

THIRD-PARTY MOTOR PREMIUM HIKE

'Customers may go easy on policy renewals'

IRDAI move unlikely to affect auto sales

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Sale of new automobiles and two-wheelers may not be hit by the proposed increase in third-party motor premium, though insurers believe the higher cost could discourage people from renewing their auto insurance.

"New vehicles, which are a critical part of the Indian auto story, have been kept out of the third-party hike. One of the reasons could possibly be that sales are already sub-

dued," noted Sanjeev Mantri, Executive Director, ICICI Lombard General Insurance, while welcoming the hike in rates.

In the draft notification for increase in third-party motor insurance premium, the Insurance Regulatory and Development Authority of India (IRDAI) has proposed to increase the premium rates for mandatory third-party cover by 15 per cent for cars and 20 per cent for bikes with engine capacity of 150 cc to 350 cc.

Tarun Mathur, Chief Business Officer, General Insurance, Policyabazaar.com, also said there should not be a ma-

jor impact on sales. "However, we should see a surge in insurance purchase before the final mandate," he noted.

Long-term insurance

Last year, the IRDAI had made it mandatory for general insurers to offer long-term insurance to new car owners. Coupled with the increase in compulsory personal accident cover, the changes had led to an estimated 10 to 19 per cent increase in insurance costs for two-wheelers, and were seen as one of the reasons for the slowdown in auto sales.

Passenger vehicle sales

dipped 17 per cent in April, while total two-wheeler sales were down 16.36 per cent on an annual basis, according to data released by the Society of Indian Automobile

Manufacturers. Meanwhile, Devendra Rane, Founder and CTO, Coverfox.com, said the move will benefit insurers as the loss ratio for the motor insurance category has been high for many years, making it an unprofitable segment. "On the other hand, the customers are now going to be more reluctant in renewing their insurance policies. This reluctance may also give rise to fake in-

surance policies to avoid getting fined by the traffic police," he said.

Sanjay Seth, Executive Vice-President, IFFCO Tokio General Insurance Company, said the increase in rates will help the industry reduce losses. "The industry has seen an increase in third-party claims, both in terms of numbers and values. Some judgments in the past couple of years have caused a sharp rise in the award amount," he noted.

Seeks comments

IRDAI has sought comments from stakeholders before May 29, and the new rates are

likely to be applicable from June 1. Mitul Shah, Automobile Research Analyst, Reliance Securities, said: "The move will increase the overall buying price of vehicles for the end-consumers across vehicle categories and also create additional pressure on consumption and demand for automobiles. As the two-wheeler segment is the most price sensitive and largely dependent on rural markets, we believe that any incremental cost will have far-reaching impact on two-wheeler sales, particularly in the moped segment (less than 75 cc category)."