

## NOTEBOOK

# Why India does not accept usage-based motor insurance

Several non-life insurers in India have introduced usage-based motor insurance covers, however, these haven't found favour with customers. *Middle East Insurance Review* spoke with [PolicyBoss.com's Mr Susheel Tejuja](#) to understand why telematics-based insurance solutions haven't taken off.

By Anoop Khanna



Telematics insurance is an extension of information and telecommunications technology to record driver's data and thus monitor and analyse a person's driving behaviour. An on-board device or connected smartphone app can record several parameters and patterns including the distance travelled and mileage, speed maintained, braking habits and a lot more.

This data enables an insurer to customise insurance cover based on the person's driving behaviour.

Drivers who are rash and prone to sudden braking could be identified and considered more at risk and hence could be charged higher premiums compared to those who exhibit less risky driving behaviour.

## Enables customised insurance covers

Telematics insurance or usage-based insurance solutions (UBI) have really not taken off in the Indian motor market. Speaking with *Middle East Insurance Review*, PolicyBoss.com principal officer, founder and MD Susheel Tejuja said, "By collecting the required data from on-board telematic

sensors and cameras, insurers can monitor and analyse driving behaviour in real time.

"This information and analysis of the data collected enables insurers to create a customised insurance solution based on usage behaviour."

Mr Tejuja said telematics on board can also motivate all drivers to drive safely and abide by traffic rules. This brings down road crashes and traffic related mishaps and saves on claims too.

Telematics insurance offers several benefits that include improved driving behaviour, transparency in insurance cover pricing and specific coverage keeping in view the driving behaviour of the driver.

## Changes for wider acceptance

Mr Tejuja said, "The UBI concept in India is still in its nascency and to make it a success would require some operational changes, both for insurers and automotive OEMs as well.

He said, "Traditionally, in India motor insurance policies are priced on the basis of make, model, geographical area and vintage of the vehicle. At most times, a vehicle owner who drives the vehicle purely on weekends

for short distances ends up paying the same premium as a car owner who uses it for daily commute to and from work.

"Insureds who use their cars infrequently rightly feel that it is not fair as their vehicle is at a lesser risk of damage or theft owing to lower usage. Again, traditional insurance policies don't account for driving behaviours and hence, there is no way to distinguish between rash or prudent driving behaviour, especially for pricing insurance premiums. Telematics-led insurance holds the potential to value add by addressing the behaviour-centric concerns of insurance customers."

## Reasons for poor acceptability

Mr Tejuja said telematics has not received a very enthusiastic response from Indian customers for a variety of reasons. These include:

- **No-fault regime:** In India, the vehicle is insured, as opposed to the person operating the vehicle being insured as in other countries. This undermines the use case for UBI coverage and proves a deterrent. For UBI covers to take off, prevalent

market practices have to be changed while maintaining consistency with applicable laws.

- **Multiple drivers:** In India, an automobile is commonly used as a family vehicle. The same vehicle may be driven by different family members with different driving styles. It then becomes a challenge effectively to understand and ascribe different behaviour patterns on the same car for the purpose of UBI covers under the telematics set-up. It can lead to inaccurate assessments for calculation of insurance pricing and for an accurate risk assessment for the insurance company.
- **Privacy concerns:** UBI covers entail collection and analysis of personal data, which spooks car owners concerned about data privacy. Quite a few customers are of the opinion that telematics technology is intrusive and opaque, despite the presence of data privacy rules to safeguard all data related concerns. Car owners are apprehensive about sharing details of their driving behaviour, travel routes and destinations and other details with the insurers.
- **Industry-level benefits:** As there is no standardisation of usage of UBI data, different insurers interpret the data differently. As a consequence, there is no obvious practical advantage to the policyholder if he switches between insurers. A tangible and common benefit similar to no-claim-bonus can help in making UBI usage

more acceptable. Again, for the introduction of an industry-level benefit, telematics insurance needs to become more popular.

- **High cost:** Indian insurance consumers are very price conscious. Telematics insurance necessitates the purchase of gear such as sensors and cameras to track and assess driver activity. If the cost of the equipment is factored into the insurance premiums, it raises the premium, ultimately denting the appeal of telematics-based insurance policies. Concerted efforts to make this affordable can, however, lead to better results.
- **Accuracy of data interpretation:** Driving in India depends not only on the driver's behaviour but also on several other factors including road conditions which vary greatly in India. A hard braking incident on a highway can be easily attributed to driver's poor driving behaviour, whereas the driver may have been trying to avoid an animal that may have jumped across the road. Telematics technology may be unable to differentiate between such events, leading to inaccurate assessments. In addition, the complexity of driving patterns as a result of multiple drivers may result in erroneous assertions when assessing and analysing telematics data alone.

### Brokers and agents can help

Mr Tejuja said that despite all the bottlenecks he is confident that UBI can find much wider acceptance

among the customers in India if the industry works to create awareness of its benefits, savings, reduction in mishaps, better driving ecosystem and a lot more.

“Brokers, agents and intermediaries can help to promote and increase the market adoption of UBI by educating consumers on its benefits, emphasising how it can help them save money on their insurance premiums compared to standard policies.”

Intermediaries can collaborate with insurance firms to conduct awareness sessions that can enable customers to comprehend the functionalities of UBI devices. When customers understand what data is collected and how it is used for their benefit, they will be more confident about the product.

Mr Tejuja said, “Brokers and agents can also help allay the privacy concerns of consumers by highlighting the safeguards put in place by the insurers to prevent misuse of data collected. They can also assist insurers in gathering more personalised data and development of targeted insurance solutions.”

Intermediaries can also offer regular training on ‘defensive driving’ techniques as part of value-added services to telematics products. It will not only seed UBI, but also strengthen the bond with customers.

While UBI still has a long way to go before it becomes popular in India, as technology advances, it is expected that UBI covers will adapt to domestic conditions while retaining their core USP of maintaining driver safety and ensuring optimal driving behaviours.■



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