

| UPDATE **MOTOR INSURANCE** |

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Mileage Protection

A regulatory push is creating a flurry of usage-based motor insurance policies in India

BY TEENA JAIN KAUSHAL

► **THERE IS GOOD NEWS** for car owners who do not drive a lot, but have to keep their vehicles insured nonetheless. Insurers are increasingly starting to use telematics data from vehicles to determine the premium rates of motor-vehicle insurance policies based on a policyholder's risk exposure, and the distance driven. The 'pay as you drive' motor insurance policies charge you a premium based on the usage of the car, which translates into a lower premium payment when the vehicle is driven less, and higher when it is driven more.

This economical evolution in motor insurance policies has happened following the introduction of a regulatory sandbox by regulator Insurance Regulatory and Development Authority of India (IRDAI) that has allowed general insurance companies to introduce tech-enabled concepts in motor own damage (OD) policies. For instance, ICICI Lombard has launched a 'pay as you use (PAYU)' policy where the premium will be based on the extent of the vehicle's actual, or potential, use during the policy's coverage period. In case the distance covered by the plan is exhausted, the policyholder can top up the distance covered during the policy period. A variation of its PAYU plan is the insurer's 'pay how you use (PHYU)' plan that charges a premium as per the driving behaviour score of the policyholder.

A combination of the PAYU and PHYU concepts is Bajaj Allianz General Insurance's cover called the 'pay as you consume (PAYC)' plan. Under it, your car is insured based on your vehicle usage, and the premium is calculated according to the distance driven annually, along with the policyholder's driving behaviour. Generally, in such use cases, the driving behaviour is analysed based on data collected by a telematics device installed in the vehicle. The driving metrics can also be recorded on the firm's mobile app.

"The PAYC product was first conceptualised by us and launched in the IRDAI's sandbox framework. When we witnessed the positive uptake of the product, and how it surpassed the success parameters set by the IRDAI, we decided to launch it in its entirety. PAYC gives customers the freedom to choose their insurance premium based on their vehicle usage," says Tapan Singhel, MD and CEO of Bajaj Allianz.

Similarly, Go Digit General Insurance has launched a 'pay as you drive (PAYD)' feature for OD policies. Under it, policyholders get a discount that applies to anyone driving less than 15,000 km per year from the time the current owner bought the car from the showroom. The company uses odometer readings, telematics, and the distance opted by the policyholder to give this discount that can go up to 25 per cent.

These usage-based policies are cheaper for those with less usage, such as people living in small towns and people with multiple vehicles. It also suits people who do not drive their car a lot, but still have to pay higher premiums. ■

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