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A Study on Awareness and Perception towards Pay as You Drive Insurance with special reference to selected districts of Karnataka

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Abstract

This article examines the innovative realm of Pay-As-You-Drive (PAYD) insurance, an innovative approach reshaping the landscape of general insurance in India. PAYD is a distinct insurance model where premium is calculated based on an individual's actual driving behavior. The article addresses the question of who should consider the model, emphasizing its suitability for different types of drivers. Potential savings are discussed, highlighting the benefits and challenges. To know public awareness and acceptance, the article incorporates survey findings on the familiarity and acceptance level of PAYD among the different sections of the society.

Key words: Pay as You Drive, General Insurance, Car insurance, IRDAI

1. Introduction

Pay-As-You-Drive insurance in India is revolutionizing the traditional insurance landscape by offering a dynamic and personalized approach to coverage. In the innovative insurance model premium is calculated based on actual driving behaviour which is assessed by using telematics technology. As policyholders pay for insurance based on the distance travelled, driving patterns and real-time data, it promotes a fairer and more transparent pricing system. With potential to reward safe driving practices, this model not only gives incentives for policyholders but also contributes to road safety initiatives. As India heading towards digital era, PAYD insurance emerges as a forward-thinking solution, fostering a more connected and risk-aware automotive insurance industry.

The Insurance Regulatory & Development Authority of India (IRDAI) has permitted general Insurance companies in India to launch telematics-based motor insurance. Pay As You Drive Insurance allowing vehicle owners to pay insurance premiums based on the number of kilometres they drive; it creates a win-win situation for both insured and insurers in India.

Concept of Pay as You Drive

Pay-As-You-Drive-Insurance

Pay-As-You-Drive insurance operates on the simple logic that we should pay less insurance premium, if we drive less. Since we are not on the road often, we have low accident risk and our insurance bill should reflect the same. This type of insurance allows us to insure our vehicle based on the Kilometres we drive in a year. Depending on

our driving needs, we can choose for a mileage plan that is any slabs fixed by the insurance company.

Example: between 3000 to 5000, 5001 to 7500, 7501 to 10000 km/year. If we exceed the Kilometres of our plan which we opted at the time of taking insurance, we have the option to top up or recharge our insurance coverage with more Kilometres for that particular policy year.

Benefits

- **Cost Efficiency:** This insurance helps in cost saving for low mileage drivers or owners because premium is calculated based on number of Kilometres
- **Enhanced Safety and Environment impact:** As premium is linked with kilometres it encourages to avoid unnecessary use of vehicles on roads and contributes to lower emissions
- **Market Differentiation:** Insurers can differentiate themselves in a competitive market by offering innovative and customer centric products like PAYD Insurance.

Challenges

- **Privacy Concerns:** It collects the driving data of drivers or owners and raises a significant privacy issue. Hence, necessitates data protection measures to build consumer's trust.
- **Regulatory Framework:** A clear regulatory framework is needed to address the issues of PAYD insurance and to protect consumer's interests.
- **Technological Infrastructure:** usage of vehicle is measured using telematics and data analytics technology, development of such technological infrastructure is a biggest challenge especially to a market like India.

Suitability

Pay as you Drive insurance will work most appropriately for those:

1. If we rarely drive our car.
2. If we don't frequently travel longer miles in our vehicles
3. If we own many vehicles but only often use one of them.
4. This strategy is specifically designed for those who rarely or never use their personal vehicles for commuting and majorly depend on public transportation.

2. Statement of The Problem

Pay as You Drive Insurance is one of the best add on in vehicle insurance, which charges insurance premium based on usage of vehicle, it reduces the premium amount up to 30% to 40% for vehicle owners. The Add-On was introduced in India in 2019, due to many reasons the concept still not reached maximum people. In view of the above the present study assumes a great importance to examine awareness of the concept among general public.

3. Objectives of The Study

To examine the Pay-As-You-Drive Insurance

To evaluate the awareness of vehicle owners towards PAYD insurance

To analyse difficulties in adoption of PAYD insurance in India.

