


# An Introduction to Bike Insurance



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# What is Bike Insurance?

Bike Insurance is a type of insurance that offers protection to your bike against a wide range of risks including thefts, accidents, man-made disasters, etc.



## WHY BUY BIKE INSURANCE?

4 main reasons why you should buy a Bike Insurance Policy -

- ▶ Driving a two-wheeler without insurance is a punishable offence.
- ▶ The cost of repairing a two-wheeler in case of severe damage is very high.
- ▶ Bike Insurance offers protection against a wide range of risks such as damage to self-vehicle, third-party damages etc.
- ▶ Bike insurance protects against the risk of bike theft.

# Types of Two-wheeler Insurance Plans

There are two main types of two-wheeler insurance policies -

## 01 Third-Party Liability Only Cover

According to the IRDAI, third-party insurance is mandatory for all Indian registered two-wheelers.

- ▶ It provides coverage in case of permanent disability or death of the third party.



Even if you are a safe driver, you might end up in situations where you cause injury to a person, just because of unruly traffic or simply because they suddenly get in your way!

You might be liable to pay damages to the injured person, and these could be very high if there is any kind of disability. Your insurance can protect you from such expenses.

- ▶ It also offers protection against any damages caused to the property of the third party, like their vehicle, shops, boundary wall, etc. The amount that will be compensated cannot exceed the limit of Rs. 7.5 Lakhs.



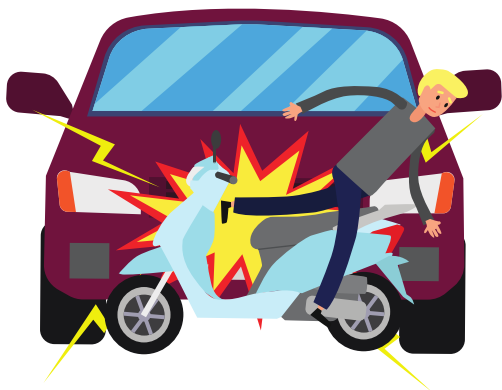
For example, while parking your two-wheeler, you hit and damage your neighbour's car. You need to pay them Rs 30,000 as compensation. The policy will cover the costs of the same.

The compensation to be paid by the insurance company both in case of damage to third-party property, as well as person, is decided by the Motor Vehicle Accident Claims Tribunal.

## 02 Comprehensive Insurance Policy

The purpose of comprehensive car insurance is to provide coverage for loss and damage incurred by both parties involved in the accident.

The policy includes comprehensive coverage for damages your two-wheeler may sustain, as well as liability coverage for third parties.



The policy will cover damages caused to your bike because of unforeseen events like an accident, theft, etc. Here, the maximum amount the insurance company will pay will depend upon the Insured Declared Value (IDV).



It will also cover any loss or damage caused to another person or their property because of an accident involving your bike.

A comprehensive policy allows you to opt for several add-ons that provide extra protection to the vehicle. You can opt for add-ons like Zero depreciation cover, Engine Protector, Roadside Assistance cover, No claim bonus protector, Return to Invoice Cover, etc. with a comprehensive policy.

And you can also earn rewards in the form of No Claim Bonus Discounts for every year you don't make a claim under a comprehensive policy.

The risks involved in driving in our country are well known. And, an increase in private vehicles can increase the likelihood of road accidents and the violation of traffic laws. Hence, it is important that you choose a policy that provides adequate coverage so that you are protected.

Speaking of coverage, let's have a look at what Bike Insurance covers.

## What risks does a Bike Insurance Policy cover?



### DAMAGE TO YOUR OWN BIKE

With the plight of the roads, it is evident that all two-wheeler owners are driving on the road with a certain degree of risk. A Bike Insurance Plan safeguards your bike against loss/ damage caused because of -



- Accidents.
- Natural calamities like earthquakes, floods, cyclones, etc.
- Theft, riots, strikes, etc. caused as a result of human intervention.
- Malicious acts like hostilities, an explosion of war weapons, etc.
- Damage while in transit by rail, road, air inland waterways, lift, etc.
- Fire, explosion, self-ignition.



## ACCIDENTAL DEATH/ DISABILITY

A personal accident cover is a compulsory requirement by law. It safeguards you against accidental death or disability.



If you meet with an accident that causes permanent disability or death, your family will endure a staggering level of stress. The compensation you receive from this policy will help your family meet their financial needs.

A personal accident cover can also be bought for your pillion rider.



## THIRD-PARTY LEGAL LIABILITIES

Any loss or damage caused to another person or their property because of an accident involving your bike is also covered by a Bike Insurance Plan.



