DECODING VEHICLE INSURANCE TERMINOLOGIES

A glossary of most frequently used terms in vehicle insurance plans.

Hello,

Now that you have downloaded this ebook, you are one step close to decoding terminologies. Here is how this ebook will help you:

- You are considering buying/renewing insurance for your new car/bike and want to learn the nuances of vehicle insurance to make the right choice.
- You have car or bike insurance but don't know how to decode the complex terms in your policy document.

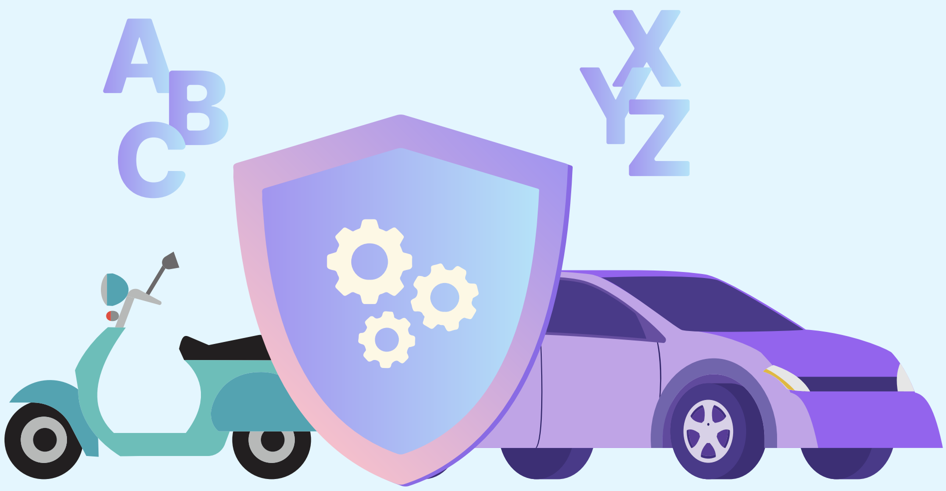
If you fall in either of the categories, this is precisely the ebook that will help you understand the nitty-gritty of vehicle insurance.

The motor insurance policy document is full of terminologies that are hard to decode. Hence, we have simplified this tedious task of interpreting the vehicle insurance document for you. This ebook will help you decipher all the essential terminologies related to the motor insurance.

Hope this compendium helps you understand your car and/or bike insurance policy better and make the most of it.

Glossary on Motor Insurance Terms

Listed are common motor insurance terms in India and their explanation in alphabetic order.



Add-on Covers

Add-on covers or Riders are additional insurance covers that can be purchased while buying a Comprehensive Plan. These plans cannot be bought with a Third-party Plan, nor can they be purchased as a stand-alone cover. Add-on covers can be coverage-related or service-related. For example, a Zero Depreciation Add-on is a coverage-enhancement add-on, while a Roadside Assistance Add-on is a service-related add-on.

You can include one or more add-ons in your Comprehensive Car Insurance coverage based on your requirements. Note that each add-on will add to the final payable premium. Thus, it is suggested to buy only those add-ons that add value.

Anti-theft Device

An anti-theft device is a gadget that can be installed in your vehicle to prevent vehicle theft. Such devices can trigger an alarm and/or have an in-built GPS for tracking. Consider installing anti-theft devices that are certified by the Automotive Research Association of India (ARAI).

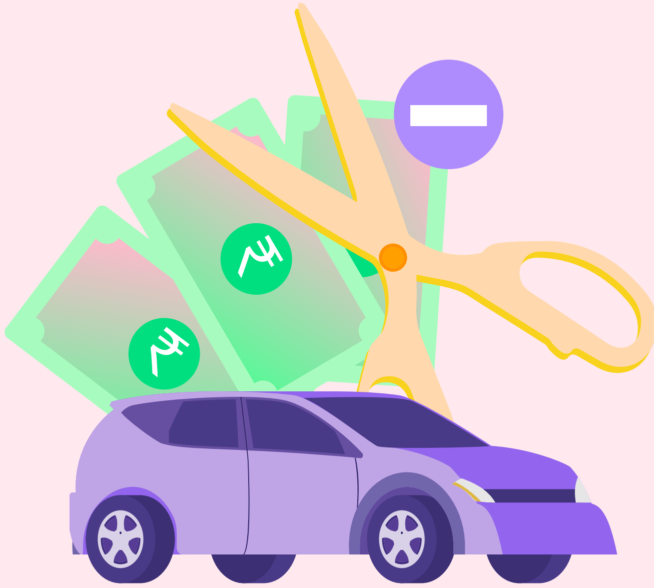
Installing such devices increases your vehicle's safety quotient and decreases the chances of theft. As the theft risk is reduced, the insurer's risk of insuring the vehicle is also reduced. This reduced risk will usually mean a lower premium amount payable.