4. Research Methodology

“The study is based on both primary and secondary data which have been collected survey conducted using questionnaires and different websites”.

5. Sample Design

Pre tested questionnaire prepared using Google Sheets was sent to random WhatsApp Groups mostly of Karnataka region. Total 102 responses were received from respondents.

6. Data Analysis and Interpretation

The data analysed and interpreted here are the results of the survey conducted using questionnaire

Table 1: Demographic Profile of the Respondents

Particulars	No. of Respondents	Percentage
A. Age		
18-25	37	36.3
26-35	30	29.4
36-45	22	21.6
46-55	13	12.7
55 & Above	NIL	NIL
B. Gender		
Male	57	55.9
Female	45	44.1
C. Occupation		
Employed	53	52
Self-employed	46	45.1
Retired	3	2.9

Source: Survey

The above table shows the demographic profile of the respondents. Among 102 respondents, 36.3% of respondents belong to age group of 18-25 years, 29.4% of respondents belong to age group of 26-35 years, 21.6% of respondents belong to age group of 36-45 years, and 12.7% of respondents belong to age group of 46-55 years, NIL from age group 55 & above. Among 102 respondents, 55.9% of respondents belong to Male and 44.1 % Female gender group. Among 102 respondents, 52% of respondents are employed, 45.1% of respondents are Self Employed and only 2.9% respondents are retired.

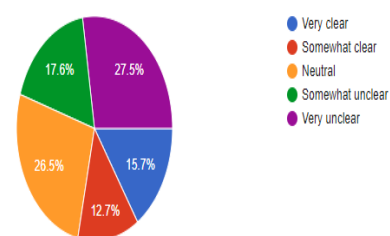
Figure 1: No of Vehicle owners



Source: Survey

The above figure shows that all (102) respondents are own at least one vehicle. So the all the respondents responses are considered for the data analysis and interpretation

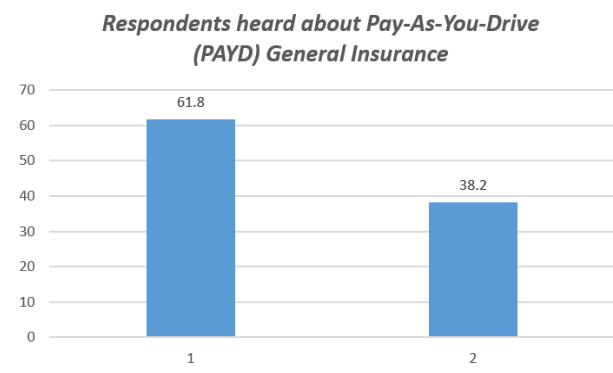
Figure 2: Respondents heard about Pay-As-You-Drive (PAYD) General Insurance



Source: Survey

The above figure shows that only 38.8% of respondents have heard about PAYD Insurance and rest i.e., 61.8% of respondents have no idea about the this Insurance. It indicates majority of the population have no idea about PAYD insurance.

Figure 3: Understanding level about PAYD insurance

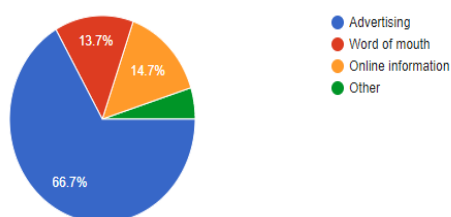


Bar 1: No & Bar 2: Yes

Source: Survey

Respondents were asked to mention the understanding level about PAYD insurance, 27.5% of respondents have chosen Very Unclear, 17.6% have chosen Somewhat Unclear, 26.5% selected 26.5%, 12.7% selected Somewhat clear, and only 15.7% have clear understanding about PAYD insurance. It shows that majority of respondents have not understood the concept of PAYD insurance.

