

# Motor insurance in the new world of connectivity

Personalised policies will become order of the day

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If you use your car for the occasional weekend outstation drive every two months, should you pay the same motor insurance premium as someone who drives over 50 km daily?

Motor insurance in India is primarily sold based on the make and claims record of the vehicle model as well as its manufacturing year and registration. However, these factors are largely generalised and an impersonal method way of determining premium.

A slew of connected devices which run on the internet of things (IoT) have been making their way to improve everyday lives. Be it smart watches, TVs, telematics in cars, smart fridges, fitness devices or smartphones, almost every device can be connected to the internet. They monitor our habits and help us make smarter and healthier decisions.

## Telematics for smart driving

This phenomenon of using sensors to detect behaviour and packing an internet connection into any physical object has huge implications for the insurance industry. Actuaries can use these IoT connected devices to assess individuals' lifestyles/



**Smart policy** Actuaries can use IoT connected devices to assess drivers for better precision in pricing of insurance policies AP

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Telematics are popular in the car industry. Connected devices have been fitted into millions of cars worldwide through which drivers can opt for telematics-based insurance policies.

Over 12 million such policies are issued globally with the US and UK being the biggest markets. We have just kickstarted

sales of motor insurance policies with an option of adding telematics free of cost for those customers opting for add-on covers in India and expect this to gain traction.

These connected devices installed in the car monitor speed, acceleration, braking and cornering to provide driving summary and real time information on driving behaviour. It also keeps track of the

vehicle using geo fencing to provide real time information. The insights not only make the drive safer but also helps save on fuel costs which account for a significant proportion of costs. Additionally, real time information transmitted to the insurer ensures risk-based pricing on actuals and prevents fraudulent auto and personal injury claims. This can help reduce motor insurance premiums. It will also set a precedent for launching pay-as-you-drive insurance policies in India. Here, customers who drive less (and better) may shell out significantly lower premiums than those with bad driving habits.

In a country which reports the highest number of road accidents in the world, telematics improve driving behaviour. The fact that one is being monitored by telematics coupled with the fear of losing preferential insurance rates, will ensure cautious driving and fewer accidents.

## Ensures passenger's safety

Beyond cost-savings on fuel and insurance, connected cars can end up saving lives. In cases of high speed, the device triggers a call to check driver and passengers' safety. If needed, the driver can alert emergency services by clicking the insurer's app on his mobile device which can then track the mapped GPS location and get there quickly.

Similarly, the increasing use of personal wearable devices can revolutionise health

insurance. Fitness trackers such as Fitbit, Garmin, Misfit and Jawbone keep tabs on the levels of activity and diet. Insurers can use the data from these devices to reward healthy and fitness-conscious customers. They are then rewarded and pay significantly lower premium than those who are lax.

## Data sharing

The moot point with connected devices relates to the willingness of individuals to monitor and share data. However, recent reports suggest that customers are happy to do this so long as they are assured of benefits like lower premiums or faster claims settlements. According to a McKinsey survey, 79 per cent of people interviewed in China, Germany and the US said they did not mind sharing car data if they saw value in return. Nearly 70 per cent were even willing to pay for data collection services that offered time-saving conveniences such as a parking spot finder and predictive maintenance services.

Insurers on their part will have to invest significantly to keep pace with these technological advancements. They must ensure that customer data is fully secured and encrypted. IoT devices will soon be a mainstream part of everyone's lives with huge benefits.

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