Break-in Insurance

Break-in Insurance is a term used when there has been a considerable break between two insurance policies. Such policies are also known as Break-in Policies.

In the case of such policies, there’s a chance that the insurer might want to inspect the vehicle before renewing the insurance policy. This can increase the premium.

Thus, it is suggested to renew the policy before the expiry date to ensure no break in between policies. Also, if the gap is more than 90 days, the accumulated **No Claim Bonus** can reset to zero, leading to a higher premium while renewing the plan.



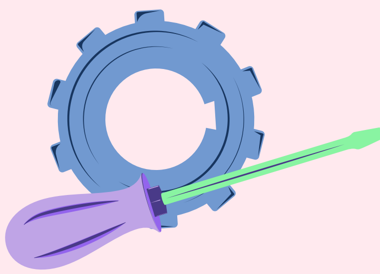
Compulsory Deductible

When it comes to claim settlement, a fixed part of it needs to be contributed from your side as well. This is known as the Compulsory Deductible amount. This is a pre-decided component decided by the Insurance Regulatory and Development Authority of India as per the vehicle engine's cubic capacity.

For example, if the vehicle's repair bill is Rs. 10,000, the deductible will be Rs. 1,000 for a car less than 1500 cc. Thus, the insurer will contribute Rs. 9,000, and you will contribute Rs. 1,000. Note that for cars with more than a 1500 cc engine, the Compulsory Deductible is Rs. 2000. For bikes, the compulsory deductible amount is Rs. 100.

Comprehensive Cover

A Comprehensive Car Insurance policy consists of Third-party (TP) and Own Damage (OD) coverage. It is also known as an OD + TP cover. With this plan, you meet the legal requirements with the TP cover and insure your vehicle against damages with the OD cover. Also, you have the option to enhance the cover with add-ons while buying or renewing Comprehensive Car Insurance.



Cashless Garage

When an insurance company has a tie-up with a vehicle repair garage for cashless claim settlement, that garage is termed as a Cashless Garage. They are also known as Partner Garages and Network Garages. The most significant advantage of a Cashless Garage is that the insurer directly settles car's repair bill with the garage.

Cashless Claims

In cashless claims, you just have to pay for the charges that the insurance company does not cover as per the policy's terms. For example, you will have to pay for the deductibles, depreciation, and other extra repairs not covered by the policy. This is because cashless garages support Cashless Claims. The alternative to this is Reimbursement Claims.

Consumables

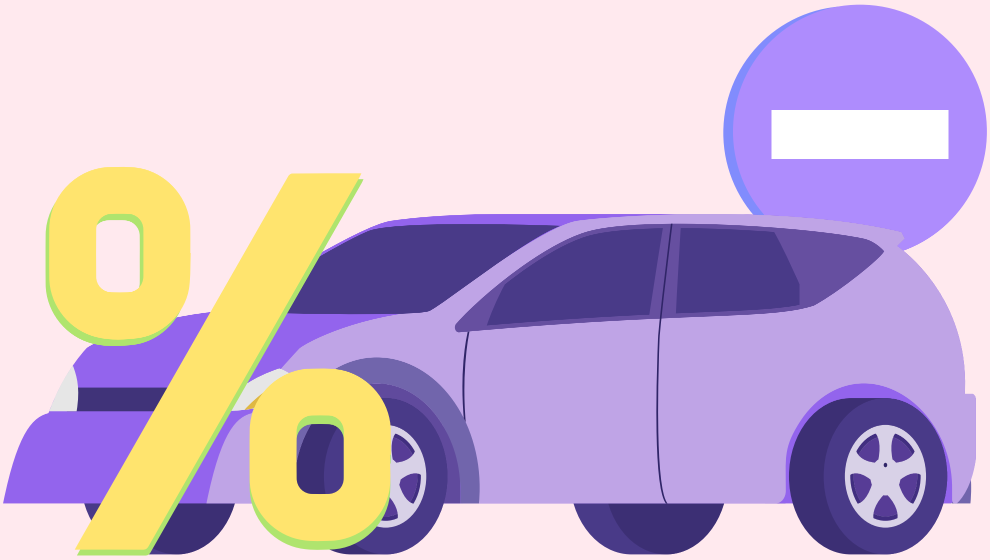
Car repair can be a tedious task for the mechanic if the damage is substantial. Depending upon the complexities of the damages, the mechanic uses several consumables to repair the car. For instance, the mechanic might use nuts and bolts, engine oil, ball bearings, lubricants, screws, etc. The expenses incurred for such minor tools/usable items are termed as Consumables. The insurer does not cover such costs unless you have a Consumables Add-on Cover.

