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[How location, driving environment, usage frequency can affect your car insurance premiums](#)



Know the factors that impact your car insurance premiums

Getting the car insured is a crucial part of owning a vehicle in India. It is mandatory by law and provides a sense of security and peace of mind for the vehicle owner.

However, you might have noticed that your car insurance premium can fluctuate. Several factors influence these changes, and understanding them can help you make informed decisions. Here are five parameters that can increase your car insurance premiums.

Car model and type

The type and model of your car significantly impact the insurance premium. High-end cars or luxury vehicles usually have higher premiums due to their expensive parts and repair costs. For instance, if you own an expensive SUV or a luxury sedan like a BMW or Mercedes, expect the insurance premium to be higher than a more affordable hatchback or sedan.

The type of engine and its capacity also play a critical role in determining the amount of your premium. For example, if you have a vehicle that runs on diesel, the motor insurance premium for it is likely to be higher than that of a car that runs on petrol. The simple reason is diesel vehicles are more expensive than petrol ones.

The engine's capacity is referred to as cubic capacity (CC). It reflects the total power produced by your vehicle engine. Your vehicle's CC is one of the critical components that help the insurer determine your premium. The higher your car's CC, the more expensive your premium is likely to be.

Moreover, environment-friendly electric cars might have higher insurance costs. Though the Indian government encourages electric vehicles (EVs) with various incentives, insurance premiums for some electric cars could be relatively higher due to the expensive technology used in these vehicles.

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Insured declared Value/IDV

Insured declared value, or IDV, is how much your car is currently worth on the market. IDV is a big deal in insurance because it affects how much you pay for your car insurance premium. When you buy a new car, the IDV in an insurance policy is equal to 95 percent of the car's ex-showroom price provided by the manufacturer.

This is because the depreciation of a new vehicle is usually 5 percent, so when we deduct this from the ex-showroom price, we get the above value, i.e., 95 percent. Over time, IDV is reduced owing to the age of the vehicle and other factors. So, the IDV of a four-year-old car is less than a brand-new car. This is the reduction of the market value of your car over time.

Location and driving environment

Where you live and drive also affects your car insurance premium. The insurance premium might increase if you reside or frequently drive in an area known for high traffic congestion, accidents, or thefts. Metropolitan cities like Mumbai, Delhi, or Bengaluru typically have higher premiums due to increased traffic density and a higher probability of accidents or theft.

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Add-on covers and policy benefits

While add-on covers can provide additional protection, they can also increase your premium. Opting for add-ons like zero depreciation cover, engine protection, or roadside assistance might enhance the policy coverage and give your vehicle the further secure coverage it may need.

It is wise to evaluate and analyse what kind of protection your car needs and pick from a wide range of optional covers insurers provide. For instance, if you choose to include accessories cover for expensive modifications or additional fittings, it will lead to a higher premium but will ensure that a pricey part of your car is covered.

Frequency and purpose of vehicle use

How often and for what purposes you use your vehicle can impact your insurance premium. If you frequently use your car for daily commuting through heavy traffic or long-distance travel, the risk of accidents or damage increases, potentially leading to a higher premium.

Moreover, if you are insuring a commercial vehicle, such as a ride-hailing cab or vehicle for deliveries, it may also lead to an even higher premium due to increased exposure to potential risks. Insurers consider the frequency and type of usage to determine the premium, so transparency about the vehicle's primary use can help accurately set the premium amount.

Understanding these factors can help you make informed choices while buying car insurance. While some aspects are beyond your control, maintaining a good driving record and comparing insurance policies can help you find the best coverage at a reasonable price. Remember, while cheaper premiums might seem tempting, you need to ensure that the policy adequately covers your needs.