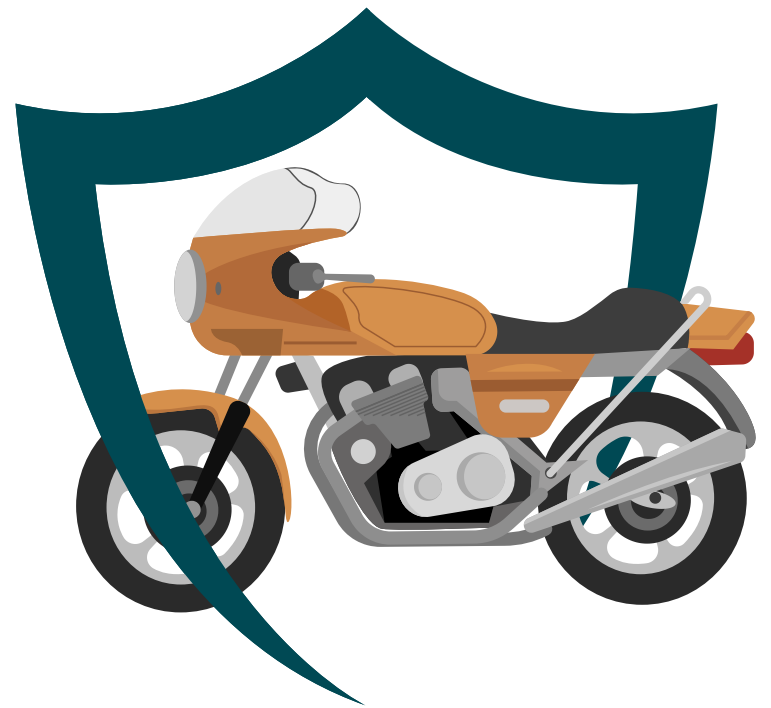
- In case of injury or death of a third party, the amount that will have to be paid to the third party or their family will be decided by the court.
- In case of damage to third-party property, the amount that will be compensated cannot exceed the limit of Rs. 7.5 lakhs.

While your Bike Insurance will offer protection against the above-mentioned risks, there are a variety of situations it will not cover.

# What risks does a Bike Insurance Policy not cover?

Exclusions are situations that will not be covered by the bike insurance policy. Meaning, when you raise a claim, the insurance company won't pay for the loss/damage.

In order to ensure there are no surprises at the time of a claim, it is important to educate yourself about the exclusions under the policy you're planning to buy.



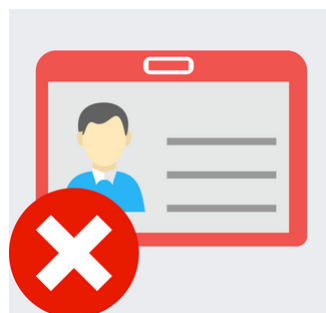
Here are some situations that are excluded under a Bike Insurance Plan -

## ANY WEAR AND TEAR OF THE BIKE



If your bike is damaged due to ordinary wear and tear, the insurer won't cover the damages.

## DAMAGE CAUSED & THE DRIVER DOESN'T HAVE A VALID LICENCE



Damages will not be covered if the person driving the insured two-wheeler has an out-of-warranty driving licence.



## DAMAGE TO TYRES, TUBES, OR ELECTRICAL COMPONENTS



Loss or damage to the bike's tyres, tubes, and electrical components, like wires, battery, engine, etc. will not be covered by the policy.

## DAMAGE CAUSED TO THE VEHICLE IF THE DRIVER IS UNDER THE INFLUENCE OF ALCOHOL OR DRUGS



Any loss caused because the person who is driving the two-wheeler is under the influence of alcohol and/or drugs is excluded.

## DAMAGE CAUSED IF THE VEHICLE IS BEING USED FOR ANY OTHER PURPOSE



If you use the vehicle for a purpose other than the one mentioned in the insurance certificate, and it is damaged as a result, the insurer will not pay for the damages.

## DAMAGE CAUSED BEYOND THE SPECIFIED GEOGRAPHICAL AREA



Mostly, the insurer may specify a certain geographical area within which the Bike Insurance coverage will be in force. If the loss occurred is not within the geographical area that is specified in the policy, it will not be covered.

## ANY ACCIDENT THAT HAPPENS AFTER THE INSURANCE POLICY EXPIRES



A Bike Insurance Policy 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, even if covered under the old policy, happens after the policy expires - it will not be covered.

