**ASSIGNMENT 4 TASK 2**

COMPARE TWO INSURANCE POLICIES BY RESEARCHING THEIR COVERAGE , BENEFITS , EXCLUSIONS , AND PREMIUMS . IDENTIFY HYPOTHETICAL SCENARIOS AND ASSESS THE SUITABILITY OF EACH POLICY BASED ON AFFORDABILITY , COVERAGE LIMITS , AND LONG –TERM BENEFITS . FINALLY , PRESENTS OUR FINDINGS IN A COMPARISON TABLE OR CHART.

**CONTENTS**

**INTRODUCTION**

**PURPOSE**

**COVERAGE**

**PREMIUM**

**POLICY BENEFITS**

**COMPARISON TABLE**

**CONCLUSION**

HERE I AM TAKING

**LIFE INSURANCE**

**AUTO – MOBILE INSURANCE**

**FINACIAL INSURANCE**

**DEFINITION**

Life insurance can be defined as a type of insurance scheme that makes a payment to a specific beneficiary or group of beneficiaries in the case of the policyholder’s demise. This monetary benefit offered by a life insurance plan ensures that the policyholder’s next of kin and or family members are protected financially if loss of life occurs or some other specific criteria such as disability, dismemberment or critical illness diagnosis are met. Read on if you are wondering what a life insurance policy is, its different types, how it works and common terms associated with life insurance.

**TYPES OF GENERAL INSURANCE**

1. Term Insurance Plan

[Term insurance](https://www.etmoney.com/term-insurance) is a pure life cover and its structure is very simple to understand. You pay a premium to an insurance company for a specific number of years, and in return, in case you were to meet with an untimely death, the insurer promises to pay the sum assured to your family. It does not come with any maturity benefit (apart from a Term Plan with a Return of Premium or TROP).

Many term plans come up with additional riders, such as accidental death benefits, [critical illness](https://www.etmoney.com/learn/insurance/what-is-critical-illness-insurance-should-i-buy-it/), permanent disability benefits, etc.  You can choose these riders while buying term insurance if needed, but you must pay the extra premium above the base plan.

Benefits of Term Insurance Plan

* It provides higher coverage for lesser premiums as compared to other life insurance products.
* TROP comes with a maturity benefit, which is the sum total of all premiums paid. No interest amount is paid on that.

2. Whole Life Insurance Policy

As the name suggests, a whole life insurance policy gives you a life cover. If the premium amount is paid regularly, the insurer promises to pay the sum assured to the nominee of the policyholder after the death of the policyholder. Apart from the sum assured, it also includes a saving component.

Benefits of Whole Life Insurance Policy

* Unlike other insurance policies, it does not have a defined term. The sum assured is paid to the dependent upon the death of the policyholder.
* Apart from the sum assured upon your death, it also has a saving component. You can re-invest it letting the cash amount grow or can remit a part of the cash value during your lifetime. You can also avail a loan against the saving component.

3. Endowment Policies

Endowment plans are again a combination of savings and protection. If the premiums are paid on schedule for a specific number of years, insurers promise to pay the assured sum to the nominee in case of the untimely death of the policyholder. Meanwhile, if the policyholder survives the policy term, he/she receives a lump sum payout as the maturity benefit.

Benefit of Endowment Policies

Apart from the sum assured there is a saving component. You can use this to make goal-based savings and in case of financial emergencies, you can avail of a loan against it.

4. Moneyback policy

Moneyback policies are also a combination of savings and protection. However, the key advantage of this policy is that a portion of the sum assured is paid to you at a regular interval during the policy tenure. The remaining amount along with the bonus is paid at maturity. This benefit is not available for any other life insurance policy. However, if the policyholder dies during the policy tenure then the entire sum assured is paid to the nominee, this is despite the survival benefits that the policyholder has already received.

Benefit of moneyback policies

The biggest advantage of moneyback policies is the liquidity they provide, i.e. you receive a percentage of the sum assured at regular intervals.

5. Unit Linked Insurance Plans (ULIPs)

Unit-linked insurance plan, better known as [ULIP](https://www.etmoney.com/learn/insurance/all-you-need-to-know-about-unit-linked-insurance-plans/), is a combination of insurance and investment. The investments are made in debt and equities by a fund manager assigned by the insurance provider. However, the policyholders can choose whether he/she wants to invest in debt or equity and in what proportion. Though there are no guaranteed returns, a lump sum amount is paid to the policyholder at maturity. However, if he/she dies during the policy tenure, the insurer pays him/her a sum assured.

Benefits of ULIP

Though there is no guaranteed return, ULIP provides a higher return than traditional policies with a savings component.

6. Children Insurance Plan

Children’s insurance plans are specifically designed to fund the children’s education or marriage. The parents can buy these plans on behalf of their children by paying the regular premium. In these plans, the maturity amount is paid to the children once they reach different age levels.

In case of the unfortunate death of the parents, children receive the lump sum amount to meet their expenses. Also, some insurance companies provide premium waivers in case of the unfortunate death of the parents, and children receive the maturity amount as per the insurance plan.

**Benefits of Children’s Insurance Plan**

* Your children receive funds regularly, which they can use to fund their education costs.
* Also, if you have a daughter, consider investing in such plans to save for her marriage.

7. Group Insurance Policy

A group insurance policy is a **type of life insurance policy** that provides coverage to multiple individuals under one master policy. Employers or organisations typically purchase it to provide insurance coverage to their employees. This policy typically offers benefits like health, life, and disability insurance to the employees at very lower costs than individual plans due to group rates.

This life insurance benefits from the employer are generally part of employment benefits, which may vary from organisation to organisation. Group insurance benefits are only available till you are employed in the company or organisation.

8. Annuity (Pension) Plan

Annuity plans are also known as retirement plans, specifically designed for retirement planning. Under these plans, you have to invest regularly for a predetermined period, and in return, you receive regular income post-retirement. Besides a periodic contribution, you can invest a lumpsum amount, wherein you can deposit a big chunk of your money in one go and enjoy the benefits of an annuity.

These plans also come with death benefits and the nominee receives the sum assured in case of the policyholder’s unfortunate death.

**Benefits of Annuity (Pension) Plan**

* You can accumulate a good corpus for your retirement, which will help you to earn regular pension income.
* Knowing that you will have a steady income stream in retirement can give you peace of mind. You can enjoy your retirement years without being concerned about your finances.

9. **Retirement Plan**

The retirement plan is an insurance plan that focuses on accumulating wealth for your retirement. In this plan, you pay a regular premium to the insurance company. In return, you get a lump sum payment or regular annuity payment after retirement based on the type of plan you have chosen at the time of buying the policy.

Retirement plans also come with death benefits. This means in case of unfortunate death during the policy tenure, the insurance company pays a lump sum amount to the nominee. Overall in this plan, you get the benefit of regular income as a pension to cover your daily expenses after retirement, and financial protection for your loved ones

**FOR WHO DOES THE LIFE INSURANCE PROTECT**

Why is life insurance important? Buying life insurance protects your spouse and children from the potentially devastating financial losses that could result if something happened to you. It provides financial security, helps to pay off debts, helps to pay living expenses, and helps to pay any medical or final expenses.

**ADVANTAGES OF LIFE INSURANCE**

There are so many benefits to purchasing a life insurance policy. Let us understand the life insurance policy benefits and features. Following are the top 10 benefits of having a life insurance policy.