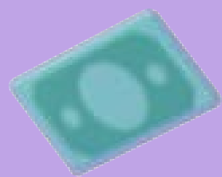
Claim Settlement Ratio (CSR)

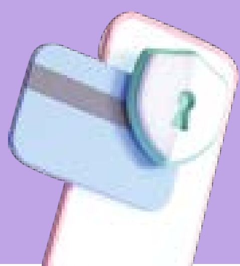
It is the ratio between the number of claims settled and the number of claims received by the insurer.

CSR = Claims settled in a year / Claims received in a year x 100

It is expressed in percentage and used to gauge the claim settlement rate of the insurer. A higher CSR can mean higher chances of claim settlement. However, CSR should not be the sole factor for selecting an insurer, as you must also consider overall services, policy coverage, etc.







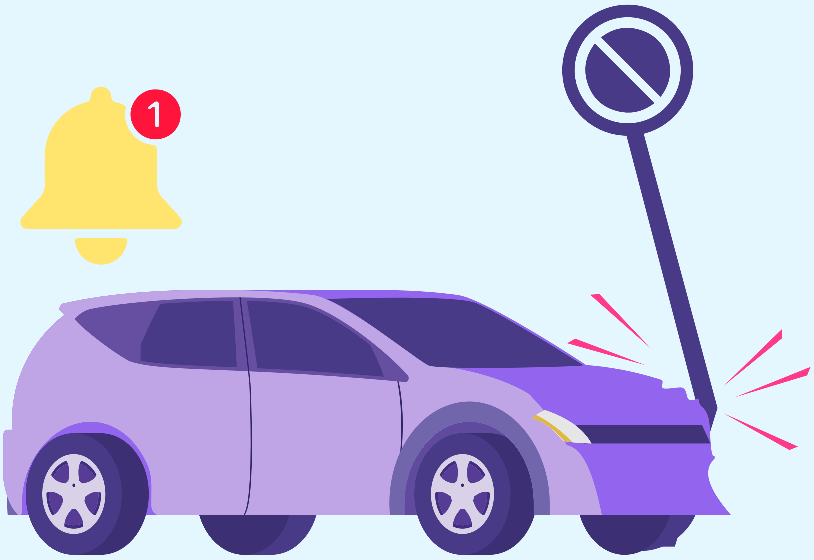
Endorsement

Endorsement is a process by which you can make changes in your vehicle insurance policy document. This is the document you receive after completing the online payment to buy the policy. If you want to change a detail mentioned in the policy document, for example, a spelling mistake, you can get it done via an Endorsement process.

In some cases, it is also allowed to make changes in the existing cover via this process. For example, if you modify your car and want to insure the modified parts as well during the policy period, you can do so using the Endorsement process.

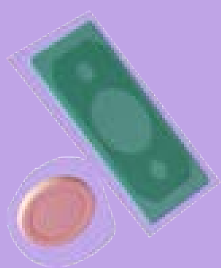
Engine Protect Cover

The Engine Protect Cover extends insurance protection to the car’s or bike’s engine by providing coverage not offered by the Comprehensive Cover. For example, consequential loss such as hydrostatic lock is covered under the Engine Protect Cover.



First Notification of Loss (FNOL)

When you notify the insurance company about the damage to your vehicle or an accident for the first time, it is termed as the First Notification of Loss. Make sure to initiate the FNOL at the earliest, preferably on the same day of the incident to avoid claim rejection due to late intimation.



Insured

Since car and bike insurance is usually for the vehicle and not specifically for the person driving it, the most common usage of the term 'insured' is for the vehicle. Here's an example of the usage. The Comprehensive Car Insurance Policy covers damages caused to the insured vehicle due to natural calamities.

In certain cases, the term 'insured' might also mean the vehicle's owner/driver. Thus, the usage and meaning can be subjective.

