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INSURE YO UR DRIVE

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STANDARD CAR INSURANCE POLICIES MAY FEEL INEQUITABLE FOR THOSE WHO COMMUTE LESS. FOR THEM, 'PAY AS YOU DRIVE' POLICIES OFFER FLEXIBILITY ON PREMIUMS. BUT HERE ARE SOME THINGS YOU NEED TO KNOW BEFORE OPTING FOR SUCH POLICIES

PAY PREMIUM AS YOU GO

-  1 'PAY AS YOU DRIVE' (PAYD) REFERS TO A USAGE-BASED INSURANCE MODEL FOR CARS
- 2 PAYD POLICIES TYPICALLY INVOLVE TRACKING MILEAGE USING TELEMATICS DEVICES OR SMARTPHONE APPS
- 3 DISCOUNTS IN PAYD POLICY CAN RISE TO 25 PER CENT, DEPENDING ON THE TELEMATICS READING
- 4 PAYD DISCOUNT IS OFFERED ONLY ON THE OWN-DAMAGE PART OF THE POLICY
- 5 THIS ADD-ON FEATURE IS SEEING STRONG DEMAND FROM CUSTOMERS

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AMIT GUPTA, a software engineer who lives in Noida, commutes 20 km twice a week to work in Delhi. The 28-year-old prefers working from home the rest of the week to save on time and high fuel expenses for his sedan. In contrast, 30-year-old Minu Saxena, a sales executive based in Delhi, travels approximately 40 km daily to Gurugram and back, and loves long drives on weekends. Saxena drives for over 20,000 km a year, while Gupta's car barely does 4,000 km.

Yet, despite this vast difference in usage patterns, both pay similar motor insurance premiums. "I would prefer paying lesser than someone who commutes daily and travels long distances. On top of that, I am a very careful driver, which I wish my insurance company could consider while deciding on premium rates," says Gupta.

For people like Gupta, policies such as 'pay as you drive' (PAYD) that charge premiums based on the mileage of the vehicle have come as a relief. Such add-ons translate into lower premium payments when the vehicle is driven less.

In July 2022, the Insurance Regulatory and Development Authority of India (Irdai) allowed general insurance companies to introduce tech-enabled concepts in motor own-damage (OD) policies. Since then, there has been a flurry of usage-based products and insurance companies are warming up to the use of data from telematics devices—gadgets that track and send information related to the

distance, driving behaviour and pattern of a car to a remote server—to determine premium rates. This add-on can be purchased at the time of renewal or while buying a new motor insurance policy, either directly from the insurer or online. All that the customer needs to do is fill up a form providing her personal details and those of the vehicle being insured.

Here is a lowdown on how these policies work and the fine print you should watch out for before signing on the dotted line.

GOING THE DISTANCE

In PAYD policies, premium is based on the kilometres opted for by the policyholder at the time of buying the policy. There are various slabs one can choose from. "In India, telematics devices are available only in a few models, hence, under the policy we launched, the distance covered is computed based on the readings of the odometer (the analogue distance gauge in the car's dashboard). Odometer readings can be tracked via a telematics device or through a mobile app," says Parthanil Ghosh, President of Retail Business at HDFC ERGO.

The insurer offers a 25 per cent discount on premium for a car driven for 0-2,500 km, 17.50 per cent for 2,501-5,000 km, 10 per cent for 5,001-7,500 km and 5 per cent for 7,501-10,000 km. There is no discount for distances above 10,000 km. The policyholder just needs to update the opening odometer reading while purchasing the policy and the final reading at the end or at the time of renewal.