Please note, the above list is not exhaustive, there could be additional exclusions in the policy. So, ensure you check the policy wordings before you go ahead and make the purchase.

Now that we have our basics about Bike Insurance cleared - why it's important, its types, the risks it covers and the ones it doesn't - let's take a look at some add-ons you can buy with your Bike Insurance to enhance your base coverage.

# Types of Add-ons available with Bike Insurance

A variety of add-ons are available for Bike Insurance, and each of them serves a unique purpose. You can opt for add-ons by paying an additional premium.

Here are some add-ons you can purchase with bike insurance -

## → ZERO-DEPRECIATION ADD-ON



As soon as the bike is taken out of the showroom, its value usually diminishes. Your bike undergoes depreciation due to age, wear and tear.

Whenever you make a claim, the depreciated value of damaged parts is deducted from the claim amount. You may be required to pay depreciation charges from your own pocket.

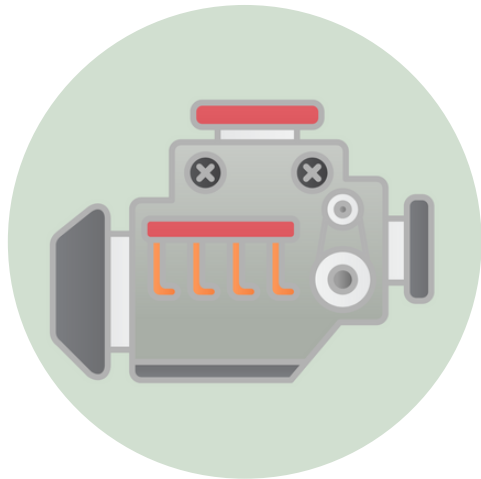
The zero depreciation add-on is an effective way to solve this problem. If you select a zero depreciation policy, your insurer will not deduct depreciation costs when calculating the claim amount, and this will result in a higher claim amount.

For example, Ravi has a BMW G310. He was on his way to a grocery store when he was struck by a speeding car. The collision damaged the exhaust and the replacement cost for the exhaust is estimated at Rs 60,000. The depreciated percentage for exhaust (made of plastic) is 50%.

Depreciated amount = 50% of 60,000 = Rs 30,000.

Without Zero Depreciation Cover, Ravi would have had to pay Rs 30,000. However, he needn't worry about this expense since he holds a zero depreciation cover along with his standard bike insurance policy. His insurer shall cover the entire repair cost without considering the depreciated value of the exhaust.

## → ENGINE PROTECTOR ADD-ON



It is an add-on that provides coverage against any damage that occurs to the engine of an insured bike.

It gives financial aid for the repair or replacement of the bike engine caused due to water ingression, leakage of oil, lubricant, etc

## → ROADSIDE ASSISTANCE COVER



It is a cover that helps you get on-road assistance in case your bike faces malfunctions or breaks down in the middle of the road.

You can contact the insurance company toll-free, and arrange for roadside assistance.

For example, you experience a bike engine seizure right in the middle of a trip, caused by overheating and lack of lubrication. Without oil, the engine's moving parts will no longer move smoothly against each other, resulting in overheating.

If you have a Roadside Assistance Cover in place, a mechanic will come to your rescue and save you from trouble.

To minimise the inconvenience caused while riding a bike, this add-on provides enhanced coverage for -

- Flat tyres
- Technical issues
- Battery issues
- Fuel support
- Lost/misplaced keys
- Accommodation
- Taxi facility

Please note that the above services may vary from insurer to insurer.

## NO CLAIM BONUS PROTECTOR



A No Claim Bonus is a reward the insurance company gives you for not making a claim in a policy year.

With a No Claim Bonus Protector add-on, you can retain your NCB, even if you raise a claim in a policy year.



## RETURN TO INVOICE COVER



Insurance companies provide coverage based on the current market value of the vehicle, also known as the Insured Declared Value (IDV). The IDV of the bike factors in depreciation value.

The value of the bike depreciates as soon as it leaves the showroom. This implies that if the bike suffers damage beyond repair or gets stolen, you will receive the depreciated amount, not the original value of the bike.

However, if you opt for a return to invoice cover, you will receive the total invoice value of the bike, i.e., the original value, in case of theft or total loss of a bike.



## PERSONAL ACCIDENT COVER

It is the most important add-on and there are two types under this category -



### Personal Accident Cover for the Owner-Driver

A Personal Accident Cover provides financial protection against any accidental death or disability. The compensation shall be provided according to the limit stated in the policy.

