

PICK THE RIGHT INSURANCE FOR YOUR DREAM CAR

Choose your car insurance carefully to protect yourself from uncertain roadblocks

BY PRIYADARSHINI MAJI

Having a car today is no longer a luxury but a necessity. But not many people realise that choosing the right car insurance is as important as choosing the right car. Any damage or accident may have severe repercussions for your finances if the vehicle is not adequately insured.

As car insurance covers are mostly standard across channels and insurers, there is not much to choose when it comes to basic vanilla products. There are mainly two types of plans — Third Party Insurance Plans and Comprehensive Insurance Plans.

THIRD PARTY PLANS

These are mainly for covering third-party damages. If you cause a road accident in which someone gets injured or someone's vehicle is damaged, third party insurance takes care of the damages. Third party insurance is mandatory under the Motor Vehicles Act. On the flip side, it doesn't cover damage to your own car; that remains your personal expense.

COMPREHENSIVE PLANS

This plan is much more popular and beneficial as it covers both third party and own damages. It also covers theft and damage caused by natural calamities such as earthquake and cyclone. "A comprehensive plan is always recommended over a third party plan as it covers your damages also. First-time buyers should opt for a comprehensive plan, given that a new user has more chances of banging his car," says Varun Dua, Co-founder & CEO, Coverfox, which sells motor insurance online.

Comprehensive insurance plan

is recommended for minimising the financial burden in the event of an accident, damage due to natural calamities or vehicle theft. "With rising incidences of road accidents, theft and natural calamities, it is wise to opt for a comprehensive plan to ensure complete protection and peace of mind," says Rajiv Kumar, Head of Corporate Planning, Universal Sompo General Insurance.

PREMIUM CALCULATION

The basic car insurance premium includes own damage premium cover & third party cover. Third party cover

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is non-flexible & depends on the cubic capacity of the engine; owner cover is also fixed and non-negotiable. Own damage section accounts for a much larger share of the premium than the above two and depends on factors like engine capacity, model, claim history, place of registration and age of the car. The premium for diesel cars is 10-15 per cent higher than that for petrol ones. A vehicle owner can reduce the cost of the insurance by opting only for appropriate add-on covers.

"If the vehicle owner resides in a low-lying area where rain water accumulates, he should consider opting for an engine protection cover for damage caused to the engine due to water ingress. Engine damage due to water ingress is not covered under the standard own damage cover and therefore any damage to the engine of the vehicle has to be borne by the insured. The amount one has to spend on engine repairs depends on the make of the vehicle and is exorbitant," says Kumar. Therefore, you should choose your add-on covers carefully on the basis of your usage as unnecessary add-ons will result in a higher premium outgo.

Unlike own damage premium, the third-party premium is a tariffed-product, whose price is fixed by the authorities/regulatory body. "The third-party premium is tariffed. It is fixed and uniform across all insurance companies. The regulator decides the third-party premium based on technical parameters of the vehicles and previous year's third-party claim/losses," says Amitabh Jain, Head Underwriting and Claims, ICICI Lombard.

A few insurance companies also give discount on own damage, but this discount usually depends on the city and the car type. So, a Hyundai i10 might get 45 per cent discount in Delhi and 50 per cent in Mumbai. The car owner doesn't have any control over these factors but there are a few companies that offer you discounts. For example, to be eligible for a discount, one can opt to be a member of the Automobile Association of India or install an anti-theft device. Customers can also get a no-claim bonus discount ranging from 20-50 per cent depending on the number of years for which one hasn't filed a claim. The premium also depends on the number and price of add-on covers and the vol-

untary deductibles one opts for.

ADD-ONS:

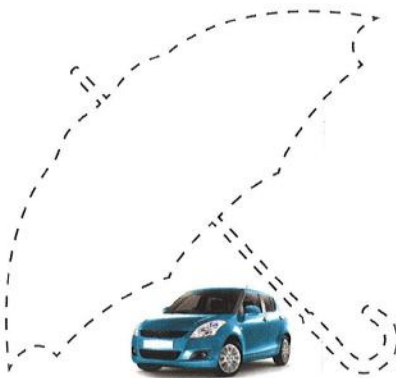
Though add-ons increase the premium, they are worth it, say industry experts. "It all depends on the usage of the vehicle. But while one cannot doubt the usefulness of these add-on covers, one must choose wisely," says Kumar. Add-ons cover loss of driving licence, registration copy, keys or personal belongings, besides accidental hospitalisation and consumables. Here are some add-on covers that you can consider according to your requirement.

- **Road Side Assistance:** If one drives regularly on expressways and long routes, opting for a Road Side Assistance (RSA) cover is a good idea. If your car breaks down on a highway or has battery issues, the RSA cover comes into force. Under it, the insurer provides various types of assistance, including towing services, on-site battery jump start, tyre replacement, additional fuel and, in some cases, reimbursement of money you spend to stay at a nearby hotel while your vehicle is being repaired. It also provides an alternative vehicle, up to a certain distance, or a fixed sum.

- **Return To Invoice (RTI):** RTI reimburses the difference between the on-road price and the IDV (insured declared value) in the event of a total loss. IDV, or simply the value of the car, is defined during buying of the insurance policy. "Make sure to select the right value of the car as that's the amount one will get during total loss or theft. Also, do not declare wrong information while purchasing the policy as it may affect claim settlement," says Coverfox's Dua. Just to avail more rebates on premiums, at times vehicle owners understate the IDV of the vehicle, which should ide-

ally be according to the current market value of the vehicle, as in case of total loss, the owner is reimbursed an amount that is lower than the actual value of the vehicle.

Coming back to RTI, in case of theft or total loss, RTI can prove to be a saviour after the vehicle is declared unfit for further repairs and usage. The approximate difference in the premium between a simple comprehensive policy and a policy with the RTI cover is 30-40 per cent. "With recent incidences of natural calamities and theft of vehicles on a large scale, customers are opting



for the RTI cover to protect their purchase," says Kumar.

- **No Claim Bonus Protector:** It protects your NCB (no claim bonus) earned on the previous policy even in the event of a claim. While renewing the policy, one should protect one's NCB benefits to avail of discounts the next year on own damage premium for a claim-free year. Minuscule damages should be personally funded and not be claimed to get the NCB benefit.

- **Depreciation Insurance:** Zero depreciation reimbursement can

save the amount deducted in case of partial loss on parts replaced. This costs between 15 per cent and 20 per cent of the standard premium and is advisable for all cars. It is available for cars that are up to five years old. Nil depreciation offers complete coverage without taking into account the depreciation on car parts and saves one from spending a lot of money. If your car gets damaged after a major crash, you will receive the entire cost from the insurer.

CHANNEL OF DISTRIBUTORS:

Each channel of distribution has its own pros and cons, but digital-savvy customers seem to prefer buying insurance online due to lower premium and operational benefits. "Best premium rates are available online, and one can easily see a premium difference of 20-25 per cent between the price quoted by agents and the online quote, though negotiation can bring the agent's quote close to the online one. Buying insurance from an agent has a benefit in the sense that the agent can help you explain jargon, but if one is comfortable with the basic language used in the insurance sector, online purchase is always recommended," says Dua. Online purchase makes things easy in terms of policy management, quick and easy renewal, timely reminders, etc. Online policies are not only cheaper, they also help one save time, as there is no need to visit the insurance company or rely on the agent for all policy-related issues.

Customers also prefer purchasing insurance policies from car dealers as they have tie-ups with various insurance companies and the dealer ensures adequate coverage. They also provide special offers exclusively to their customers by negotiating with the insurers. ♦

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