

## Opt for usage-base motor insurance and reduce your premium

**T**oday, the general insurance industry is going through interesting times, and insurers are extensively using advanced technologies and analytics to offer seamless solutions and better products and services to their customers. Gone are the days when traditional 'one-size fits all,' products were a norm in the insurance space; today insurers are designing customised products that meet the individual requirements of their customers. In line with this streak of innovative products and services, the insurance industry has come out with a unique feature called, 'pay as you consume' (PAYC) for motor insurance. While the PAYC model is already being widely used in many developed countries, it is a relatively very new concept in the Indian

market. Let us understand more about this feature.

PAYC is an add-on cover that you can buy under own damage section of your motor insurance policy. PAYC gives the liberty to choose coverage based on the customer's choice and usage of the vehicle; the premium is calculated as per the distance covered and the coverage opted by the insured. You have the option to select from different usage slabs provided by the insurer; these slabs vary from insurer to insurer. You might be wondering, what happens if you exceed this pre-declared usage limit? Well in this scenario also, there is no reason to worry. You can simply top up your plan by moving to the higher kilometer slab.

Since the distance that each customer covers via their vehicle dif-

fers, PAYC charges the premium based on the distance covered from the particular vehicle, unlike the traditional insurance premium. While traditionally the premiums are calculated basis on the make and model of the car, age of the vehicle, insured declared value, and location to name a few, the PAYC model calculates

the premium also basis on the distance covered. Simply put, PAYC helps you tailor the coverage as per your individual needs.

### Use of telematics

The use of a telematics device is elementary in the PAYC model. A telematics device uses informatics, advanced analytics, and telecommunications to store, receive and send data.

The insurers install a telematics device in the vehicle; the device is typically plugged into the car's on-board diagnostics (OBD-II) port.

This device monitors the distance covered by the vehicle, and it also reflects the balance or the remaining distance. Such devices also track the driving behavior of the user through various driving metrics. Apart from the use of the telematics device, app-based telematics is also used. Advanced analytics is used to capture the driving information like acceleration, speed, and breaks to name a few. The vigilant and careful drivers will be awarded for their safe driving behavior in the form of premium discounts. The better you drive, the more discount you will attract. The use of telematics devices also encourages safe driv-

ing, as it helps you monitor your driving behavior.

### Who should buy it?

'Pay as you consume' is ideal for people who use their vehicles only once in a while to cover a long distance, it is also suitable for people who have more than one vehicle and do not use them equally. This is a great fit for people who commute more often through public transport than their vehicle. It is also quite apt for people who use car pools for their routine commute.

So, now that you know how PAYC offers great flexibility and customisation; how it helps lower your motor insurance premium, evaluate your requirement and give this new feature a try. Now, you are just a few clicks away from a more flexible motor insurance cover!



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