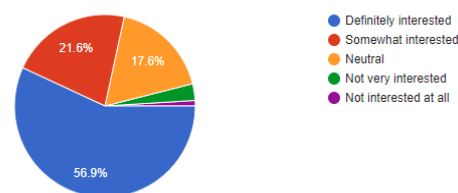
Figure 4: Effective media may influence on awareness of PAYD Insurance



Source: Survey

Respondents were asked to select effective media to create awareness about PAYD insurance among vehicle owners. 66.7% of respondents have selected Advertising, 13.7% of respondents selected word of mouth, 14.7% chosen online information and 4.9% of respondents selected other Medias. The figure 4 shows that majority (66.7%) respondent's opinion is advertisement may be the effective media to reach larger part of the society.

Figure 5: Interested in buying PAYD insurance



Source: Survey

We checked the interest of respondents in buying PAYD insurance for their vehicle, their responses are shown in the figure 6. 56.9% of respondents have chosen definitely interested, 21.6% respondents chosen somewhat interested, 17.6% of respondents are shown neutral, 2.9% of respondents chosen Not very interested and only 1% respondents selected not interested at all. It shows only 3% to 4% respondents are not willing to purchase PAYD insurance rest i.e., nearly 75% to 78% of respondents willing to buy this insurance.

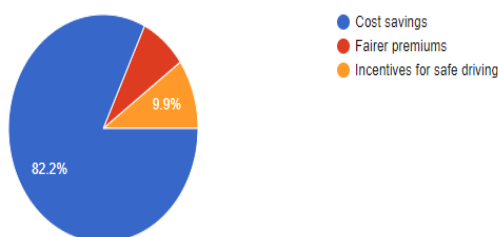
Figure 6: Concerns do respondents have about adopting PAYD insurance



Source: Survey

We checked the worries that the respondents have in their minds. 35.3% of respondents worried about Privacy Issues, 26.5% of respondents expressed concern about data security and 38.2% of respondents worried about Accuracy of tracking. Majority respondents concerned about Privacy Issue.

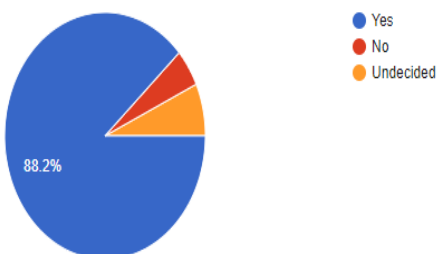
Figure 7: Benefits of PAYD insurance



Source: Survey

Above figure show the benefits that the respondents are expecting form PAYD, 82.2% of respondents selected Cost Savings, 7.9% of respondents selected Fairer Premiums, and 9.9% respondents selected Incentives for safe driving so we can interpret that more no of respondents i.e., 82.2% expecting cost saving that is reduction in premium amount.

Figure 8: Should Government support and promote PAYD insurance?



Source: Survey

We checked the opinion about the Government's participation in support and

promoting the PAYD Insurance. 88.2% of respondents said YES, 4.9% respondents said No and 6.9% of respondents said undecided. So it is cleared that majority (88.2%) of respondents expecting Government intervention in promoting the PAYD insurance.

7. Suggestions/Comments from Respondents

An open-ended question was asked to the participants to suggest/comment on PAYD Insurance.

- Most of the people have no knowledge about PAYD Insurance, hence Government or IRDAI should come up with initiatives to popularize the insurance.
- Clear regulatory framework is needed
- User friendly technology and policy should be developed
- Privacy issues to be addressed to protect customers
- Government can promote the concept for safe driving awareness initiatives
- Offers and customized insurance plans needed
- Collaboration with General Insurance companies and auto partners is needed

8. Conclusion

India has been witnessing a significant shift in insurance industry with innovative products and Add On s, PAYD insurance is one of the Add On which is more personalized and usage-based model. This new approach helps to reduce vehicle insurance premium amount for the vehicle owners as it aligns insurance premium with actual vehicle usage. With advancements in technology and increasing consumer demand for personalized products likely to drive its growth. Collaboration between

insurers and technology providers and regulatory bodies will be essential to overcome existing challenges and to ensure a smooth transition to this new insurance paradigm.

However, this insurance is not popular among general public and they are expecting government to intervene and promote the model. Hence, concerned authorities must take innovative initiatives to reach out vehicle users and create awareness.

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