Insurer

Insurer refers to the company from whom you are purchasing or have purchased the car insurance policy. If you buy car insurance from www.acko.com, ACKO becomes the insurer. Note that an agent/middlemen selling the policy cannot be termed as an insurer.

To become a certified insurer, the organization needs to comply with the requirements put forward by the Insurance Regulatory and Development Authority of India (IRDAI). Before buying or renewing car insurance, make sure you are purchasing the policy from a certified insurer.

Insured Declared Value (IDV)

As mentioned above, the term 'insured' in car insurance means the vehicle. Thus, the Insured Declared Value, is the declared value of the insured (or to-be insured) car/bike. It can be understood as an approximate prevailing market value of the car/bike on account of depreciation. Note that it is not to be confused with the resale value of the vehicle.

Insured Declared Value is the sum insured in case of the Comprehensive Vehicle Insurance Policy. This means, if the vehicle is damaged beyond repair or is stolen, the insurer will pay the IDV of the vehicle at the time of claim settlement. When you buy a Comprehensive Plan from ACKO, you get to select your car's IDV from a given range.

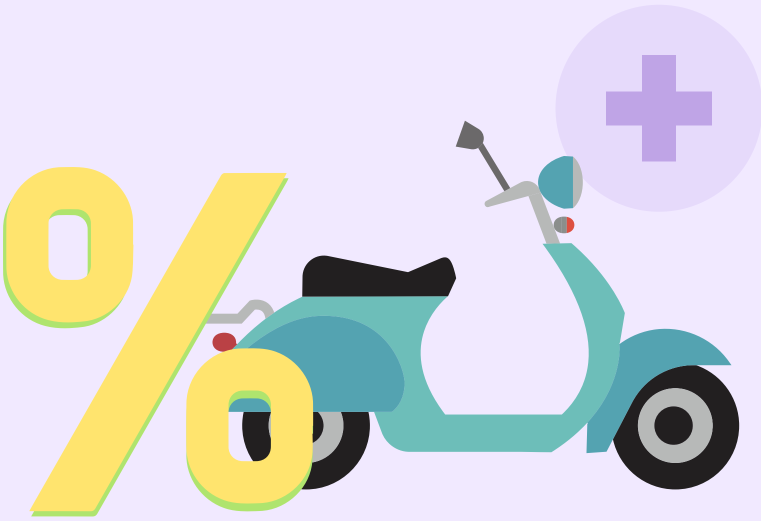
IDV selection has a direct impact on the sum insured. As a result, it also affects the payable premium to purchase the policy. Going for a lower IDV will lead to a lower premium. But it also means in case of a total loss; the claim payout will be comparatively less. On the other hand, a higher IDV will mean a higher premium and a comparatively higher claims pay-out.

Do note that you don't have the option of selecting your vehicle's Insured Declared Value in the case of Third-party Vehicle Insurance.

Incurred Claims Ratio

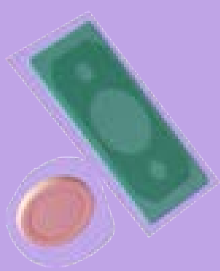
This is the ratio of net claims of an insurance company and the net premium earned by an insurance company. It is expressed in percentage and used to gauge the financial health of the insurer.

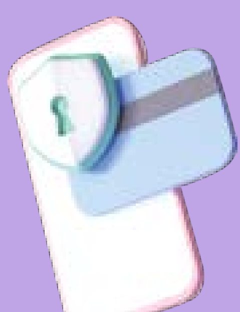
The formula to calculate Incurred Claim Ratio is: Net claims / Net premium x 100.



Legal Liability

A situation where you are legally bound to compensate others for your actions involving the insured car/bike is known as a legal liability. For example, if your out-of-control car damages a legal roadside shop, it is your legal liability to compensate the shop owner for the damages. Such legal liability is covered by a Third-party Liability policy.





No Claim Bonus (NCB)

How about receiving a reward for driving safely and refraining from raising a claim? This is exactly what NCB offers. You are rewarded with a renewal discount by the insurer for not raising a car insurance claim during the policy period. This discount can be as high as 50% if you do not raise claims for five consecutive years.

If you raise a claim, this renewal discount resets and you have to start accumulating it again. This discount can also reset if the gap between policy expiry and policy renewal is more than 90 days. Note that such a discount is on the Own Damage component of the Comprehensive Car Insurance Policy.

Own Damage (OD) Cover

An Own Damage or OD Cover insures your car against damages caused by accidents, fire or natural and man-made calamities. It also covers vehicle theft. Here, the term ‘Own Damage’ refers to damage caused to your ‘own’ insured vehicle and not to a third party’s vehicle.

