

[Insurers bullish on UBI in India, expect larger adoption of 'Pay As You Drive'..](#)



As expected by the Insurance companies, majorly the younger car owners from metro cities have shown significant early interest towards the Pay As You Drive product. Being a pocket friendly option and with the influx of hybrid work cultures, insurers are bullish that PAYD is set for major uptake. Here's what they said.

According to media reports, over 30% of car owners in India do not opt for insurance , however, this is soon expected to change with the advent of User-based Insurance (UBI) which offers more affordable & reasonable options to the customers.

While UBI is still in its early days worldwide, more people have now started to consider it against standard options post Covid 19, mainly because of its pocket friendliness and the influx of hybrid work cultures.

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Register Now Pay as you drive is expected to see good traction in the Indian market specially post Covid. Lot of the users are either working from home or not using their car much. In that case, pay as you drive offers a very economical option for these users," said A CKO's Senior Director – Motor Underwriting, Animesh Das.

As expected, majorly the younger car owners between the age group of 25 years to 35 years & metro cities have seen significant early adoptions, he added.

Insurers also believe that Pay as you drive concept will appeal to the value conscious, Indian mindset.

'People are now beginning to realise that they can save on their insurance premiums if they drive less. This realisation will gradually drive adoption for these new concepts in India," said Pooja Yadav , Chief Product Officer, Edelweiss General Insurance.

The response has been very good and the comp has been receiving a lot of inbound queries to know more about the product. PAYD is now becoming more mainstream with the introduction of the Usage Based Motor Insurance guidelines by IRDAI , she added.

Regulatory Sandbox

PAYD / PHYD was first introduced as part of IRDAI's sandbox initiative in 2019, with premiums linked to mileage and quality of driving.

While Insurers have tried offering PAYD as an option under the IRDAI sandbox earlier as well, the experiment saw limited adoption, because of restrictions.

Subhasish Mazumder , National Head – Motor Business, Bajaj Allianz General Insurance said, "With the new data privacy policy coupled with the benefits of adopting this product, we foresee an optimistic outlook for this product. Moreover, there will be some added benefits to the customer beyond pricing like avoidance of theft loss, Geo-fencing, quick availability of post claim services, etc."

Possible Challenges

Although PAYD is gaining the attention of the consumer market, Piyush Ranjan , CTO, Coverstack (Coverfox Group) feels the economics of the same has to align for this product to succeed in the market.

"It will be interesting to see how the insurers equip an insured vehicle with telematic devices to track the distance driven. There are insurers which provide this discount basis the end of the year car video upload by the customer which is also cumbersome and open to multiple fraud scenarios," he said.

It must be noted that the cost of installing the telematics device to is not justified as OD premiums are significantly lower in our country compared to western world where such devices lead to a significant discount, he added.

Growth of UBI in India

The outlook remains positive specially in certain segments of customers. As more insurers bring out pay as you drive products and consumer knowledge about the product offerings increases, we may see a higher offtake, said Tarun Mathur , CBO – General Insurance, Policybazaar.com.

While the Pay as you consume model is already being widely used in many developed countries, it is a relatively new concept in India.

"We see some companies going in to file PAYD/ HYD as regular filed plans but since the product is recently launched, more information would come out with time and we may get larger adoption. More insurers will take out their own plans with their unique features which will also benefit the customers at large," he added.