

Taking Cover

Add frills to your car insurance

If you want total protection, consider paying extra for add-ons

RAJALAKSHMI NIRMAL

Are you planning to buy a car this New Year? Then take some time out to hunt for a comprehensive motor insurance policy too. Ram, a resident of Chennai, whose car stood in about three-foot water in the recent floods, had a shock when he got estimates for the repair. For his three-year old Volkswagen Vento, the estimate for repair was ₹9.2 lakh. The insurer declared it as a total loss. While he is yet to get the settlement for his vehicle from the insurer, Ram has already bought a new car, and now he has a bumper-to-bumper cover—which is an add-on to the standard motor policy.

A regular car insurance policy doesn't cover many risks and has a long list of exclusions. If you want total protection, then you should consider paying a little extra for add-on features.

Basics

In any motor insurance policy, there are two parts — an own damage cover and third-party liability cover. While the third-party liability cover is a statutory necessity for every vehicle that plies on the roads and the premiums are fixed by the insurance regulator, the own

damage (OD) cover is optional and insurers are free to decide the premium rates.

OD covers damage to the insured vehicle from perils including fire, floods, landslides or accidents. The OD premium makes up a large portion of the premium and is determined on the basis of the car brand, its Insured Declared Value (IDV) and engine capacity. IDV is the sum insured in a motor insurance policy and is determined based on the age of the vehicle. For vehicles that are less than six months old, mostly, no depreciation is charged and they are covered for their invoice price (though some charge 5 per cent depreciation). For vehicles that are less than a year old, generally, a 15 per cent deduction is made from the market price to arrive at IDV.

The rate of depreciation increases to 50 per cent from the fifth year onwards. For older vehicles, the IDV is arrived at by mutual agreement between the insurer and the car owner.

The premium on a new Maruti Alto 800 LXI will be ₹8,000-10,000, including taxes; of which ₹1,568 will be for third-party liability cover.

Not covered

There is a long list of exclusions for this basic cover. Insurers do not cov-

How much it costs

For a new Maruti Alto 800 (IDV ₹3.14 lakh)

	Premium in ₹
A. Own Damage	
Basic	5,404
Zero depreciation cover	2,199
Engine Protect cover	314
B. Third party liability	
Total	9,485
Service tax	1,328
Cess	47
Total premium payable	10,860

Source: A large south-based motor insurer

er damage caused by wear and tear, mechanical or electrical breakdown (without any external accident) and damage to tyres (and tubes), unless the vehicle is also damaged at the same time.

Damages to the engine are also considered as mechanical/electrical breakdowns and insurers do not cough up money for the costs. Even for a mid-segment car, the cost of replacing the engine runs into a few lakh rupees.

In the recent floods in Chennai, engines of most cars were damaged due to water logging. It was mostly the vehi-

cle owners who paid for repairs.

Insurance companies clarify that the damage in most of these cases was either because the owner re-started the car after it stopped in a water-logged area, or because the owner tried to move the car after it stood submerged in water for many days and water entered the engine.

Accessories in the car — the music player, the stereo system, the parking camera and air-conditioner — are not covered under the insurance policy unless you bought them along with the car and billed them in the original invoice.

Vijay Kumar, Chief Technical Officer, Bajaj Allianz General Insurance, says, "If the accessories are parts fitted by the manufacturer originally, those will be covered under the policy, but if they are subsequently bought, then it has to be separately insured and premium paid."

Car interiors and upholstery are covered under the policy, but they attract high depreciation rates. You have to cough up a good part of the bill if you change them.

For all rubber, nylon and plastic parts, tyres and tubes, batteries and air bags,

the insurance cover assumes 50 per cent depreciation. For fibre glass components, 30 per cent depreciation is charged. For wooden, metal and other parts, depending on the age of the vehicle, depreciation may vary from 5 to 50 per cent.

Essentials

Rains and floods occur every now and then in Mumbai, Bengaluru or Chennai.

For people living in flood-prone zones, it makes sense to get the 'engine protect cover' too, says Sanjay Dutta, Chief Underwriting, Claims and Re-insurance, ICICI Lombard.

It will cover costs of repair or replacement of the engine in case of a breakdown due to water ingress or leakage of lubricants.

A 'zero depreciation' cover or what is called 'bumper-to-bumper' cover can also be considered. This cover pays full price for all spare parts when damaged. The cover is slightly expensive, but can save you money on claims after a damage.

However, there will be limits to the number of claims you can make on this cover in a year and battery and tyres may still not be covered for the full price.



What's excluded

- Damage due to wear and tear, mechanical or electrical breakdown
- Cost of tyres and tubes (unless vehicle is also damaged)
- Accessories, unless factory-fitted

Engine Protect cover

It pays for repair or replacement of the engine in case of a breakdown due to water ingress or leakage of lubricants