When you come across sentences like the Comprehensive Car and Bike Insurance offers Own Damage Cover, it means that if your vehicle gets damaged due to collusion, flooding, or other incidents mentioned as inclusions in the Policy Wordings, the insurer will pay to repair those damages as per the policy’s terms and conditions.

Outstation Emergency Add-on Cover

This add-on can come in handy during an outstation trip. With this add-on by your side, the insurer will help you with a fixed amount if the car/bike meets with an accident, faces a breakdown or is immobilized outside a radius of 100 kilometers from the place of your residence.

Policyholder

If you purchase a car or a bike insurance plan for yourself, you shall be the policyholder. If you purchase an insurance plan for a car owned by your spouse, the spouse shall be the policyholder.

Policy Document

The document you receive from the insurer after paying the insurance premium to insure your vehicle is known as the car insurance policy document. It contains details about the policyholder, its nature and tenure, and a break-up of the premium. The policy document is commonly referred to as car or bike insurance papers. This is the document you should present to the police officers if they demand car/bike insurance papers.

Policy Period

Policy period or policy tenure is the duration for which the policy shall remain active. Your policy document will feature the policy's start date and the end date, signifying the policy period. Make sure to renew the motor insurance policy before the end of the policy period for continuous insurance coverage.

Passenger

In the case of a private vehicle, people seated in the car (apart from the driver) are termed passengers. For example, if you are traveling with your family in your car and you are driving the car, your family members will be the passengers.

Premium

Premium is the amount of money you pay to purchase the insurance policy. This premium is paid by you to the insurance company. The precise amount of payable premium will depend upon the type of coverage chosen by you.

Consider you want to purchase a Comprehensive Car or Bike Insurance Policy. You visit www.acko.com and select a suitable policy. The money that you pay to buy that policy is known as an insurance premium.

Personal Accident Cover

A Personal Accident Cover is an insurance plan against permanent disabilities or death of the vehicle owner while driving/riding the insured vehicle. This cover is up to Rs. 15 lakhs. For example, if a person permanently loses his limbs in a car crash, that person shall be compensated monetarily as per the Personal Accident Cover's terms and conditions.

From January 1, 2019, the Personal Accident Cover was unbundled. This means, if you already have this cover, then you need not buy it again. Here's an example. If you have owned a car for a few years and you have a Personal Accident Cover under the car's insurance plan, you do not need to repurchase it while insuring your second car.

Proof of Loss

Usually, you are required to submit proof of loss while making a claim application. If you are raising a claim for car/bike theft, you will be asked for a First Information Report and/or a Non-Traceable Certificate from the police as a Proof of Loss document.

Roadside Assistance Cover

With this add-on, the insurer will arrange for emergency assistance services if your car breaks down during the journey. The insurer will send a mechanic for on-spot repairs. If it is not possible to repair the vehicle on the spot, towing assistance shall be provided.

Reimbursement Claims

In Reimbursement Claims, you have to settle the repair bill with the garage and then get in touch with the insurer to reimburse the amount. You will have to submit the repair bills along with other documents as a claim application. This process is often tedious and lengthy as compared to Cashless Claims.

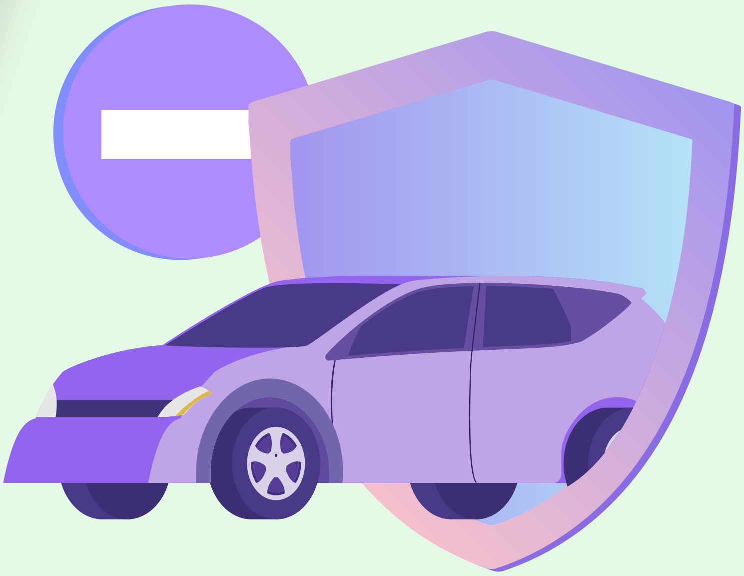
Return to Invoice Cover

Return to Invoice Cover is an add-on that comes in the picture in case the vehicle faces total loss. Here, instead of the IDV, you shall receive the car's invoice value. Thus, the name, Return to Invoice. Generally, the invoice value of the car is much higher than the IDV.