"Based on distance driven, the policyholder would be eligible to claim the benefit even if they decide not to renew the policy with the company. In this case, the benefit will be paid to the customer through NEFT. When the policy is renewed, the benefit can be used to pay the renewal premium,"



"Based on the odometer reading, policyholders can get up to a 25 per cent discount on their own-damage premium"

PARTHANIL GHOSH
PRESIDENT, RETAIL BUSINESS,
HDFC ERGO



"Launch of connected cars in India is perfect as they provide quality information on driving patterns to the insurer"

SUBHASISH MAZUMDER
PRESIDENT & HEAD-MOTOR
DISTRIBUTION, BAJAJ ALLIANZ
GENERAL INSURANCE



"Some PAYD policies might enforce limitations on specific types of driving, including driving during peak hours or in high-risk areas"

INDRANEEL CHATTERJEE
CO-FOUNDER, RENEWBUY

says Ghosh. In case the distance covered by the plan is exhausted, the policyholder can top it up. "For customers with multiple cars or car owners who drive short distances to work, PAYD plans offer a great price benefit. The exact discount depends on the car's model, its age, and place of registration. Some insurers also provide an additional reward during renewal. Therefore, if a car owner is sure about lower vehicle usage during the policy year, it is wise to choose to pay the insurance premium as per the actual usage," says Akarsh Sharma, Head of Product-Motor Insurance at Policybazaar.com.

BEHAVIOUR MATTERS

If, like Gupta, you too are a careful driver, you could look at a variation of PAYD policies called 'pay how you use' (PHYU) that charge a premium based on your driving behaviour. Like in PAYD, under this add-on, too, behaviour and other metrics are tracked. "Based on driving behaviour, the algorithm calculates an internal score that in turn allows the underwriters to accurately price this add-on. The launch of connected cars in India is a perfect case for PAYD offerings as they provide quality information about driving behaviour and patterns to the insurer," says Subhasish Mazumder, President & Head-Motor Distribution at Bajaj Allianz General Insurance.

Then there are plans that offer a further customisation. They allow you to switch your policy on and off. Zuno General Insurance's SWITCH is one such on-demand policy. Say, you are out of the city and not driving, you can switch off the policy and save on insurance costs. Customers are given a driving score based on parameters such as over-speeding, distracted driving, sudden braking, etc. In addition, policyholders no longer need to switch on the policy if they use their car; the app will do it for

them. There is no distance range here—since it can be switched on and off, it is based on daily usage.

TREAD CAUTIOUSLY

One important point to note is that the discount is given only on the OD part of your car and not the entire amount of the motor insurance premium. Hence, if you are paying a premium of ₹5,000 (₹3,000 for OD premium and ₹2,000 for third-party premium), then a discount of 5-25 per cent will be given only on the OD part, which works out to ₹150-750. Motor insurance con-

information; this doesn't seem to be a challenge given the existing relationship between the insured and the insurer, which anyway requires sharing of the insured's data while taking up the policy," says Ghosh of HDFC ERGO.

Besides, some PAYD policies might enforce limitations on specific types of driving, including driving during peak hours or in high-risk areas. Additionally, there could be a cost element involved if you have to instal the telematics device in your car. "One must know which party is responsible for the installation, maintenance and



THE PAYD ADD-ON CAN BE PURCHASED AT THE TIME OF RENEWAL OR WHILE BUYING A NEW MOTOR INSURANCE POLICY, EITHER DIRECTLY FROM THE INSURER OR ONLINE. ALL THAT THE CUSTOMER NEEDS TO DO IS FILL UP A FORM PROVIDING THEIR PERSONAL DETAILS AND THOSE OF THE VEHICLE BEING INSURED

sists of two parts—the OD component takes care of the car in case of accident or theft, while third-party insurance covers any liability arising from injury or death of a third party in a road accident.

Another point to keep in mind is privacy. This is because your data will be shared with the insurer and can be used to decide premium rates, especially if you are a rash driver. Insurers, for their part, say they are mindful of the privacy concerns of their customers. "Currently in India, for PAYD, data sharing is restricted to odometer readings and no other personal

potential removal of the device. Customers should also familiarise themselves with the policy's terms, regarding changes, modifications or cancellations. They should be aware of any fees or penalties that may be applied if they need to make adjustments or terminate the policy," says Indraneel Chatterjee, Co-founder of RenewBuy, an insurance aggregator platform.

Coming back to Gupta, he does have options like PAYD, but he needs to read the fine print before he takes the plunge. **BT**

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