Article Date	Headline / Summary	Publication
06 Aug 2026	Insurance stocks jump after expanded LIC stake sale attracts investors	The Telegraph

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Insurance stocks gained on Wednesday after the Supreme Court directed that mandatory third-party motor insurance for new private cars be extended to four years and for new two-wheelers to six years, a move insurer said would improve road safety, increase insurance penetration and ensure better compensation for accident victims.

The latest order, issued by a two-judge bench on Tuesday, extends the compulsory cover by one year from the current three-year requirement for new cars and five-year requirement for new two-wheelers, which had been introduced following the apex court's 2018 directive. "We notice that despite eight years having passed from the said direction, a large number of vehicles remain uninsured. While the IRDA and GIC have recommended that this period not be enhanced, we are of the view that it is in the interest of road safety that the period be enhanced by one year," the order said.

Parthanil Ghosh, managing director and chief executive officer of HDFC ERGO General Insurance, told The Telegraph on Wednesday that India continues to face a severe road safety challenge. Ghosh said around 56 per cent of vehicles on Indian roads remain uninsured, while road accidents in 2024 stood at 4.87 lakh, with nearly 22 per cent involving uninsured vehicles. "We strongly believe this ruling by the Supreme Court is a positive and much-needed step, aiming to strengthen road safety compliance, protecting citizens and their families against uncertainties from road accidents, and reinforcing the larger national goal of insurance inclusion," he said.

Amarnath Saxena, chief technical officer (commercial) at Bajaj Allianz General Insurance, said extending the tenure of mandatory third-party cover was aimed at ensuring continuity of protection rather than merely lengthening the policy period. He said the move would help reduce the number of uninsured vehicles, improve financial protection for road accident victims and deepen insurance penetration as vehicle ownership expands.