* Life Cover Against Uncertainty
* Financial Security
* Tax Benefits
* Long-Term Savings
* Inclusions of Riders
* Loan Against Policy
* Retirement Planning Option
* Investment Tool
* Flexibility
* Peace of Mind

Life Cover Against Uncertainty

Life insurance policy as defined above is the contract between the insurance company and the insured customer in which the insurance company provides cover against any unfortunate event or uncertainty such as Death or Disability. Uncertainty can be defined as the state of being uncertain such as death which is evident but the date and time of death cannot be predicted. Death is inevitable but is an uncertain event that can occur at any time destroying a family if the breadwinner of the family passes away suddenly. All the uncertainties related to death and disability can be handled by taking a life insurance policy in your name.

Financial Security

Financial security is the ultimate goal of any human being. Financial security can be achieved by many methods such as investing, working a job, or taking a life insurance policy! A life insurance policy provides financial support to your family in case of sudden demise, and a Maturity payout policy provides financial security after retirement.

Having a life insurance policy 10 times your annual income can save your family sailing through uncertain times in case of your sudden demise. If you are the breadwinner of your family, then it is of utmost importance for you to have a life insurance policy as your demise may put your family’s financial situation in jeopardy. In case of the policyholder’s sudden demise, the life insurance company pays the sum assured to the nominee or the legal heir of the deceased which helps the family to survive in a better position.

Tax Benefits

The government of India has started encouraging people to purchase life insurance policies by providing tax exemption for the premium paid under a life insurance policy. In case of death, the sum assured that is paid to the nominee is tax-free since the proceedings are from the life insurance due to the death of the policyholder. In the case of Maturity proceedings in life insurance, income [tax benefits](https://www.policybachat.com/articles/life-insurance-tax-benefits) have to be paid as per the eligible slab due to the nature of the proceedings being investment earnings.

Under Section 80C, life insurance premiums paid is eligible for a tax deduction of up to Rs.1.5Lacs. Under section 80C of the income tax act 1961, other options can be used to claim the tax deductions, or the entire life insurance premium amount can be claimed under the 80C section. Under section 10 (10D) of the Income-tax Act,1961 any amount of sum insured plus the accrued bonus paid on Maturity or Surrender or Death of the policyholder are tax-free if the premium payment in any year exceeds the prescribed percentage of the actual sum insured.

Long-Term Savings

Life insurance is an important tool for long-term savings and financial security. It provides a way to protect your family from the financial burden of your death or disability. With life insurance, you can create a financial safety net that will help your loved ones in times of need. Life insurance can be used as an investment vehicle to help you reach long-term goals. It can provide tax advantages and the ability to access funds when needed.

Life insurance policies, such as endowment and money-back plans, offer long-term savings and investment opportunities. These policies provide a guaranteed sum assured along with bonuses and can be used as a retirement planning tool.

Inclusions of Riders

A rider in a life insurance policy can be defined as the extra coverage provided to the customer with the existing life insurance policy on payment of an extra premium and the coverage of the rider remains equal to or less than the basic policy period. Riders such as disability benefits, Critical Illness, Waiver of premium, return of premium, etc. are available to the customer on payment of extra premium.

Disability benefit is the most preferred rider in the life insurance policy which provides a sum assured to the policyholder or nominee in case of disability due to an accident. Critical illness rider provides the sum assured to the policyholder in case of diagnosis with any of the critical illnesses mentioned in the policy copy. The diagnosis report is enough to claim the critical illness proceedings from the insurance company and this rider is intended to provide the customer with critical illness treatment costs. Waiver of premium rider allows you to waive your future premium payments in case of accidental death or disability or diagnosis with a critical illness.

Loan against Policy

Some of the Life insurance policies provide us with the option of a Loan against the life insurance policy. Life insurance companies provide their customers with loans against their life insurance policies (a few kinds) up to a certain limit and charge interest for the amount provided. This amount provided by the life insurance companies would be less than the premium paid by the customers over the policy period.

These life insurance policies provide loans against the premium paid under the policy by the policyholder. The life insurance premium accumulated over some time along with any accrued bonus is used to give the loan. This loan is given at a nominal interest rate for occasions such as Child’s marriage, Study purpose, or any other similar occasions.

Retirement Planning Options

[Life insurance companies](https://www.policybachat.com/articles/life-insurance-companies) offer retirement options to their customers which include Annuity plans and Retirement plans. These plans include both the life insurance policy coverage as well as the Investment option. An annuity is a plan that helps the policyholder to get regular payments for life after making the lump-sum payment. The insurance company invests the lump sum amount of the investor to pay back the returns generated from the investment.

Retirement plans require periodic payments i.e. monthly, quarterly, half-yearly, or annually to be made by the policyholder to the insurance company up to a certain period i.e. retirement time. The insurance company will invest this amount and pay a certain amount to the policyholder after retirement. This corpus depends on the plans chosen by the policyholder, the more the risk-taking capacity of the customer generates more corpus and vice versa.

Investment Tool

Life insurance policy is considered one of the financial investing tools in our country for the future and also plays an important role in financial planning. Investment advisors stress the importance of a life insurance policy for every individual planning for their future. We invest to grow our money and lead a comfortable life with that investment returns when we are not able to work.

A life insurance policy is the only tool that has the option of investment as well the insurance coverage in the market. Life insurance products are designed to provide both insurance coverage and an investment option in a single product thereby providing comfort to the customers. A part of the premium paid for a life insurance policy goes into investment and the other part of the premium is utilized to provide coverage against any unfortunate event.

Flexibility

Life insurance policies offer flexibility in terms of premium payment, policy duration, and sum assured. This allows you to choose a policy that suits your financial needs and requirements.

* **Premium Payment Term:** Limited Pay, Regular Pay, Single Pay
* **Premium Payment Mode:** Single, Yearly, Half-Yearly, Quarterly, Monthly
* **Policy Term:** 1 Year to 99 Years (Based on plan)
* **Sum Assured:** 1 Lakh to No limit (Based on the type of policy)

Peace of Mind

Death is unavoidable. In the case of your absence, your family may face financial difficulties so the least you can do for your family is to secure their financial future with a life insurance policy. Finally, life insurance provides peace of mind to the policyholder, knowing that their family will be financially secure in case of their untimely demise. This peace of mind allows the policyholder to focus on their personal and professional goals without worrying about their family's future.

How to Purchase Life Insurance by Comparing the Benefits of Each Plan?

Purchasing life insurance is an important decision that requires careful consideration of your financial goals and needs. When comparing the benefits of each plan, here are some steps you can follow:

* **Determine your Coverage Needs:** Before comparing policies, determine how much coverage you need. Consider your debts, income, and family's future expenses, such as education costs or mortgage payments.
* **Understand the Types of Life Insurance:** Life insurance policies come in two main types: term and permanent. Term life insurance provides coverage for a specific period, while permanent life insurance provides coverage for the rest of your life.
* **Compare Premiums:** Premiums vary by policy and insurance company. Look for policies that fit your budget and provide the coverage you need.
* **Know about Exclusions:**  Pay attention to any exclusions or limitations in the policy. For example, some policies may not cover certain medical conditions or risky activities.
* **Check the Insurer’s Reputation:** Look for an insurance company with a strong financial rating and a reputation for excellent customer service.

By following these steps, you can compare the benefits of each life insurance plan and select the one that meets your needs and goals.

Conclusion

Life insurance provides financial protection to your loved ones in the event of your death. It is important to consider the various benefits of different life insurance policies before making a choice. By understanding the various benefits associated with each type of policy, you can get one that best meets your needs.

**DISADVANTAGES OF LIFE INSURANCE**

**1. Insurance Has Many Terms and Conditions**

Insurance covers not all losses in a person's life or business situation. Insurance plans' terms and conditions give consumers financial assistance solely in accordance with those conditions. Therefore, one must carefully study and comprehend the terms and circumstances before purchasing any insurance.

