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Buying car insurance? Keep these points in mind

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February 10, 2020 | UPDATED 19:40 IST

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Buying a car is a big life decision. Not only does it cost good chunk of money but also holds enormous emotional value. Although safe driving to some extent helps you protect your vehicle from damage, you never know when an untoward incident happens burning a hole in your pocket. Buying a car insurance is important to mitigate any financial loss. Here are key things to take note of:

Which type of insurance cover to buy?

There are two components to car insurance - own damage and third party. A third party (TP) insurance of three years is mandatory by law if you have bought a new car, while own damage (OD) cover is optional. It is important to know that you don't have to buy both covers from one insurer.

1) Standalone third party coverage: When you only buy TP insurance from an insurer without buying OD coverage. It is also called liability insurance.
2) Standalone annual OD cover: When you separately purchase standalone OD cover.

3) Comprehensive policy: Comprehensive policies not just cover third party liability but also own damage due to accident, theft, fire etc.

You may come across another type of insurance named bundle insurance. It is a mix of many products covering all your car needs from accidental to theft damages. "Bundle Insurance product is mix of zero depreciation, key replacement, loss of personal belongings and personal accident coverage etc," says Indraneel Chatterjee, Principal Officerand Co-founder, RenewBuy.com.
"In today's time it's highly advisable to always opt for bundled products as many companies give handsome premium discounts on bundle products," he adds.

How much coverage and premium are required?

The sum insured is called insured's declared value (IDV). It is the value of the car that is calculated by adjusting the listed selling price of the car with depreciation percentage as prescribed by the insurance regulator IRDAI. So, when you buy a policy, do check the IDV value that you are getting against a premium amount. Don't just blindly choose lower premium. You must compare IDV, premium and other features across insurers.

"One should always compare vehicle RTO city, add-on products (zero depreciation, engine/tyre cover, consumables, RTI) and its coverages, make & model, variants (diesel/petrol) and most importantly IDV. While you compare, all the parameters should be attended to, because many companies don't offer all the products due to their own underwriting limitations," says Chatterjee of RenewBuy.com.

Should you buy add-ons?
Among all add-ons, zero depreciation (zero dep) cover is most recommended. It ensures that you don't have to pay from your own pockets to repair the car. At the time of the claim in general cases, insurer factors in the depreciation on the market value to calculate the total amount payable. In case of no zero dep add-on, a policyholder himself bears the cost differential between the market value and the depreciated value. However, a zero dep cover offers complete coverage without factoring in depreciation. It means, if your car meets an accident, the insurer will bear the entire cost of the repair.

There are other important add-ons as well. "If you stay in areas where there is high propensity of water logging, an Engine & Gearbox Protect cover may be useful. So, always check which add-ons are most suitable to your car, city and usage," advises Vivek Chaturvedi, Head of Marketing and Direct (online) sales at Digit Insurance.

"Add on covers such as cover for depreciation on parts, cover for consumables, return to invoice are very relevant for financial protection in case of a loss. Though each add on cover comes at an extra cost, the coverage for vehicle in case of accident is also wider," points out Pankaj Arora, MD and CEO, Raheja QBE General Insurance.

Exclusions

You should always check the list of exclusions that the policy document specifies. Some key exclusions include wear and tear, breakdowns, consequential loss and loss due to driving with invalid driving licence or under the influence of alcohol.

No-claim bonus

No-claim bonus (NCB) is a certain percentage that is given as bonus for every claim free renewal year with a limit to the maximum bonus. It is availed at the time of renewing the new policy by way of deduction on the total renewed premium. Please note that used cars don't have NCB benefits because of ownership change, so insurance premium increases as insurance company treats this as an old car.

Mistakes to avoid

Vehicle survey inspector is like your doctor with whom you should never share wrong information, says Chatterjee of RenewBuy.com. They have the right to cross-examine and they can reject the claim on the basis of "mis-representation of facts". "Vehicle documents such as RC, valid driving license, pollution certificate, vehicle fitness (for commercial vehicle only), drunk & drive, consequential losses - intentionally mistaken - can lead to claim rejection," he says.

Also, before you zero in on an insurer, thoroughly check the claim process of the company along with their claim TATs (turn-around times).

When buying car insurance for used cars

Old or a new car, Chaturvedi of Digit Insurance says, the idea should not be to get a good deal, but optimum IDV on affordable premium along with relevant add-ons. He advises to connect with the insurance company to smoothen out the process of ownership transfer from an insurance perspective. "You have the option of either transferring the x-owner's insurance in your name or you buying a new insurance for the second hand car after providing relevant transfer documents," Chaturvedi says.