

IRDAI moots long-term motor 3rd party, fire cover

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The Insurance Regulatory and Development Authority of India (IRDAI) is planning to allow all general insurers to offer long-term motor products covering both mandatory third-party and own-damage cover.

To allow the policyholders a wider choice, the regulator has proposed to permit a three-year motor insurance for private cars and five-year cover in the case of two-wheelers coterminous with motor third-party liability cover.

It has also been proposed to allow long-term own damage cover, in the case of renewal of standalone own damage policies and a three-year cover for miscellaneous and special types of vehicles and to allow motor add-ons coterminous motor third-party liability cover, according to an exposure draft.

The pricing of long-term policies is to be made based on sound actuarial principles considering all the relevant aspects of rating, including claims experience, reduced policy and administration and acquisition costs given higher renewal rates, among others.

FREE-LOOK PERIOD

The long-term motor own damage policy would have a 30 day free-look period from the date of the inception of the policy to enable the poli-

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cyholder review the terms and conditions. They would also be entitled to a refund of premium on a pro-rata basis in the event of exercising free-look cancellation.

"There shall be a board-approved policy set up by the insurer related to the operational matters, accounting and disclosures for addressing issues pertaining to the cancellation of the policy, including claw-back of commission," the regulator said.

POLICY DURATION

In fire insurance, IRDAI proposes to allow a policy duration of 30 years for dwellings, including standalone residential houses, residential villa complexes as well as residential apartment blocks.

In respect of risks with sums insured up to ₹5 crore for offices, hotels and shops the duration should not exceed five years, as per the exposure draft.