**2. Long and Costly Legal Procedures**

The legal process to receive a claim submitted by an individual may be drawn out. As a result, it occasionally may become problematic in an emergency. The cost of an insurance plan can frequently fluctuate based on the type of policy a person chooses as well as other considerations; occasionally, this cost may be higher than the Insurance guaranteed. Therefore, people need to be conscious of the price.

**3. Fraud Agency**

The market is filled with a variety of fraud agencies. People who choose to purchase Insurance before purchasing it must be capable of handling themselves and the issue or seek professional assistance when choosing insurance firms.

**4. Not for all People**

It might be an issue for certain people that some insurance, such as life and health insurance, typically does not provide coverage for sick and elderly folks.

**5. Potential Criminal Activity**

Policyholders may be persuaded to engage in fraud or other criminal activity to receive the promised insurance money, which may result in civil offenses.

**6. Increases Cost**

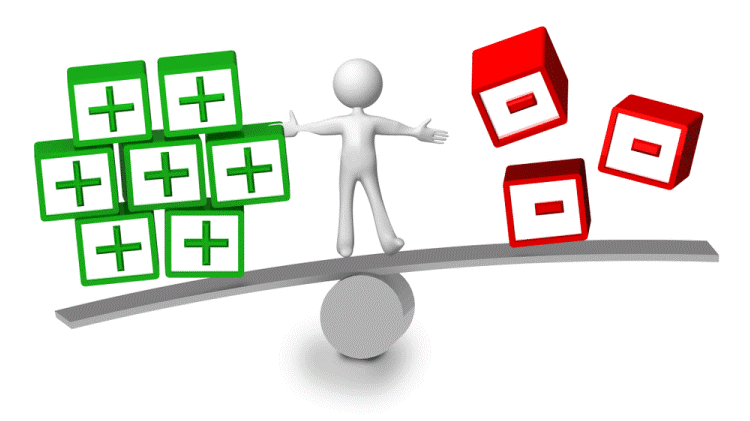
Business owners are continuously looking for methods to cut costs and reviewing budgets. Insurance can be pricey, particularly in sectors workers' compensation injuries are frequent. Insurance for the construction industry is more expensive than Insurance for accountancy firms. A company should examine its rules as it expands to ensure they continue meeting market demands. Otherwise, the policy might only partially insure a loss, leaving the company inadequately covered.

**7. Additional Fees**

One could have to pay additional fees in addition to the premium. This additional cost covers the broker fee.

**8. Professionalism Gap**

Insurance brokers occasionally display a professionalism gap. They can think they're pretending to be experts while looking to defraud people and gain financial gain. They might even carry out their duties while utilizing a phony insurance broker license or without a current license. As a result, one should request proof of an insurance broker license before employing an intermediate service.



**9. Insurance Broker Focusing to Close the Sale**

It may not be easy to believe whether the insurance broker is good since they concentrate on closing the sale. It is because some insurance agents could be more concerned with sealing the deal than comprehending what you want.

**10. Limited Offers**

It's important to remember that not all insurance brokers interact with all insurance companies. Therefore there can be certain offers that are restricted.

**11. Lack of Experience**

A rookie broker just getting started in this industry might need to be more familiar with all the discounts. It can make the buyer confused and bewildered.

**12. Premiums Differs Based on Age**

Low premiums are regarded as a perk of term insurance, but since they change with age, your current rates would be considerably lower than those you would pay later in life.

After assessing the advantages and downsides and learning how and when to acquire Insurance, you can make a wise decision now that you have all the facts.

ADVERTISEMENT

**13. It's Easy to Be Misled If You're Not Well-Informed**

A few aspects of life insurance need to be clearer cut, and a shady life insurance agent could easily mislead you into purchasing a policy with more coverage than you require. Before you put your name on the dotted line, do some preliminary research and consult with an insurance broker like Policygenius. To guarantee you receive the necessary coverage from an insurer that will charge you the least, Policygenius agents don't receive a commission on the products they sell.

**14. Life Insurance Can Be Confusing**

The last point is that life insurance might need help understanding. The jargon used to describe the many types of policies, riders, and perks can be challenging to comprehend. To make an informed conclusion, you must inquire about any issues you have.

## Conclusion

You will probably invest a significant amount of money in insurance over the course of your lifetime and buy several policies. You must be aware of what each form of insurance covers and how it functions in order to make the best purchasing decision. Consider the benefits as well as the price before making a choice. Find the best insurance for your needs by taking the time to look around. Although people frequently claim that they cannot afford insurance, the truth is that they cannot afford to go without it. When unforeseen circumstances emerge, it may prevent them from incurring tens of thousands of dollars in additions.

**AVERAGE COST OF LIFE INSURANCE IN INDIA**

Here is the answer: average health insurance cost for a family for an insurance coverage of ₹10 lakh per year can range from ₹10,000 to ₹35,000 depending upon various factors such as number of family members, type of coverage, age of insured, and so on.

The average cost of car insurance in India can significantly fluctuate and is highly influenced by elements like the type of vehicle, location of the policyholder, age, driving record along with chosen coverage level.

On an average, the annual cost for a mid-range Sedan with third-party liability coverage may commence at around INR 5,000 to INR 7,000. Meantime, comprehensive coverage for the same Sedan could span from INR 10,000 to INR 20,000 or even higher.

Let’s understand what the average cost of car insurance in India looks like.

Featured Partners

1

ACKO Car Insurance

Cashless Garages

6,600+

Digital Self-Inspection

Yes

Pay As You Drive

No

[Buy Now](https://tjzuh.com/g/yapee0pvwc735debdde7d745de94b6/)

On Acko's secure website

2

ICICI Lombard Car Insurance

Price

INR 2,094 onwards

Benefits:

50% discount under No Claim Bonus, Fast claim settlement, Personal Accident Coverage

Number of Network Garages:

5000+

[Learn More](https://www.forbes.com/advisor/in/car-insurance/average-cost-of-car-insurance/)

**Average Cost of Car Insurance by Company**

The typical premium annually for auto insurance in India may be between INR 10,000 and INR 20,000 or even higher. However, it is essential to get customized quotations by considering variables like vehicle type, age, location and driving history from these insurers, to find accurate average cost for insurance companies.

It is crucial to find the best economical coverage for your needs and by comparing quotes from several insurance companies you can do that. Let us see a few companies with their comprehensive rates.

| **Company’s Name** | **Comprehensive Insurance Cost (Annual)** |
| --- | --- |
| Bajaj Allianz | INR 4,500 |
| Tata AIG | INR 5,500 |
| National | INR 5,000 |
| HDFC ERGO | INR 3,800 |
| Zuno | INR 4,200 |

**Factors Affecting Average Car Insurance Cost in India**

The Motor Vehicle Act of 1988 has made it necessary to take auto insurance plans in India. The latest modification to this Act is that it fines vehicle owners for not having basic third-party liability (TPL) coverage. This has led to a rise in auto insurance policy sales in India.

Regardless of how long you’ve owned your car, you need to have specific insurance coverage for it. Even though it is legal, it necessarily does not have to break the bank to cover your car. While it could seem appealing to reduce your auto insurance rate, it is important to keep in mind the different factors that could make you end up paying more than you should. Let us understand the factors deeply.

**Vehicle Type**

The manufacturer’s name and the vehicle model are associated with a specific label on the vehicle related to its brand. Along with the variant and version, the label is the identification of the car. Every variant will have a varied insurance rate even for the same automobile model from the same manufacturer. This happens because every variation is uniquely created and will cost you more to replace than its spare parts.

