

IRDAI unbundles motor, personal accident insurance

Decision to take effect from January 1

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Come January 1, owner-drivers of two-wheelers and cars will be able to buy Compulsory Personal Accident (CPA) cover separately, as opposed to the existing system where it is sold as a part of motor insurance.

This follows the Insurance Regulatory and Development Authority of India's decision to unbundle the CPA cover and allow insurers to issue the cover on a standalone basis.

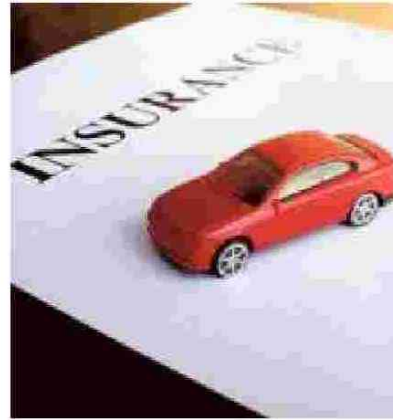
Further, owner-drivers having general personal accident cover against death and permanent disability, for ₹15 lakh and more, are not required to purchase CPA cover.

Single policy

IRDAI also decided that one CPA policy would suffice for those owning more than one vehicle. "Coverage under standalone CPA will extend to all the vehicles owned by the owner-driver under the same policy," the authority said.

Coming more than two months after the minimum CPA cover was raised to ₹15 lakh, in the wake of a Madras High Court judgment, the decisions are based on feedback from different quarters.

"It has been pointed out that many owner-drivers have existing general personal accident covers, which ought to be taken cognizance of. The fact [that] owner-drivers may own more than one vehicle needs to be taken into consideration in a more rational manner," IRDAI said in a circular.



The duration of a standalone CPA cover will be one year.

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At the time of increasing the cover in September - from ₹1 lakh for two-wheelers and ₹2 lakh for cars - IRDAI had stipulated ₹750 as premium (excluding GST) for a ₹15-lakh CPA cover.

As an interim measure, insurers may price standalone a CPA product in accordance with their general pricing philosophy, based on 'actuarial principles' for the risk in question. In the event of the pricing approach being in variance, suitable directions would be issued, the regulator said.

Sources among general insurers did not rule out the possibility of the premium for the standalone cover dropping below ₹750. The companies have time till January 15 to file the standalone CPA product with the authority.

The IRDAI circular said a policyholder can continue to opt for the CPA cover as part of the Liability Only (third party) policy or the package (comprehensive) policy as it exists today.

The duration of a standalone CPA cover will be one year, whereas the mandatory third-party cover in motor insurance is for longer terms.