

### [Must Know: Now drive sensibly!](#)

Telematics can help you save some money off your premium

By Himali Patel

Today a person can easily purchase or renew personal lines of insurance, such as motor, health or travel insurance online or through the insurance company's mobile platform with least amount of documentation within minutes. With the availability of internet connection in every type of consumer device, the technology has paved the way for personalised and usage-based insurance. Integration with the internet has led to devices like telematics, installed in cars, find an important place in motor insurance policies.

What is telematics?

Telematics as a concept was introduced to study the usage of the car, and the speed at which it was driven and the distance that is covered on a daily or periodic basis. These connected devices once installed in the car provide real-time information on the driving behaviour and the health of the vehicle. On the basis of data collected, insurers can decide the risk profile of the customer and also reduce the motor insurance premium accordingly. Further, there could also be an online integration-like platform where your driving behavior is updated, and can be reviewed by owners and drivers. Telematics can be used by car owners as well as motor insurance customers if the service is provided by their insurance provider.

Will telematics mean lower premiums?

Telematics would be a key-enabler in pricing of motor insurance. It helps the insurer to bring in risk-based pricing and prevent fraudulent auto and personal injury claims which may assist in bringing down motor insurance premiums. In India, the motor insurance premiums are determined on the basis of generic parameters like vehicle model, the location in which the car is registered etc.

These static variables in the proposal form do not provide a clear picture about the driving habits of the insured and often fail in terms of accurate customer segmentation. Says Sourabh Chatterjee, Head IT, Digital Marketing and Websales, Bajaj Allianz General Insurance: "In such a scenario, good driver ends up cross subsidising for a bad driver. Introduction of telematics is an attempt towards presenting 'Pay As You Drive' concept. This means premiums will be customised as per your driving behavior." That said, Bajaj Allianz does not sell telematics devices and neither charges its customers for the devices. Drive smart is an add-on cover and a value added solution which comes with 12 additional features for our motor insurance customers.

Impact of telematics on traditional motor insurance

Telematics has helped customise offerings; it provides the insurer with various touch points to engage with its customers throughout the year. With that, telematics makes the policy more customised and increases the scope of motor insurance policies as compared to the traditional motor insurance. Says Chatterjee, "It helps take relationship with the customer beyond insurance where host of value added services are provided."

However, the prices for telematics device are higher and thereby usage is limited. Currently the technology is widely used by commercial vehicle segments and taxi aggregators. Says Amitabh Jain, Head – Health and Motor, ICICI Lombard: "Although the prices are high it's coming down every year and we feel that in few years, we can target all segments of vehicle/customers."

Benefits of telematics on insured

Apart from savings, telematics presents an avenue for enthusiasts to track their own driving and even the health of their beloved vehicles. Neeraj Aggarwala, Chief Product & Marketing Officer, Easypolicy says: "Telematics makes a lot of sense especially where the owner and driver are different. This means taxi services, car owners who hire drivers but could also mean parents who want to keep a tab on how safe their child is. A couple of interesting startups in the UK are incentivising the drivers with cashbacks, which in turn keeps the drivers happy, but even the owners happy as their vehicles are taken care of."

Telematics in India

As per the research report by ICICI Lombard 2016 on future trends of general insurance growing demand for taxis bolstered by app-based ride hailing aggregators, Ola, and Uber are estimated to have around 550,000 and 350,000 drivers, respectively with the market expected to grow to USD 7 billion by 2020. Presently, telematics and UBI market in India is at a very interesting junction and will take a sharp turn with many insurers, insure-techs and OEMs entering it in a big way.