The insurance cost of a car with advanced specifications and features will go up because these cars are highly expensive and to fix them and get replacement components are hard. In unannounced events like an accident or damage, the insurance provider will cover the extra cost in the form of higher premiums for the replacement and repair of certain parts.

**Average Car Insurance Cost By Vehicle Type**

| **Car Type** | **Third-Party Insurance Cost** | **Comprehensive Insurance Cost** |
| --- | --- | --- |
| Sedan | INR 5,000 - INR 10,000 | INR 10,000 - INR 20,000 |
| Hatchback | INR 4,000 - INR 8,000\* | INR 8,000 - INR 15,000 |
| SUVs | INR 7,000 - INR 15,000 | INR 15,000 - INR 30,000 |
| Luxury Cars | INR 8,000 - INR 18,000 | INR 10,000 - INR 25,000 |

**Age and Gender**

When it comes to auto insurance, getting coverage with your own self or with your parents can be significantly different. According to our most recent data, auto insurance costs increase significantly when you increase the drive time. Adding a new and young driver to your vehicle insurance policy might be convenient. As an insurance holder, you should weigh the advantages and drawbacks before making a choice.

Research also indicates that female drivers get auto insurance at a lower rate than male drivers. The gender difference in rates becomes negligible as drivers age and accumulate more driving expertise. In some age groups, men pay a little lower than women, but around the age of 35, typical premium rates are the same for both of them.

**Average Cost of Insurance By Age**[(7)](https://www.forbes.com/advisor/in/car-insurance/average-cost-of-car-insurance/#source)

| **Age Group** | **Average Annual Car Insurance Rates** |
| --- | --- |
| 25-29 years | INR 2,500 to INR 5,000 |
| 30-34 years | INR 2,248 to INR 6,000 |
| 35-39 years | INR 2,174 to INR 6,295 |
| 40-44 years | INR 3,047 to INR 7,264 |
| 45-49 years | INR 3,295 to INR 7,529 |
| 50 years | INR 4,603 to INR 8,449 |

**Average Car Insurance Cost By Gender** [(1)](https://www.forbes.com/advisor/in/car-insurance/average-cost-of-car-insurance/#source)

| **Geographical Locations** | **Third-Party Liability Coverage** | **Comprehensive Coverage** |
| --- | --- | --- |
| Male Drivers | INR 8,000 - INR 12,000 | INR 18,000 - INR 30,000 |
| Female Drivers | INR 4,000 - INR 7,000 | INR 9,000 - INR 16,000 |

**Region**

The region is an important factor in determining premium claims in various zones. As most of you are aware Zone A cities are the busiest in the country and urban in nature with high population density. In other words, there are more cars on the road which raises the possibility of collisions. Therefore, insurance companies demand higher premiums to offset the risk. Your engine capacity and age of your car both play a high role in setting the premiums.

**Average Car Insurance Cost By Region**[⁽⁴⁾](https://www.forbes.com/advisor/in/car-insurance/average-cost-of-car-insurance/#source)

The Insurance Regulatory and Development Authority of India (IRDAI) is the regulatory agency that oversees all insurance-related matters. Zone A cities include Bengaluru, Mumbai, Chennai, New Delhi, Pune, Hyderabad, Ahmedabad and Kolkata and the remaining cities fall under the Zone B category. The premium for the coverage differs based on the registered zone of the car.

**Car Insurance Premium Calculation for Zone A Cities**

**Zone A Calculation**

| **Age of Car** | **Engine Capacity <1,000 cc** | **Engine Capacity between 1,000 cc and 1,500 cc** | **Engine Capacity above 1,500 cc** |
| --- | --- | --- | --- |
| Up to 5 years | 3.127% of IDV | 3.283% of IDV | 3.440% of IDV |
| 5 to 10 years | 3.283% of IDV | 3.447% of IDV | 3.612% of IDV |
| Above 10 years | 3.362% of IDV | 3.529% of IDV | 3.698% of IDV |

**Zone B Calculation**

| **Age of Car** | **Engine Capacity <1,000 cc** | **Engine Capacity between 1,000 cc and 1,500 cc** | **Engine Capacity above 1,500 cc** |
| --- | --- | --- | --- |
| Up to 5 years | 3.039% of IDV | 3.191% of IDV | 3.343% of IDV |
| 5 to 10 years | 3.191% of IDV | 3.351% of IDV | 3.510% of IDV |
| Above 10 years | 3.267% of IDV | 3.430% of IDV | 3.596% of IDV |

IDV stands for your car’s insured declared value in the tables above. The IDV represents the car’s current market value. You can experiment with the car’s IDV while getting auto insurance online. A higher IDV would guarantee you a larger payout if your car is completely destroyed. Conversely, the premium will go up. A lower IDV would mean a cheaper premium, but you might need to pay for repairs from your pocket.

**Fuel Type**

Getting a car is still under budget but the diesel engine makes it more expensive. Thus, insurance firms generally charge a greater premium for cars with diesel engines compared to petrol. Also, this applies to luxury vehicles with expensive replacement parts.

**Average Car Insurance Cost By Vehicle Cubic Capacity cc**[⁽⁹⁾](https://www.forbes.com/advisor/in/car-insurance/average-cost-of-car-insurance/#source)

| **Car Cubic Capacity [cc]** | **Premium Price** |
| --- | --- |
| Not more than 1,000cc | INR - 2094 |
| Between 1,000cc and 1,500cc | INR - 3416 |
| More than 1,500cc | INR - 7897 |

**Average Cost of Car Insurance By Fuel Type**[⁽⁹⁾](https://www.forbes.com/advisor/in/car-insurance/average-cost-of-car-insurance/#source)

**Fuel type – Petrol**

| **Vehicle CC** | **Fixed third-party premium** |
| --- | --- |
| Not exceeding 1000 cc | INR 2,072 |
| Exceeding 1000 cc but not exceeding 1500 cc | INR 3,211 |
| Exceeding 1500 cc | INR 7,890 |

**Fuel type – Diesel**

| **Vehicle CC** | **Approximate third-party premium** |
| --- | --- |
| Not exceeding 1000 cc | INR 2,093 |
| Exceeding 1000 cc but not exceeding 1500 cc | INR 3,243 |
| Exceeding 1500 cc | INR 7,968 |

**Fuel type – Electric**

| **Vehicle kilowatt capacity (KW)** | **Premium rate for one-year third-party policy** |
| --- | --- |
| Not exceeding 30 KW | INR 1,761 |
| Exceeding 30 KW but not exceeding 65 KW | INR 2,738 |
| Exceeding 65 KW | INR 6,707 |

**Bottom Line**

It is very important that you understand that premium in India is a complex mix of interrelated criteria as you navigate the world of auto insurance rates. As you know, a variety of factors determine your premier rates, including the kind of vehicle you drive, location, age, driver’s profile, add-ons, NCB, deductibles, miles, safety features, use and past claims.

Forbes Advisor India has compiled the average cost of car insurance and the factors that determine it. Looking at this data, you may make wise choices that suit your tastes, requirements and financial objectives. You can potentially lower your auto insurance price by sensibly driving and maintaining a spotless record of claims.

**HYPOTHETICAL SCENARIO’S OF GENERAL INSURANCE**



**Term Life Insurance or Term Plan**

Term life insurance is the most popular type of life insurance. It is widely considered to be the simplest and purest form of life insurance. It offers a death benefit to the beneficiaries of the policy if the policyholder passes away during the policy term.

