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Why Two Similarly Priced Cars Can Have Different Insurance Premiums

A car's price is only part of its insurance bill. Engine size, repair costs, and a model's claims record can change what buyers pay towards insurance premiums



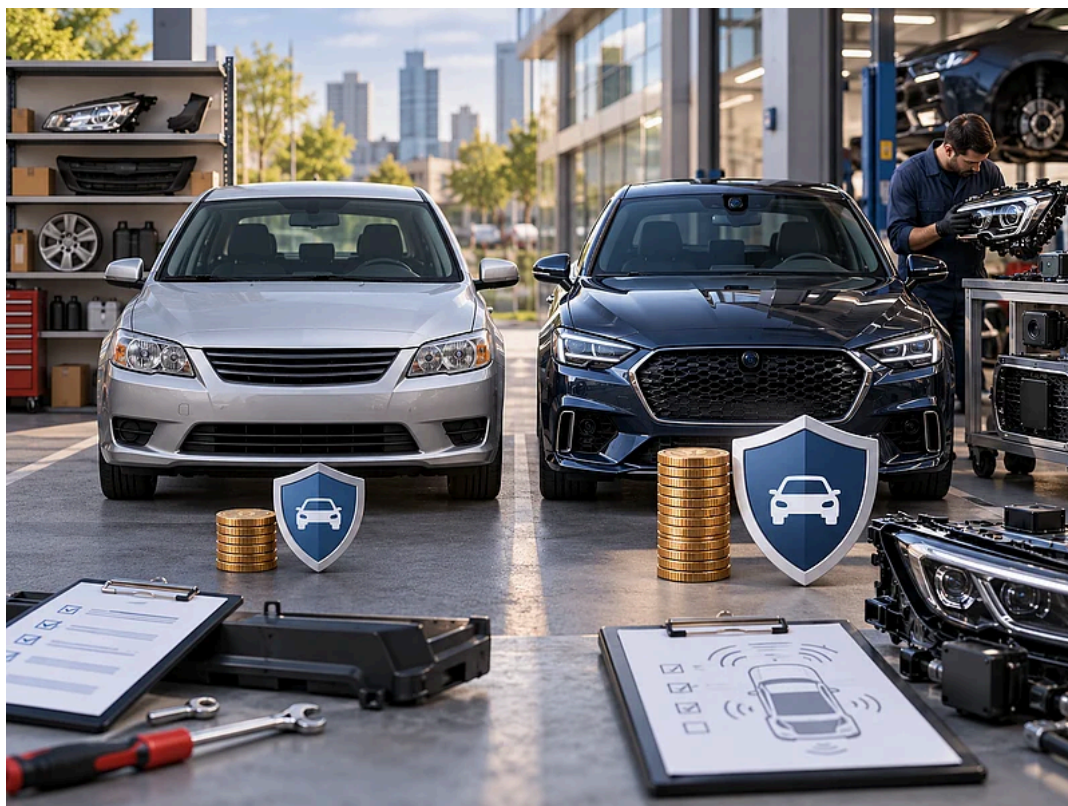
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Summary of this article

- Investment portfolios should change as financial goals draw closer
- Direct stock investing requires time, research, and regular portfolio monitoring
- Home-buying funds need lower market risk as the purchase approaches

- Retirement planning requires gradually shifting from growth towards income

Two cars may have similar showroom prices, but different insurance premiums. The difference is because of how motor insurance is priced: third-party cover follows applicable vehicle categories and rates, while insurers price own-damage cover using the risk and likely cost of claims for a particular car.

Says Dai Inoue, executive vice president, motor underwriting, IFFCO-TOKIO General Insurance Company, “Two cars with a similar market price or **insured declared value (IDV)** bracket can have different premium rates if their risk and claims are different.”

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Says Bikash Choudhary, CEO, FatakSecure, a digital insurance distributor: “Most buyers treat the ex-showroom price as the number that decides any insurance quote. So, they are often surprised when two different cars at a similar price come back with quite different insurance quotes.”

What Changes The Premium?

Engine capacity can make an immediate difference to the third-party portion of a petrol or diesel car’s premium. For **own-damage cover**, the IDV matters, but it does not tell the whole story. Insurers also consider the car’s make, model, age, claims history, and where it is registered.

A car with readily available, inexpensive parts may cost less to repair than another with the same IDV. If a damaged panel must be replaced rather than repaired, then even a small accident can lead to a larger claim. Theft risk and the availability of workshops also affect an insurer’s assessment.

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Features also change the calculation. Advanced driver assistance systems (ADAS) use cameras and sensors that may need replacement or recalibration after a minor collision. A windscreen repair on an ADAS-equipped car may, therefore, involve more work than the same repair on a car without those features.

Electric vehicles (EVs), luxury cars and discontinued models deserve a closer look, though none automatically attract a higher premium simply because one falls into one of those categories. EV batteries and electronic components can make repairs expensive. Likewise, luxury cars may need imported parts and specialist labour. For a discontinued model, parts can become difficult to source over time, potentially increasing repair costs and delays.

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A falling IDV can keep an older discontinued car’s premium modest. So, buyers should check whether the insured value reflects the car’s resale price and whether parts and suitable repair facilities remain available.

Get Quotes Before Booking

The dealer’s insurance figure need not be the final word. Buyers can request quotes for the exact variant they intend to purchase and compare the IDV, deductibles, coverage and add-ons alongside the premium. The Insurance Regulatory and Development Authority of India (Irdai) advises policyholders to compare these terms because a cheaper quote can come with a lower IDV or less cover.

Says Inoue: “It is recommended to treat insurance as part of the total cost of ownership, not an afterthought once you have already booked the car.”

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Adds Choudhary: “Own damage is the variable part, and it needs a live quote. Ask at least two to three insurers to quote on that exact variant.”

For a new car, buyers should also check how much of the quoted amount pays for the required three-year third-party cover and how much pays for own-damage cover and optional add-ons. Comparing those components can show why the car that costs less at the showroom may cost more to insure.