Third-party (TP) Vehicle Insurance

This cover goes by the following names: Third-party Insurance, Third-party Liability Car Insurance, Mandatory Insurance, Liability-only Insurance, and Third-party Policy. This is a mandatory car insurance cover as stated under The Motor Vehicles Act. Driving a vehicle with an inactive TP cover is a punishable offence. It can lead to monetary penalties, legal hassles, and even imprisonment!

The TP cover insures you against third-party liabilities that can occur if your vehicle injures a person or damages their property. For example, if you lose control over your vehicle and it crashes into a pedestrian or a roadside shop, you are liable to compensate for the injury or property damage. With the TP cover, the insurer will cover such liabilities for you. It also covers the death of the third party in an accident.



Vehicle Insurance

Vehicle Insurance refers to insuring your car and/or bike against unfortunate and unpredictable incidents such as third-party liabilities, accidents, fire, natural and man-made calamities, theft or total loss. Vehicle insurance is also called motor insurance or auto insurance in the insurance industry.

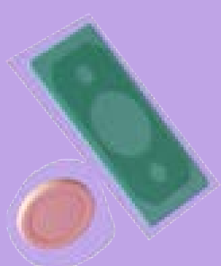
Voluntary Deductible

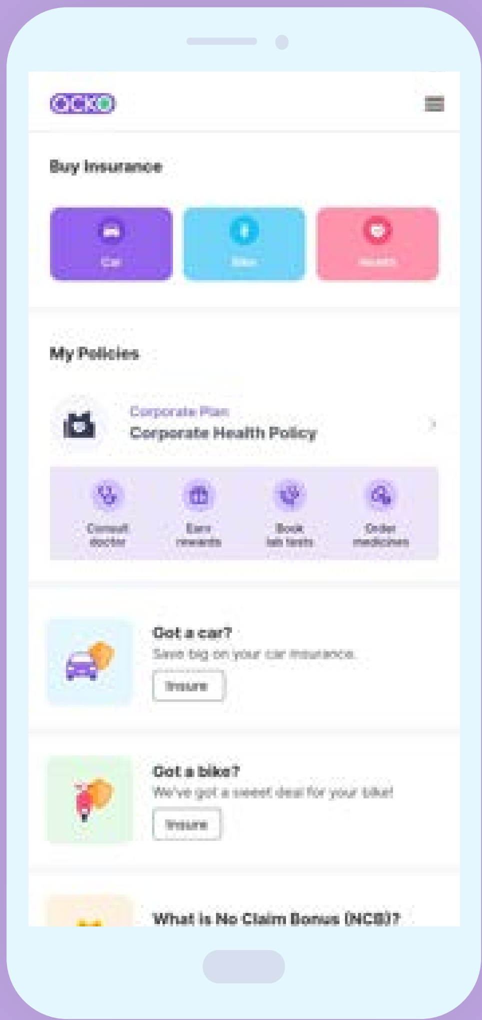
This deductible is over and above the Compulsory Deductible. Here, you are volunteering to contribute more from your side while settling the claim. Because you are volunteering to do so, you reduce the insurer’s risk of insuring the vehicle. Thus, opting for a Voluntary Deductible can reduce your payable premium.

If you opt for a Voluntary Deductible, your premium might be less, but your receivable claim amount will be lower. For example, if the vehicle’s repair bill is Rs. 10,000, the Compulsory Deductible will be Rs. 1,000 for a vehicle less than 1500 cc and the chosen Voluntary Deductible is Rs. 1,000. Thus, the insurer will contribute Rs. 8,000, and you will contribute Rs. 2,000 at the time of claim settlement.

Zero Depreciation Cover

This add-on negates depreciation calculation while settling claims. Depreciation is the reduction in the value of the car parts due to natural wear and tear with time. When such damaged parts need to be replaced, the depreciated amount of the parts is taken into consideration to calculate the claim amount. However, with the Zero Depreciation Add-on, such reduction won’t occur, and you will receive a comparatively higher claim amount.





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