Term insurance is the most affordable types of life insurance. The most distinctive feature of this plan is the high amount of coverage offered at extremely nominal premium rates. It is thus cheaper than other types of life insurance policies.

In general, term life insurance does not offer maturity benefits. But certain types of term plans also offer maturity benefits, i.e., term plan with return of premiums (TROP) if the policyholder outlives the policy term. One can also increase the amount of coverage offered by a term plan by opting for additional riders, such as Accidental Death Benefit or Child Support riders.



**Whole Life Insurance Plan**

Whole life insurance is a type of life insurance that offers coverage right until the death of the policyholder. In this policy, you can opt for either a participating or non-participating policy, as per your financial needs and risk appetite. Though the premiums for participating whole life insurance are higher in comparison, dividends are paid out at regular intervals to the policyholders. The premium rates for a non-participating policy are lower, but the policyholder generally cannot avail the benefits of regular dividends.

Read more about - [Whole Life Insurance](https://www.canarahsbclife.com/blog/term-insurance/guide-to-whole-life-insurance-by-canara-hsbc-life-insurance).



**Unit Linked Insurance Plan (ULIP)**

Unit Linked Insurance Plan or ULIP is a type of life insurance product that offers dual benefits of investment and life insurance. Among the different types of life insurance policies available, ULIPs enjoy a high amount of popularity owing to their versatile nature. A portion of the premiums paid is directed towards ensuring insurance coverage, while the rest of the premium is invested into a bouquet of investment instruments, which can include market-backed equity funds, debt funds and other securities.  
  
ULIPs are extremely flexible instruments since investors can easily switch or redirect their premiums between the different funds available. They are also touted as having an edge over other market instruments in terms of tax-saving benefits, since their proceeds are exempted from LTCG (Long Term Capital Gains).



**Endowment Policy**

[Endowment Policy](https://www.canarahsbclife.com/blog/saving-plan/endowment-policy) is a type of life insurance policy which acts as, both, an instrument for insurance and saving. These plans aim to provide maturity benefits to the life insured, in the form of a lump sum payment at the end of the policy tenure, even if a claim hasn’t been made. It is the most suitable types of life insurance for people looking to get maximum coverage alongside having a sizable savings component. They help the policyholder inculcate the habit of savings, even while providing financial security to their family. Endowment plans can broadly be classified into two types: with profit and without profit. Policyholders can choose from these two types based on their risk appetite.



**Money Back Policy**

Being one of the best types of life insurance policies, a money-back policy offers policyholders a percentage of the total sum assured at periodic intervals in the form of Survival Benefits. Once the policy reaches maturity, the remaining amount of the Sum Assured is handed over to the policyholder. However, if the policyholder dies while the term is ongoing, their dependents are given the entire Sum Assured without any deductions.

Read more about - [Money Back Plans](https://www.canarahsbclife.com/money-back-plans).



**Retirement Plan**

A retirement plan is a type of life insurance that focuses on providing you financial stability and security post your retirement. After you retire, you lose your regular income from employment. Investing in retirement plans can help you create a stable regular income stream. If you continue to invest until retirement, the plan will help you take care of your expenses after retirement. It requires you to invest a certain part of your income regularly during your working life. At the time you retire, the amount that you create over the years will be converted into a regular income stream. Retirement plans also involve death benefits. Thus, if the policyholder passes away during the course of the policy, their beneficiaries will be provided with an assured sum.



**Child Insurance**

A child insurance plan is a savings cum investment plan that provides financial protection for the child’s future upon the unfortunate demise of the policyholder. It is ideal for ensuring the future needs of the child are well taken care of, even in the absence of the life insured. Parents can invest in the [best child insurance plans](https://www.canarahsbclife.com/child-insurance), in order to meet the financial requirements for their child’s education, marriage or to fulfil a multitude of other financial goals their child might have.



**Group Insurance Plan**

A group life insurance policy is a type of life insurance that covers a group of people inside a single insurance policy. Unlike individual life insurance policies, which cover one person for a period, group insurance covers a minimum of 10 members.

Employers, banks, corporates, and other homogeneous groups of persons can buy group Life Insurance policies for their employees and customers. While employers would want to offer financial protection to their employees' families banks and lending institutions aim to keep the debt off the borrowers’ family after their death.

* 1. The plan under which the group is covered is called the Master Plan.
  2. The policy is issued to the manager of the group (master) but will remain in the name of the group only.

For example, Ram is the manager of a firm, to protect his employees, he has taken a group insurance policy. Now the policy will be issued to Ram in the name of the firm.

One of the distinct features of these life insurance policies is that you get insurance till the time you are part of the group. If you leave the group, your cover ceases to exist.

1. **Savings and Investment Plan**

Savings and investment plans from life insurance are the plans which channel your regular savings into long-term investment goals. iSelect Guaranteed Future is a life insurance cum savings plan that offers a life cover along with guaranteed maturity benefits. With this, you can plan your investments so that you can achieve your life goals smoothly.

You can also protect your financial goal with a premium protection option. This option allows the planned investments to continue even after your demise.

**AUTO –MOBILE INSURANCE**

**DEFINITION**

More popularly known as motor insurance, this type of insurance provides cover for loss or damage to any vehicle like car, two-wheeler or commercial vehicle, etc.  
  
**Description:**This insurance helps mitigate monetary harms due to accidents causing damage to the vehicles. The premium amounts that are payable by the person securing insurance for his vehicle depends on various factors like insured declared value, type of vehicle, age of vehicle, fuel type, age of the insured, etc.

Nowadays, one can hire a car on rent and drive it. Such cars are often referred to as self-drive cars. In India, the vehicle insurance purchased is for a particular vehicle, therefore it won’t apply if you are driving a rental car. You will have to abide by the terms and conditions of the rental car company for the [rental car insurance](https://www.acko.com/car-insurance/rental-car-insurance/) cover. Usually, such companies have a Third-party Liability Cover in place for the self-drive cars.

### Factors That Affect Car Insurance Premium:

Insurers consider a lot of factors before finalising the insurance premium for a Comprehensive policy. However, when it comes to a Third-party Liability policy, the premium is stated by the Insurance Regulatory and Development Authority of India (IRDAI), which is based on the vehicle engine’s cubic capacity. Here’s a list of factors that affect the insurance premium of a Comprehensive policy.

**Insured Declared Value:**

This is popularly known as IDV. IDV is the market value of the car. It is not the resale value but the amount you shall receive in case the vehicle faces a total loss. Some insurers allow you to select your IDV from a range. A higher IDV will amount to a higher premium and a lower IDV will amount to a lower premium. However, the relation between IDV and the Sum Insured is the same as IDV and the premium.

**Car Insurance Cover:**

If you choose multiple Add-ons, it is bound to increase your car’s insurance premium. Therefore, it is suggested to select only those Add-ons that you feel are suitable.

**Age of the Car:**

The age of the car is also related to its value. An older car will be less costly as its value will be on the lower side due to factors like depreciation.

**Safety and Security:**

Installing safety features such as anti-theft devices in your car will lower the premium charged. Make it a point to install only those anti-theft devices that are certified by the Automotive Research Association of India (ARAI).

**History of Claims:**

No claims result in No Claim Bonus. And No Claim Bonus equates to a discount on the premium while renewing the car insurance policy.

### 1. Third-Party Liability Only Cover

The Motor Vehicle Act 1988 mandates that every motorised vehicle on Indian roads should have a third-party liability only cover.  The “third-party” in third-party car insurance is any property, person, or vehicle that sustains damage due to the actions of the insured while driving their vehicle. This is one of the more affordable kinds of insurance for cars in the country, as the scope of its coverage is limited.