It is mandatory, as per vehicle norms, for all bikes to have a Personal Accident Cover with a minimum of Rs. 15 Lakhs coverage.

Nevertheless, if you already have a personal accident cover of 15 Lakhs for your existing vehicle, you need not buy this cover separately for your bike.



### Personal Accident Cover for Passengers

A Personal Accident Cover for passengers protects the pillion rider or passenger in case of any accidental death or disability. Although this cover is not mandatory, it is important to protect anyone riding with you.

For instance, Rahul and Aksha were travelling on Rahul's bike when they suddenly met with an accident. Aksha, the pillion rider, sustained a major spinal injury, causing permanent disability.

Since Rahul had a Personal Accident Cover for the passenger with his insurance policy. Aksha will also be compensated according to the policy limit.



### KEY PROTECTOR COVER



In the event that a key is lost, damaged, or stolen, a key protector cover will cover the replacement costs.

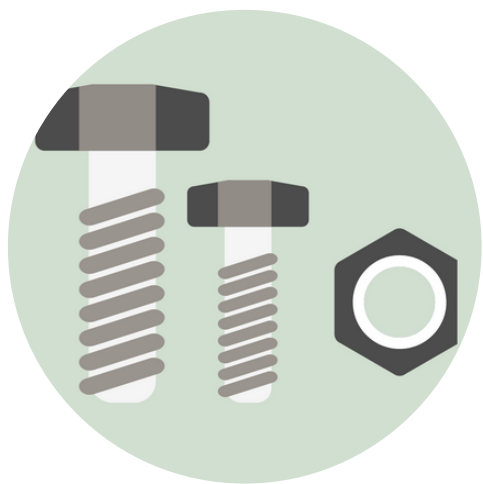
Moreover, this add-on also covers the cost of replacing or repairing the lock-set.

For example, Siddhi discovered that her bike's lock-set was damaged, and the key didn't fit in. She decided to replace it.

However, since she owned a key replacement cover for her bike, the insurance company compensated her for the entire cost of replacing the lock-set.



## CONSUMABLES COVER



Consumables are items that are subject to constant wear and tear. They have to be replaced frequently and cannot be reused.


Components such as screws, nuts, bolts etc., are consumables.

Generally, a bike insurance policy doesn't cover the cost of consumables. However, when you opt for a consumables cover, the insurance company bears the consumable expenses.

For instance, Abdul was on his way to work when his bike collided with another vehicle. This crash damaged the entire engine, oil filter and broke the frame and headlights too.

According to estimates, the repairs will cost around Rs 20,000. Out of this amount, Rs. 4000 will be the cost of repairing the oil filter and replacing the consumables. Here's a comparative table of what he is required to pay with and without a consumables cover -



	Standard Bike Insurance Policy <u>With</u> Consumable cover	Standard Bike Insurance Policy <u>Without</u> consumable cover
Claim amount 	Repair cost (including consumables cost) = Rs 20,000	Repair cost (excluding consumables cost) = Rs 16,000

*Note: Deductible and depreciation charges are not considered in this example for understanding purposes.*

With a consumables cover, Abdul need not spend any amount on the consumables. Without this add-on, he will have to pay for the cost of consumables, i.e., Rs. 4000 from his own pocket.

## HOW DO YOU ADD THESE ADD-ONS TO YOUR BIKE INSURANCE?

The process of enhancing your existing insurance policy with add-ons is relatively easy. Here are the steps you should follow -



### Examine your existing policy

To begin with, take a close look at what your current policy covers. You can then choose the add-ons that address the needs that aren't covered by your policy.



### Contact your Insurance Agent

If you have purchased your existing policy from an insurance agent, get in touch with them and inform them about the add-ons you wish to purchase. They will add the same to your policy.



### Visit the Insurer's Website

When you buy bike insurance from an insurer's website, you can view the add-ons on the same page. Analyse the features available and ensure that your needs align with those offered by the add-on.

You can click on your desired add-on from the list displayed on the screen, and it will be automatically added to your policy. The premium will be adjusted based on the add-ons chosen.

As you can see, a Bike Insurance Plan provides financial protection to your bike against a wide range of risks. You can also customise it by opting for the variety of add-ons we discussed above.

Before you go ahead and buy insurance for your two-wheeler, there are a couple of things you must keep in mind so that there are no issues later, at the time of a claim.

Learn about them in the section ahead.

# 7 Things to note before buying Bike Insurance

01

## UNDERSTAND YOUR NEEDS

Before you start looking for an insurance plan for your bike, it is important to assess your requirements. Decide on the type of Bike Insurance cover you want to purchase, and whether or not you want to opt for any additional features and add-ons.

