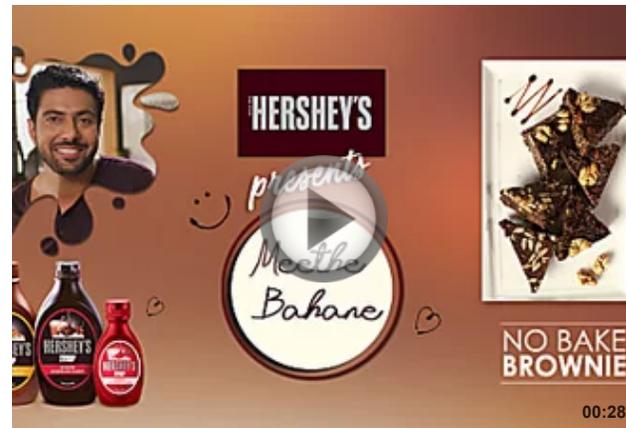
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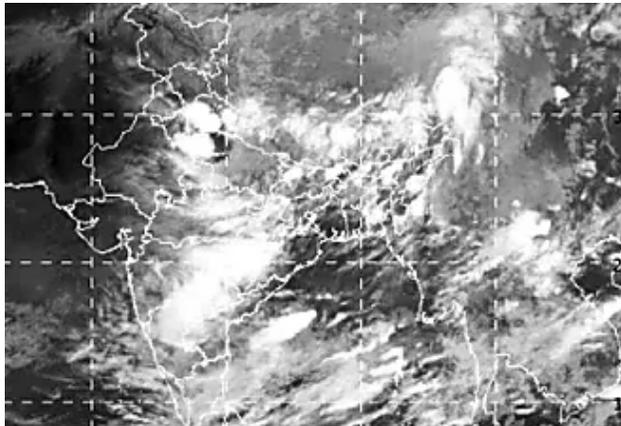
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