**These are the incidents that will be covered under third-party liability only cover:**

* Damages to the third-party vehicle
* Damages to the third-party property
* cost of hospitalization and treatment of third parties
* Liabilities arising out of the deaths of third parties

Third-party car insurance will not cover damages or losses to the insured’s vehicle due to an accident, damages or losses to the insured vehicle in case of a natural calamity, or theft of the insured’s car.

### 2. Own Damage (OD) Cover

Under the collision damage cover insurance policy, the insured will be reimbursed for the cost of repairs to your damaged vehicle. The premium for these types of car insurance in India will be calculated based on the vehicle’s age and its insured declared value (IDV). The insured declared value of the car is nothing but its market value.

In the event that the cost of damages to your vehicle exceeds the current value of the vehicle, the insurance company will pay the current market value of the automobile in question. For older vehicles, the collision cover can be as low as possible. You must buy coalition cover if there is a lien on your vehicle.

The most important thing to keep in mind when opting for these car insurance coverage types is that the insured will get compensation from the insurance company only in case of an accident. So a collision damage cover is great for those who live in accident-prone pockets of the country or in cities that have dense traffic flow.

### 3. Personal Accident Cover

A personal accident cover can protect the owner of the car in case of an accident by covering the medical expenses that are incurred after the accident. These types of motor insurance can also protect passengers and drivers from medical bills in case of an accident. The insurance company will take care of the medical expenses, regardless of whether the accident was caused by the driver of the insured vehicle or another party. In the event of a death due to the accident, the insurance company will pay a lump sum to the family that suffered the loss.

### 4. Uninsured Motorist Protection

When an accident occurs, the insurance of the person who caused the accident should cover the cost of damages to your vehicle. But what happens when the other vehicle's owner does not have insurance? You would be forced to bear the cost of damages, right? This is where uninsured motorist protection comes in. These types of vehicle insurance

can protect the insured when the person who caused the accident does not have insurance. It can also come to your rescue when third-party insurance is not enough to compensate for the damages caused to your vehicle. Uninsured motorist protection will take care of both repairs to your vehicle and medical bills caused by the accident.

### 5. Comprehensive Car Insurance

As the name suggests, this is the most comprehensive type of car insurance you can choose for your automobile. The damage covered under a [comprehensive insurance](https://www.acko.com/car-insurance/comprehensive-car-insurance/) policy includes damage from third parties and damage to your own vehicle. It basically guarantees complete protection. Even though the price of these types of car insurance can be higher than that of a third-party liability-only cover, the range of protection offered against all the risk factors that you can face when your vehicle hits the road is unmatched with these types of car insurance in India.

One such unmatched coverage provided by the comprehensive insurance plan is protection against theft which is a feature missing in other kinds of insurance. This insurance policy can also protect your vehicle from.

**BENEFITS OF AUTO MOBILE INSURANCE**

As per Motor Vehicle Act, a [Third Party insurance](https://www.hdfcergo.com/car-insurance/third-party-insurance) is compulsory and you must purchase one whether you buy a new or a used vehicle. You may  purchase a comprehensive cover as well.

The former type of insurance protects you against financial and legal liabilities towards a third party. On the other hand, A [COMPREHENSIVE CAR INSURANCE](https://www.hdfcergo.com/car-insurance/comprehensive-car-insurance) policy provides cover to your vehicle against damage due to accident, fire, theft, cyclone, flood etc. Along with this cover, it covers any third party liability .Here are five major  car insurance benefits.

### 1.   DAMAGE OR LOSS TO INSURED VEHICLE

In case your vehicle is damaged due to an accident, fire, or  self ignition, you are protected. Furthermore, if the car suffers losses due to burglary or theft, strikes, riots, or terrorism, your insurance policy covers these. Another benefit of car insurance  is that it covers loss or damage while in transit by rail, inland waterways, air, road, or lift.

### 2.   PERSONAL ACCIDENT COVER

Another advantage of car insurance  is that it offers personal accident cover for a pre-determined amount. Personal Accident cover provides protection against  permanent total disability, Death due to an accident. Furthermore, this cover can be taken for other passengers on  unnamed  basis (maximum as per the vehicle’s seating capacity) for a pre-determined amount  under the car insurance policy.

### 3.   LARGE NETWORK OF GARAGES

HDFC ERGO Car Insurance maintains a large network of garages across the country. This ensures you receive cashless services in all these locations, in case the need arises. This feature makes it convenient to avail of repair services in case of any damage to your vehicle.

### 4.   THIRD PARTY LIABILITIES

If your car is involved in an accident that results in damage or loss to the property of any third parties, it is covered under the car insurance. Furthermore, if you face any legal liabilities in case of any bodily injury or death of a third party, your car insurance protects you against the same.

### 5.   NO CLAIM BONUS

One of the major advantages of having car insurance  is the no claim bonus (NCB). Customer is eligible for this benefit for every claim-free year. This may be available as a discount on the premium, which makes car insurance even more affordable.

Here are two factors you must consider while choosing a car insurance amongst various insurers.

### 1. QUICK AND HASSLE-FREE PROCESS

When you choose to buy a car insurance policy, it is important that you do not have to undergo a long and cumbersome procedure. The entire process must be simple, quick, and convenient. Furthermore, choosing an insurer that offers the additional convenience of purchasing the policy online is recommended.

### 2. CUSTOMER SUPPORT

A reliable and reputed insurance company hires trained and experienced personnel to help resolve all your queries. Insurance companies also offer live chats to ensure your issues are resolved without any delays.

Having a [CAR INSURANCE](https://www.hdfcergo.com/car-insurance) policy gives you complete peace of mind. You are assured that you will face no financial difficulties in case of any loss or damage to your vehicle or to third parties.

**DIS ADVANTAGES OF AUTO MOBILE INSURANCE**

People instinctively buy the car insurance policy assuming insurance protects your vehicle. But there are disadvantages of car insurance policy when you opt for the best car insurance policy online. Insurance representatives hide the specific clauses, this, in turn, reflect you at the time of claim settlement.

* **Coverage failures:** The primary and major disadvantage of car insurance is that your policy does not cover the entire vehicle. Only the specific parts of the car are under damage coverage, the policyholder needs to verify hidden clauses in the document keenly before buying the policy.
* **Time taking Process:** Most insurance companies take a time frame to settle the claim amount, this is the problem most the policyholders are facing.
* **hassle-free claim settlement:** A motor insurance plan is mandatory to protect your vehicle from financial burden in case of any damages. Be careful in choosing auto insurance that maximizes the benefits in terms of optimum claim settlement. Check for the ratio of fair claim settlement for every insurance company and get the best insurance policy.
* **Poor Customer Support:** We at [PolicyBachat](https://www.policybachat.com/) have a dedicated team of agents that will assist you with your claim process for the car insurance policy.

|  |
| --- |
| **Disadvantages** |
| Coverage Failures |
| Time Taking Process |
| Hassle-free Claim Settlement |
| Poor Customer Support |

**HOW AUTO MOBILE INSURANCE WORKS?**

Insurance as a concept is straightforward. You pay a specific sum of money as insurance premium to insure your asset against unfortunate events, which can cause monetary losses. In exchange for the premium, the insurance company promises to offer financial assistance in case of a list of events mentioned in the terms and conditions of the policy. The complications arise when one dives deeper into scenarios, jargon, and claim-related queries.

is the market value of the car. It is not the resale value but the amount you shall receive in case the vehicle faces a total loss. Some insurers allow you to select your IDV from a range. A higher IDV will amount to a higher premium and a lower IDV will amount to a lower premium. However, the relation between IDV and the Sum Insured is the same as IDV and the premium.

