

# Motor insurance down to a crawl as automobile sales remain in slow lane

**SURABHI**

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The slowdown affecting the automobile sector has also slowly begun to bite the insurance industry, with own damage (OD) motor insurance premium seeing negative growth this fiscal.

Third-party motor insurance has also seen negligible growth.

Data compiled by the General Insurance Council show that the gross direct premium income underwritten by the 25 general insurance companies has seen muted growth till July.

Motor insurance is mandatory at the time of purchase of a new vehicle, including two-wheelers, and in a way captures the sale as well as registration of new automobiles; it has also to be renewed on an annual basis.

Gross direct premium income underwritten for the full motor segment grew by 5.8 per cent to ₹21,089.78 crore in the first four months of the fiscal year, against a 10.5 per cent growth in the same period a year ago.

Breaking down the numbers, the growth in gross direct premium income underwritten for motor OD insurance has, in fact, dipped by 1.9 per



Motor own damage premium income growth is in negative zone

cent between April and July 2019 to ₹8,423.36 crore, against a growth of 2.2 per cent in the same period last fiscal. Growth in premium for motor TP insurance is still in double-digit but muted when compared to 2018, and insurers attribute the continued robustness partly to the revised rates for premium in the segment.

Gross direct premium income underwritten for motor TP grew by 11.5 per cent to ₹12,965.02 crore till July 2019, against a growth of 17.3 per cent last fiscal.

"This must be the first time in the last six-seven years when motor OD premium has slipped into the negative territory," noted Roopam Asthana,

CEO and Whole-Time Director, Liberty General Insurance.

Since it is mandatory under law, motor insurance premium, particularly from motor TP, forms a chunk of the business and premium underwritten by general insurers.

Auto sales fell to a 19-year-low in July, and declined by 18.71 per cent that month, according to data from industry body SIAM.

"We expect the trend to continue till early next year, although recent measures by the

Finance Ministry could lift auto sales to some extent," noted another executive with an insurance company, who added that data suggest that new vehicle registrations are still growing at a faster number than what is reported at the manufacturing level.

## 'Set target for growth'

IRDAI Chairman Subhash Chandra Khuntia has also asked the insurance industry to target at least 15 per cent growth, noting that in 2018-19, the life insurance segment has grown by 11 per cent and the general insurance segment by 12 per cent.