

INSURANCE

Soon, pay lower premiums for good behaviour

Using technology, insurers will increasingly offer insurance policies that reward good customers while penalising the bad ones

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Today an individual who exercises regularly and keeps fit pays the same health insurance premium as someone who is not as fit but falls in the same geography and demographics. This is set to change soon, thanks to technology. Insurers are using the voluminous data gathered from various devices to understand risk better and offer more customised products to individuals. This is not restricted to health insurance. Individuals could soon get customised products in automobile and travel insurance as well. In future, it's even possible that machines may take inputs from customers and instantly write a plan for them, depending on their needs.

Technological developments will also allow insurers to offer customers shorter-duration policies based on their demands, instead of the standard annual products. With more customers purchasing policies online, insurers are also looking to create products that are simple, involve minimal documentation, and are more transparent. This will make it easier for customers to take informed decisions and speed up the process of purchase. Work on such customisation of products has already begun and this year customers can expect meaningful developments in this area.

Self-settling claims in automobile and health: Currently, it is possible for motor insurance customers to self-survey their vehicles using smart phones and file for claims. This technology allows insurers to cut down on claim settlement time. They are able to immediately assess the claim and send an estimate of the damage. If the customer accepts the settlement amount, the claim gets settled instantly.

Beyond motor insurance, this approach will soon extend to other

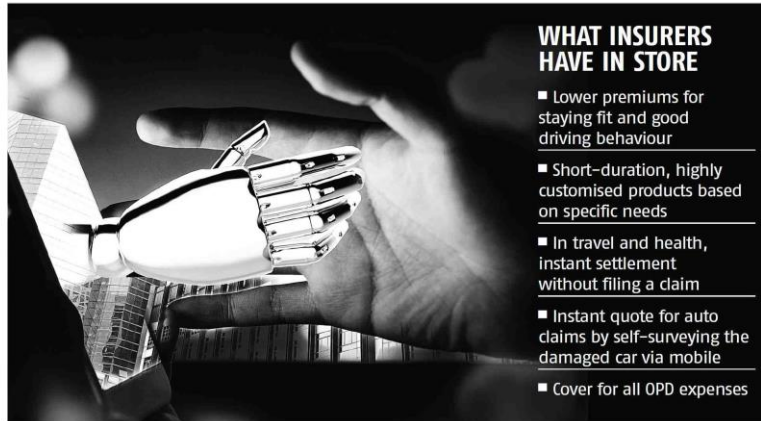


IMAGE: istock

WHAT INSURERS HAVE IN STORE

- Lower premiums for staying fit and good driving behaviour
- Short-duration, highly customised products based on specific needs
- In travel and health, instant settlement without filing a claim
- Instant quote for auto claims by self-surveying the damaged car via mobile
- Cover for all OPD expenses

segments, such as health insurance, particularly in non-hospitalisation and out-patient department expenses (OPD) claims, covering all medical bills, including tests and scans. Insurers can use technology to settle these small-ticket but frequent claims more efficiently. In the next few years, customers can expect health insurance to move beyond the present policies that require compulsory 24-hour hospitalisation to comprehensive OPD covers.

In the travel space, a few insurers have begun to use smart contracts and blockchain. Blockchain is a type of distributed ledger or decentralised database that keeps a record of digital transactions. A technology like blockchain has the potential to change the way insurers have traditionally processed claims. Using it, claims can be settled instantly through an automated process. If a customer buys a travel policy that uses smart contracts and blockchain

technology, and if his flight gets cancelled, the claim will get triggered automatically. The money will be transferred to the customer's bank account without him having to file a complaint.

Best-suited policies without middlemen: Many insurers have also introduced chatbots leveraging on artificial intelligence to ensure 24x7 customer support and to provide instant solutions. A chatbot is a computer program designed to simulate conversation with human users.

Chatbots can act as automated insurance agents, by engaging the customer in dynamic conversation and responding by providing an insurance solution suited to his needs. If a customer is seeking a travel insurance plan for a five-day sports adventure trip within the country, the chatbot will respond by suggesting a policy suited to the location and duration, and reflecting the premi-

um based on the requirement mentioned by the customer. For the insurer, the risk assessment is based on a better level of information specific to the trip. In future, chatbots can be used for automated underwriting and to issue policies instantly, without any physical intervention.

Devices to bring down premiums: The Insurance Regulatory and Development Authority of India (Irdai) has released a discussion paper on telematics. Telematics is a service where a device is fitted in your car. It gives you real time feedback on your driving behaviour and helps align it with your motor premium. In addition, it also enhances safety, security and convenience, and assists in cost saving on fuel.

The service fundamentally covers three aspects: One, good drivers will no longer have to subsidise bad drivers. Two, the safety features would keep customers, their family mem-

bers, and the car secure. Three, good customers will be able to save on premium based on good driving history and pattern.

Currently, when underwriting automobile insurance, an insurer looks at the customer's driving record and the make and model of the automobile, the latter being the more critical factor. However, these factors are largely generalised, and the method for determining premium is impersonal. Currently, there is no distinction between a good and a bad driver. These connected devices will help the insurer bring in risk-based pricing based on actual data and prevent fraudulent auto and personal injury claims. This will in turn help bring down motor insurance premiums. Very soon, there will be differential pricing of premium with good drivers paying less and bad drivers shelling out more.

Impact of wearables: Recognising the growing acceptance of smart wearable technologies, the insurance regulator has prompted the industry to understand their usage in insurance. The adoption of wearable devices will enable insurers to get access to more data to work with while underwriting policies. Actuaries can assess the data they receive from these devices on the individual's lifestyle and offer customised products tailored to their requirements.

In health insurance, insurers can use the data from these devices to reward healthy and fitness-conscious customers and offer differential premiums. Individuals who exercise well and eat healthy are expected to pay significantly lower premiums.

The Internet of Things (IoT) has created a network of intelligent devices which can interact with each other while being connected to the internet. Smart homes today contain devices that monitor and control homes. With their help insurers can provide end-to-end solutions for protecting, connecting and covering homes from risks. For instance, interconnected gadgets installed in homes can alert home owners and insurers when a fire starts, while leak detectors can be intimidated in advance to prevent further loss. They can also enhance safety by helping avoid break-ins. If such incidents happen, they can also prove useful at the time of claim.

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