

## Insurers welcome hike in motor third-party rates

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**Last revised in 2019, new rates will help meet rising costs, expand coverage, insurers say**

Citing rising inflation and cost pressure, general insurance companies have welcomed the revision in third-party motor insurance premium.

“We are seeing an increase in TP [third-party] motor insurance premium after the last changes were announced in 2019. In the last three years, the cost of living as well as awards by courts have increased. Loss ratios for the industry have been going up. It is great to see discounts for educational institutions and for hybrid and electric vehicles,” said TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

The Ministry of Road Transport and Highways (MoRTH) had on May 25 increased the third-party (TP) motor insurance premium for various categories of vehicles, effective from June 1.

Motor insurance accounts for a third of the premium for the general insurance industry, and insurers say it requires a lot of capital. Loss ratios are high across the industry.

Quotes for claims are seen to be 5-7 per cent higher than the headline inflation.

“Own damage segment is doing fine. In TP, the premium is paid for future claims. We had not had an increase in TP for the last two-and-a-half years. While initially, during the first lockdown, cars were not used and claims were low, in the last one year TP claims returned to normal. The industry was facing a lot of stress in the segment,” said another general insurer.

Sharad Mathur, Managing Director and CEO, Universal Sompo General Insurance, noted that the portfolio requires frequent premium-claim calibration.

On adequacy of premium, he said there will always be scope for deeper analysis to ensure finer calibration; every such attempt would boost industry confidence and encourage motor TP insurers to expand and extend greater support to victims of road accidents. [Open in App\(https://thehindubusinessline.page.link/FLMuN7Yti3GViTqo9\)](https://thehindubusinessline.page.link/FLMuN7Yti3GViTqo9)

Analysts believe the increased TP premium will aid the growth of the industry.

“The motor TP rate has been increased after two years and is expected to account for some growth in the premiums,” said a note by CARE Edge. The motor insurance segment grew 29.3 per cent year-on-year in April 2022 to ₹4,866.2 crore

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