

Article Date	Headline / Summary	Publication
26 Sep 2024	How Your Car Insurance Impacts Your Car Resale Value	Outlook Money

[How Your Car Insurance Impacts Your Car Resale Value](#)



If a seller transfers an existing insurance policy to the buyer, it allows the new owner to have immediate protection without having to purchase a new policy right away

Several factors come into play when it comes to buying or selling a used car. And vehicle insurance plays an important role. Apart from basics such as the car's model, mileage, and overall condition, the car's insurance history is a significant indicator of its value. A comprehensive and active insurance policy shows that the car has been well-maintained and protected from potential risks, which gives confidence to prospective buyers.

“What we understand is that an accurate vehicle valuation, coupled with a clean insurance history, can substantially increase a car's resale value. Factors like the insured declared value, previous claims, and even the type of coverage the vehicle has held are all critical in determining the final market price. Buyers are more likely to pay a premium for cars with a clear insurance track record, as it offers them peace of mind and financial protection,” says Sharad Bajaj, Chief Operating Officer (COO), InsuranceDekho, an insurtech startup.

Here's how insurance impacts the resale value of your vehicle:

Insured Declared Value (IDV): IDV represents the current market value of your car, as proposed by the insurer. It decreases over time, especially after three to five years, due to depreciation. IDV is the maximum amount payable in case of total loss or theft. A higher IDV suggests the car is well-maintained and in good condition, boosting its resale value. Conversely, a low IDV indicates a poorly maintained vehicle, which can lower its resale value,” says Subhasish Mazumder, head-motor distribution, Bajaj Allianz General Insurance.

Depreciation Impact: Resale value is significantly impacted by vehicle depreciation. As the car gets older, it typically loses its value, with around 50 per cent of its value lessening after four to five years. However, if the car is in good condition, is well-maintained, has driven fewer kilometers, and has minimum claims, it can still fetch a good resale.

Claims History: A car's resale value is also impacted positively by a clean claim's history. The buyer is reassured of the vehicle if the car has had few or no major claims. It convinces the buyer there would be less maintenance required in the future. However, in the case of multiple large claims, the car's appeal, and resale value decreases.

Insurance Transfer And No Claim Bonus (NCB): When selling your vehicle, it's important to transfer the insurance policy to the new owner. This transfer should include the No Claim Bonus (NCB), which reflects the seller's claims history. Properly managing the insurance transfer can preserve the car's value and positively affect its resale price," adds Mazumder.

Types Of Insurance: There are several types of insurance that plays an important role. If it is a car with comprehensive insurance, it suggests a better safeguard against different kinds of risks, which can enhance its resale value. On the other hand, cars with only third-party insurance offer less protection, making them less financially secure in the case of damage, which may reduce their resale value. "Comprehensive insurance covers broader risks and makes a vehicle more attractive to buyers, which can increase resale value. A vehicle with only a third-party administrator (TPA) offers coverage for third-party, and not own damage losses - this can be less appealing to potential buyers, therefore reducing the resale value," says Paras Pasricha, business head, motor insurance, Policybazaar.

Hence, maintaining a high IDV, minimizing claims, and having comprehensive insurance coverage can help improve your vehicle's resale value.