Once you understand your needs, you can go ahead.

02

## CHOOSE THE RIGHT TYPE OF POLICY

Once your requirements are clear, you can choose between a Third-party or a Comprehensive Bike Insurance.

If you would like to have all-round protection against damages to your own vehicle, a personal accident cover as well as a third-party cover, go for a comprehensive policy. If not, pick up a simple third-party-only cover.

## 03

### FIND YOUR PERFECT MATCH

You can select several features and benefits with your base motor insurance policy so that it is perfectly tailored to your needs.

A few other important factors you should consider when choosing a policy -

- **Types of add-ons available with the plan**

Adds-ons are additional benefits that can be added to your existing policy on a certain extra cost. You can choose the ones that fit your requirements the best.

- **Cashless facility**

In the event of an accident, you can avail repair services from your insurance company's network of garages and need not pay for the damages upfront. The repair costs shall be borne by the insurance company. This is known as a cashless facility.

## 04

### DECIDING THE COVERAGE

The Insured Declared Value (IDV) is the estimated market value of your vehicle. It is the maximum amount the insurance company will pay in case a claim arises under the Bike Insurance policy. So, make sure you select a policy that provides an adequate IDV.

Choosing a lower IDV can lessen the premiums you will need to pay.

But this can prove to be troublesome during the claim settlement process as there might be situations wherein the loss or damage goes beyond the chosen IDV, for instance, if your vehicle is stolen.

**05**

### **UNDERSTAND THE POLICY T&C**

To avoid any difficulties at the time of claim settlement, it is extremely crucial that you go through the policy documents and understand the terms and conditions of the policy you're planning to buy.

Educate yourself about the inclusions, i.e., situations the motor insurance policy will cover, and the exclusions, i.e., situations it won't cover.

**06**

### **PERSONAL ACCIDENT COVER**

As per government norms, it is mandatory to have a personal accident (PA) cover for the owner-driver. Make sure you add it to the policy if you don't have one already.

Not having a PA cover for the owner-driver may lead to a rejection of claims as well.

**07**

### **PROVIDE ACCURATE DETAILS**

Ensure that all the details you have provided to the insurance company are accurate.

If you purposely hide or provide wrong information, it could cause complications, and even rejection of a claim in the future.

After completing all of these steps, you can proceed to purchase the policy. Now, after you buy the policy, and say your bike is damaged, you'll have to raise a claim under the policy.

How do you do that? Read on... in the next section.

# How to Claim?

There are two ways through which you can claim under your Bike Insurance Policy.

You can claim either on a cashless or on a reimbursement basis.



## WHAT IS A CASHLESS CLAIM?



Say your bike is damaged and you take it to a network garage, i.e., a garage listed with the insurance company to get it repaired.

In case you raise a claim, the insurance company shall directly settle the repair bill with the garage. This is called a cashless claim.



## WHAT IS A REIMBURSEMENT CLAIM?



In the event of an accident, if you get your bike repaired in a garage that is not listed with the insurance company, you'll have to pay the bill upfront.

You can then apply for a claim and get the amount reimbursed by the insurance company.

## WHAT IS THE DIFFERENCE BETWEEN A CASHLESS AND A REIMBURSEMENT CLAIM?

	Cashless Claim	Reimbursement Claim
Meaning	Here, the insurer settles the bill with the garage directly. You only need to pay the deductible, depreciation charges, etc.	Here, you're required to pay all the repair costs upfront. You can then get the amount reimbursed from the insurer.
Time for settlement	The claim amount is directly paid to the garage. Hence, the entire claims process takes less time.	The process takes longer than cashless claims because you have to pay all the expenses and then get it reimbursed from the insurer.
Choice of Garages	You'll have to take your bike to a garage that is listed with the insurer.	You can take the bike to any garage of your choice.

So, this is how a cashless claim differs from a reimbursement claim. It is crucial to understand how both these claim processes work - in order to ensure there are no hassles at the time of filing a claim.



Choosing the right insurance policy for your bike is essential when you are buying a brand-new bike or renewing your existing policy. Compare policies and choose the one that best suits your needs.

And make sure it is customised according to your requirements and preferences.

### **SO, THAT IS ALL ABOUT BIKE INSURANCE.**

Hope this was helpful in bringing you the very basics of bike insurance in India.

Should you have any questions, or would like to work with an expert to buy a suitable bike insurance policy, you could connect with our team through our website: [www.smcinsurance.com](http://www.smcinsurance.com)

**We'll be happy to help you out!**

