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● **MOTOR INSURANCE**

Telematics: Drive safe, pay less premium

At present there is no distinction between a good and a bad driver. But with telematics, premium will be directly proportional to the performance and usage of the car

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IF YOU DRIVE your car carefully, do not drive during peak traffic hours or drive for a shorter duration, chances are that your motor insurance premium may cost you less. The insurance regulator has come out with a discussion paper on use of telematics in the motor insurance segment which will provide an opportunity for insurers to offer relevant risk mitigation solutions to customers.

Motor insurance premiums in India are based on parameters like make and model of the vehicle, its capacity, and geographical use. Motor insurance comprises own-damage and third-party insurance. Any vehicle that plies on the road needs a third-party cover under the Motor Vehicles Act and the rates of this are fixed by Insurance Regulatory and Development Authority of India (Irdai).

In telematics, motor insurance will be based on data on driving habits of customers like speed at which it is being driven, distance travelled and usage of the car captured through a GPS-enabled device fitted inside your car. Based on the data, insurers will determine the risk profile of the customer and tweak the motor insurance premium accordingly. Telematics is used for real-time navigation, roadside assistance, and vehicle tracking. Globally, countries like the US and



ILLUSTRATION: SHYAM

the UK have introduced telematics and it is picking up in other European countries.

How it works

The device known as black box will record speed patterns, types of roads, whether driven by driver or owner, driven during day or night or during weekend and even how the brakes are applied. The data will be collected through a smartphone and on-board diagnostic port. The black box will transmit a broad set of information to the insurance company.

Insurers can then use the data to calculate the cost of insurance and adjust premium. "Today, premiums are being charged based on available information related to limited parameters only. If accurate information and more relevant data are available,

tween a good and bad driver. "Over the years those who drive safely have been compensating for the ones who do not drive appropriately," he notes.

Drive Smart from Bajaj Allianz

In September last year, Bajaj Allianz General Insurance launched a telematics service called Drive Smart which gives feedback on the driving habits, aligns it with the motor premium and rewards good driving behaviour. Customers can opt for the service while buying the company's motor insurance policy or even while renewing their policy. After plugging in the device, the car owner will receive real-time alerts and feedback on his driving habits from the company's Insurance Wallet mobile app.

Benefits of telematics

With use of telematics, a customer will find the premium to be directly proportional to the performance and usage of his car. Pricing will be transparent and a careful driver who doesn't cover many miles and drives mostly during off-peak hours could see a reduction in the premium. Also, the black box will have e-call system, which will help emergency services locate the vehicle in case of a crash or breakdown. Since the vehicle's location will be continuously tracked, if it crosses the defined geographical boundary set by the owner, it will send alerts on the mobile.

Telematics will help insurers in better segmentation of customers by assessing risks accurately. It will also help insurers estimate accident damage more accurately and reduce fraud claims by analysing driving data. Though there are many benefits of telematics, the challenge would be if the customer switches the insurance company. In such a case, the new company may not take note of the past data.

premium can be worked out more scientifically, commensurate with the risks involved," says the regulator's discussion paper. The insurer will charge a fee to instal the device and quote the annual premium which can increase or decrease depending upon the driving performance and other factors.

The system can be used to retrieve stolen vehicles and to guide drivers about efficient routes, and help them save fuel and maintenance cost. "Telematics helps insurers estimate more accurately accident damages and reduce fraud by enabling analysis of driving data (such as hard braking, speed and time) during an accident," the regulator noted.

Tapan Singhel, managing director and chief executive officer of Bajaj Allianz General Insurance says that in the current motor insurance scenario, there is no distinction be-