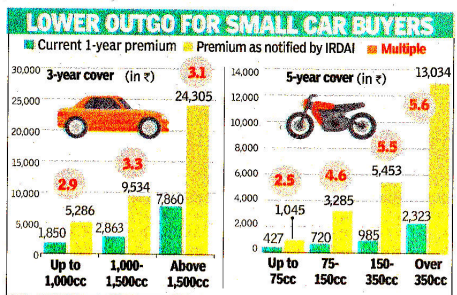


# Shell out more for long-term auto insurance

## IRDAI: Only 3-Year Policies For Cars, 5-Year For Bikes



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**Mumbai:** Buyers of new vehicles will have to shell out more money from Saturday. The insurance regulator has made it mandatory for companies to offer only three-year policies for new cars and five-year policies for new two-wheelers with effect from September 1, 2018. The good news for buyers of small cars (below 1,000cc) and two-wheelers (below 75cc) is that they will be able to lock in long-term policies at cheaper prices and avoid the annual increase in third-party premium that happens every financial year.

Insurers were hoping to buy some more time on the grounds that they were not ready with their long-term products and were planning to approach the SC for relief. However, IRDAI has forced their hand by asking them to start selling policies at rates announced by the regulator. The IRDAI circular follows an SC directive last month asking insurers to issue only long-term third-party cover policies for new cars

and two-wheelers from September 1 to avoid a situation of having uninsured vehicles on the road.

According to ICICI Lombard General Insurance head (underwriting and claims) Sanjay Datta, the compulsion to offer three-year policies is only for third-party insurance.

While the rates for third-party covers have been fixed by the regulator, for long-term own-damage (or comprehensive cover) insurers shall apply their own underwriting principles and start distributing the products from September 1, and file such products with IRDAI before September 15.

According to Reliance General Insurance CEO Rakesh Jain, this is a positive development as many owners forget to renew their policies after the first year. "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 future of the policy period. The industry needs to gather more data points and decide on the pricing approach," he said.