**Car Insurance Cover:**

If you choose multiple Add-ons, it is bound to increase your car’s insurance premium. Therefore, it is suggested to select only those Add-ons that you feel are suitable.

**Age of the Car:**

The age of the car is also related to its value. An older car will be less costly as its value will be on the lower side due to factors like depreciation.

**Safety and Security:**

Installing safety features such as anti-theft devices in your car will lower the premium charged. Make it a point to install only those anti-theft devices that are certified by the Automotive Research Association of India (ARAI).

**History of Claims:**

No claims result in No Claim Bonus. And No Claim Bonus equates to a discount on the premium while renewing the car insurance policy.

**EXCLUSION OF AUTO MOBILE INSURANCE**

#### ****Any Wear And Tear Of Vehicle****

Any loss due to ordinary wear and tear of the vehicle is not covered under the policy. Also, if the vehicle undergoes any damage in the regular course of action due to the following conditions, it will not be covered under the policy -

Any mechanical or electrical breakdowns

Failure of chassis or any other body part

Breakage due to rust or weather conditions

#### ****Damage To Tyres, Tubes, Or Electrical Components****

Tyres, tubes, and electrical components face damage due to regular usage and severe weather conditions. Electrical components such as wires, batteries, engines, etc. may also falter because of short circuits, oil leakage, or rodents. These damages will not be covered by the policy.

**For example -** Atul lives in Mumbai and the city faced torrential rain as well as hail storms last monsoon. His car’s tyres faced damage due to slick and muddy roads, while his battery regularly gets discharged because of the cold weather. The costs for their repair and replacement will not be covered under his motor insurance policy.

#### ****Damage Caused To The Vehicle If The Driver Doesn’t Have A Valid Driver’s License****

Possessing a valid driving license in India, whether you’re driving a car, scooter, truck, cargo vehicle, etc. - is a mandatory requirement in India. The license permits you to drive legally in India. It is issued by the Regional Transport Authority (RTA) or the Regional Transport Office (RTO).

Any damage caused to the vehicle if you have a valid driver’s license will not be covered by your policy.

## ****Damage Caused To The Vehicle If The Driver Is Under The Influence Of Alcohol Or Drugs****

You are liable to face legal repercussions under the Motor Vehicles Act if you are caught driving a vehicle under the influence of alcohol or any narcotic drugs. Any damage caused to your vehicle during the course of such driving will not be covered by the insurance policy.

**For example -** Kushal took his bike out for a ride under the influence of alcohol. He got into an accident that damaged the bike’s handles, lights, and body. He is not eligible to receive the claim amount under his insurance policy because he was under the influence of alcohol.

#### ****Damage Caused If The Vehicle Is Being Used For Any Other Purpose****

If you use the vehicle for any other purpose, other than the one specified in the insurance certificate, and it gets damaged as a result of this use - you aren’t eligible to receive the claim amount. For instance, a private car is used for commercial purposes or racing, etc.

#### ****Violation Of Vehicle Manufacturer’s Guidelines****

Each vehicle comes with manual information about the vehicle and guidelines that should be followed by the user. For instance, there may be instructions about how to jump-start your car, how you should handle overheating, etc. If you use any method beyond these guidelines and as a result, violate them- any damage faced by the vehicle will not be covered under the policy.

#### ****Damage Caused By The War****

Any damage caused to the vehicle due to war, terror attack, civil war, radiation, nuclear material/weapons, etc., is not included within the scope of the policy coverage.

#### ****Damage Caused Beyond The Specified Geographical Area****

An insurance policy may specify a certain geographical area within which the coverage will be in force. Any driving accident that happens beyond these areas will not be covered under the policy.

If you plan to take your vehicle outside India, then you would need to separately cover the risks with an insurance company.

**For example -** Rani decides to go on a road trip to Thailand. She gets into an accident on the way, which causes substantial damage to her car. She raises a claim for the same. Unfortunately, the accident happened outside India- therefore she will not be eligible to receive the claim amount.

## ****Any Accident That Happens After The Insurance Policy Expires****

A [motor insurance policy](https://www.smcinsurance.com/motor-insurance) is a mandatory requirement, as stated by the Motor Vehicles Act, and needs to be renewed within the specified due date. If any damage or loss occurred, even if covered under the old policy, happens after the policy expires- it will not be covered.

**For example -** Kumar purchased a scooter in March 2021. He also bought an insurance plan for the same, the renewal due date of which fell in March 2022. He failed to pay the premium and renew the policy, which caused the old policy to expire. Unfortunately, he got into a road accident in April 2022. His scooter faced substantial damage because of the same. However, he is not eligible to raise a claim and receive the cover amount from the insurer because of his expired policy. He may also face legal repercussions under the Motor Vehicles Act for driving without insurance.

Looking at the exclusions ofMotor Insurance policies, it can be gathered that one should be well aware of the various situations and types of damage that aren’t covered. This will help you prevent any sort of untoward incidents as well as expenses. So, make sure you go through the policy documents and understand all the specified conditions.

**PREMIUMS OF AUTO MOBILE INSURANCE**

The car insurance premium is the amount you pay to the insurance company to purchase or renew your car's insurance policy. You pay the premium and receive a policy document. That is the nature of the transaction in the car insurance industry.

The car insurance premium is the amount you pay to the insurance company to purchase or renew your car’s insurance policy. You pay the premium and receive a policy document. That is the nature of the transaction in the car insurance industry.

The policy document acts like a receipt and a promise, which is bound by the Policy Wordings. The Policy Wordings document is like a contract, which explains the terms and conditions of the policy. Paying premium does not guarantee that the insurance company will pay the claim amount in case of an accident. They will do so when the terms and conditions mentioned in the Policy Wordings are met.

## 10 Points That Have an Impact on Car Insurance Premium:

The car insurance premium is an important factor when you set out buy or renew [car insurance](https://www.acko.com/car-insurance/). Undoubtedly, it is important to buy an affordable policy but at the same time, it should not leave you underinsured. If you are underinsured, you will find yourself in the middle of a financial crisis at the time of an unfortunate event involving the insured vehicle.

To ensure that you buy an affordable policy with adequate coverage, you should be aware of the following factors which determine your car insurance premium. Knowing them will help you to make the correct call when it comes to buying or renewing your policy.

### 1) Make, Model, Variant:

The premium for insuring a luxurious sedan is going to be high as compared to a hatchback. This is because of the vehicle’s basic composition. That’s why your vehicle’s manufacturer, its type, cubic capacity of the engine, etc. will have a direct impact on the car insurance premium.

### 2) Age:

Age of the vehicle takes into account two important concepts related to car insurance: Depreciation and Insured Declared Value (IDV). These two concepts are interrelated. Depreciation is the reduction in the value of an asset due to natural wear and tear over a period of time. And IDV can be understood as the approximate current market value of the vehicle.

Usually, an old car will have more depreciation and less IDV. This means it will cost less to insure an old vehicle and more to insure a new vehicle.

### 3) Location:

Insuring a car in a metro is going to cost more than insuring one in a tier 3 city. This is because the car is perceived to be prone to damages in an urban setting. For example, increasing traffic, congested roads, etc. are the factors that cause accidents frequently in a city like Mumbai.

### 4) Cover:

A basic Third-party policy is mandatory by law in India. It offers cover against third-party liabilities. On the other hand, a comprehensive car insurance policy covers Own Damage along with third-party liabilities. Plus, you can enhance the coverage with the help of Add-ons.

