'Check your driving history before buying a policy'

Rakesh Jain

CEO, Reliance General Insurance

*From justifying the need for a limited cover for third-party liability to listing ways of reducing car premium, Rakesh Jain talks to **Riju Dave** on a range of issues.*

What's your take on the Motor Vehicles Amendment Bill 2016, proposing the limits of ₹10 lakh (death) and ₹5 lakh (injury) for third-party liability?
Every insurance needs to function in a defined liability environment. An open-ended, unlimited liability makes it a difficult proposition to price. If you have a fixed price for all customers, it's a bit unfair for those who don't have a claim and keep paying a higher price year on year. To address this problem, it's important to have a structured approach to coverage and pricing. Having said that, if you see the trend of claims in deaths or injuries, the limit is two to three times the present average, with almost 95% of the claims likely to fall within this limit. The proposal of the industry is that for the spillover, people can buy additional insurance. Why burden the majority of the buyers with an open-ended cover and higher prices? Instead, it should be the discretion of vehicle owners to buy higher limits, which will be provided by the insurance company at a small, additional premium. To have an open-ended provision ultimately works against the customers because the price will keep rising.

How can one reduce the car premium?
First, the owner should look at his track record and driving history before deciding on the policy. If a person has a good track record, it doesn't make sense to take a loaded policy. Another good option for safe drivers is to opt for higher claims deductible, which can be up to ₹15,000 from the standard ₹1,000, and can fetch discounts of 10-20% on the premium.

Also, for safe drivers, it's prudent to buy the standard comprehensive cover, wherein there is a depreciation in the value of the car with age and a commensurate reduction of premium. In contrast, a zero depreciation cover will fetch full replacement value at the time of claim, but will come at a higher premium. If you haven't made a claim in the past few years, buying a zero depreciation cover doesn't make sense. So people should check their driving behaviour in the past 3-5 years and then decide whether they need full or partial coverage.

> ***"If you haven't made a claim in the past few years, a zero depreciation cover doesn't make sense."***

The owners with high no-claim bonus (NCB) should take protection from the one freak accident that can take away the NCB benefit. By paying a small, additional premium, the NCB status can be retained in spite of an unfortunate incident. So be it features or premium, people should evaluate their driving pattern and check the risks and benefits in the policy before deciding whether to optimise coverage or premium.

Is it better to buy an online cover for cars?
Online buying in India is still about awareness, comparatives, disclosures and convenience. It's not just about price. Also for a company, motor being a class rated product, the price is likely to be same across channels for similar risk profile. What happens online is that a person is able to see the various options seamlessly and evaluate better. Besides, with the assistance of telecallers, Whatsapp messaging or Web chats, specific issues can be addressed immediately. This transparency and involvement results in the customer buying the appropriate cover and it potentially reduces any future misunderstanding with the insurer.

How should one select the right insurer?
The first thing you must look at is that the insurance company has presence across the length and breadth of the country, a wide service network, and that it works with big garages and service providers. This means that in case of a contingency, you can contact their call centres and get quick assistance and cashless service. Second, when it comes to claims, IRDAI has created an industry-wide grievance portal, Integrated Grievance Management System (IGMS). Here, customers can see the complaints against insurers, claims, delay or non-settlement of claims. This is a great way of checking the claims practice or servicing ability of a company. Lastly, they can check if the company has a good financial position, standing and brand image.

A new company is offering doorstep claim service. Is this the way forward?
Yes, it is a good thing to happen and we are also providing this. However, we need to understand that this is for the normal breakdown services or minor body dents or windscreen replacements. It cannot take care of serious damages or engine-related issues. Also, a lot of cars, like electronic gadgets, are now running on sensors and need proper coordinated technical checks before they are declared fit to ply. So anything that has to do with engine and other engineering systems requires a different approach. If you see the modern garages, instrumentation is what makes them good. It's not just mechanics now; you need to identify the problem with diagnostics.

Are self-driving cars the future? How will insurance work for such cars?
Yes, it's very likely in the near future. Many countries and most manufacturers have developed the concept reasonably and are putting it to test. From an insurance perspective, motor insurance will perhaps transform from vehicle damage to product liability and warranty policy. It's like home appliances. When you buy an air conditioner or fridge, you expect it to function properly and for that you take a warranty insurance. In the same way, you will expect the cars to perform, and if they don't, either you as an owner or the manufacturer or service provider will be liable for serious legal and financial consequences.

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