As the coverage offered by a Third-party Liability policy is less, the cost is less as compared to a Comprehensive car insurance policy. However, the coverage offered is not enough which leaves the policyholder underinsured. If you want Comprehensive coverage, it is going to cost more than the price of a basic Third-party policy! Simply put, premium increases along with the coverage offered.

### 5) Add-ons:

Add-ons offer extra security. And extra things usually come at a price. This applies to insurance as well. Including Add-ons such as Zero Depreciation, Passenger Cover, etc. will increase your premium amount. Thus, it is suggested to go for only those Add-ons that you feel are absolutely necessary.

Also, read: [How to Calculate Car Insurance Premium](https://www.acko.com/articles/car-insurance/how-to-calculate-car-insurance-premium/)?

### 6) No Claim Bonus (NCB):

Insurance companies offer a discount on the premium (on car insurance renewal) if you haven’t raised a claim during the previous policy period. Do not be in a rush to raise a claim. Look at the NCB component (if applicable) before raising a claim and then decide if it makes sense to raise a claim or not.

### 7) Anti-theft Device:

Protecting your vehicle with an anti-theft device that is certified by the Automotive Research Association of India (ARAI) might fetch you a discount on car insurance premium. Do not miss out on this one!

### 8) Deductibles:

You can opt for a [Voluntary Deductible](https://www.acko.com/car-insurance/excess-insurance-compulsory-and-voluntary/) to reduce your insurance premium. This effectively means that you will contribute a predetermined amount to the claim amount. As a result, the insurance company has to pay less while settling a claim and therefore charge less premium.

### 9) Seller:

If you purchase car insurance from an agent, the agent is bound to charge some commission for providing a service. If you purchase it from a car dealer, it is likely that the dealer will offer a fixed policy providing a cover that you may not want. This way, you might spend extra for a cover not suited for you. Thus, it is best to purchase car insurance directly from the insurer.

### 10) Digital Insurance:

Digital-first insurers offer Comprehensive car insurance policies with appealing features at a low price. As they spend less on operational cost, they can offer policies at a lower rate compared to the market. Make sure to check car insurance quotes on digital insurers’ websites before purchasing a policy or while going for car insurance renewal.

**HYPOTHETICAL SCENARIO’S**

Automobile (or car) – wheeled passenger vehicle that carries its own motor. Most definitions of the term specify that automobiles are designed to run primarily on roads, to have seating for one to six people, typically have four wheels, and be constructed principally for the transport of people rather than goods.

**CURRENT SCENARIO OF AUTOMOBILE INDUSTRY AND WAY FORWARD**

The Auto industry is going through one of the worst crisis and the sales is slowest in the last 20 years. It is worth mentioning that Auto industry contributes to close to 7% of overall GDP and nearly half of manufacturing GDP of the Country , contributes 11% to the GST collection and provides direct and indirect employment to 35 million jobs.

The impact of demand slow down is so huge that most of the companies are operating at 70% of their level of potential and there is huge accumulation of Inventory.

1.    In India it is the finance which was selling. Roughly 60% of the total vehicle sales was financed and crisis in the Shadow Banking Industry (after ILFS) has restricted Credit inflow to the Dealers and Consumers. Norms of NBFCs for lending was slightly on easier side for Vehicle loans. In this hard time of Buyers, even Banking industry is struggling with close to $150 billion in bad loans.

2.    Another uncertainty is shifting of emission standard from current Bharat Stage IV norms to Bharat Stage VI norms from April 2020. For the implementation of the revised norms, the price of Diesel cars are likely to go up which will have impact on Diesel cars share in the overall Market segment. It is worth mentioning that, Diesel Cars share has been under decline since last 10 years from 60% to 40%

3.    Implementation of GST has played both Negative and Positive role in demand. Industry is expecting that GST should be reduced from current level of 28% to 18% to kick start the demand. But one thing needs to be understood that due to implementation of GST, there is seamless flow of Commercial vehicles across the States as hurdles at the border checks have been removed. This has definitely increased the life of Commercial vehicles

4.    Consumers’ behavior have changed dramatically. They are more informed and have started exercising their rights. In the current scenario, they could be waiting for

a.     Improved BS VI cars variant so that they get enhanced engine

b.    Electronic Vehicles—So that they are saved form extremely high Fuel cost

c.     Commercial vehicles may be waiting for Vehicle Scrap Policy for obtaining hefty discounts on the age old model

d.    Availability of Transport services at finger tips with all amenities. Let us look at the following scenarios

                                               1.    You want to go to Office in the cheapest possible way. The option available is Car Sharing with Driver

                                               2.    You want to attend a marriage party with family. Option is to hire a high end car which will be chauffeur driven

                                               3.    You are on a business trip in some other city and want to hire car for full day. Option is to hire the same along with chauffeur at the optimal price

                                               4.    All such options have given great flexibility to users where by they can hire the Vehicles of their choice (Premium or ordinary), can hire Driver simultaneously (at no cost), don’t need to stick to one brand or category of cars and don’t need to face the hassles of parking.

                                               5.    Any rationale consumers will opt for the above alternative

5.    All the above impacts have taken a toll in the employment situation of Auto industry. As per some estimate, some 3.5 lac jobs have been lost mainly in contractual and casual labor category. But a close watch on the growth in Jobs in Automobile Industry will reveal the fact that there is tapering in the jobs from last 10 years due to automation already started in this sector. Over a long time horizon, Robotics, AI and ML will definitely impact the scenario of manual jobs in this industry and hence the current loss of job is more of an accelerated process of future scenario

**How the Industry can cope up with the challenges**

There are several ways for the industry to come out of the situation but nothing can be quick fix. It will require a long learning lesson for the Industry for self-survival so that every time a crisis happens, they don’t have to run to Govt for Tax cut and concessions.

                                                1.    Indian Auto Industry is probably the most protected ones in the world. GoI has already done their bit by providing Custom Duty on Imported cars to the tune from 60% to 125%. (Even the 2nd hand cars attract huge Custom Duty).

                                                2.    With such level of protection, the indigenous industry should work towards creating world class infrastructure facilities. The market of World Auto industry is close to $800 billion Dollar and our contribution is even less than 1 percent.

                                                3.    The last recession in Auto industry occurs in 2000. No lesson was learnt from the same and Auto industry was dependent on Tax cut and Consumer demand for their survival.

                                                4.    No new innovation / New Model are getting developed and the quantum of Research is pathetic in Indian Industry. It is worth mentioning that the new generation doesn’t give much value in holding assets. They are more interested in gaining experience and hence Car sales will remain a tough challenge going forward, unless innovation drives the passion for new generation to hold Assets

                                                5.    World wide Auto Industry goes through slump. But they come out of the same through Innovation, new features, cost cutting and brining new model in the market.

1.     Remember the case of Hal Sperlich who designed Mustang in Ford under Lee Iococaa and later on designed Van in Chrysler to save both the companies

2.     Also, how the western car makers adopted safety features after the book UNSAFE AT ANY SPEED BY RALPH NADAR

 We need to understand that current crisis will continue in some form or others as Consumer mind set has changed, Liquidity will remain tight (gone are the days when shadow banking was allowed whatever they want to do) , requirement from the consumer is at different pedestal and Asset utilization on rental basis is on the rise. Auto Industry has to find solution amid this challenge as GST is going to stay and Demonetisation has already happened. Simply running to Govt for rate cut is not going to help as the crisis is much bigger than Consumer demand…..IT IS RELATED TO THE MINDSET OF CONSUMERS WHICH CANNOT BE ALTERED BY RATE CUT