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Consumer Awareness towards Telematics in Insurance

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ABSTRACT

Telematics in insurance is a recent concept to be formalised soon by IRDA. Telematics insurance works by fitting your car with a small device – commonly known as a 'black box' – that records speed patterns and distance travelled as well as the type of roads you are using, and when. The technology can also monitor braking and cornering to build up a picture of your driving style. The new phenomenon is proposed to track and clear the motor insurance sector. Claim processing and settlement is to be made on the basis of this. This paper attempts to assess the awareness of consumers regarding this new initiative.

1. Introduction and Research Problem

Telematics insurance works by fitting your car with a small device – commonly known as a 'black box' – that records speed patterns and distance travelled as well as the type of roads you are using, and when. The technology can also monitor braking and cornering to build up a picture of your driving style. (moneysupermarket.com, 2012)

Usage-Based Insurance (UBI) is a recent innovation by auto insurers that more closely aligns driving behaviors with premium rates for auto insurance. Mileage and driving behaviors are tracked using odometer readings or in-vehicle telecommunication devices (telematics) that are usually self-installed into a special vehicle port or already integrated in original equipment installed by car manufactures. The basic idea of telematics auto insurance is that a driver's behavior is monitored directly while the person drives. These telematics devices measure a number of elements of interest to underwriters: miles driven; time of day; where the vehicle is driven (GPS); rapid acceleration; hard braking; hard cornering; and air bag deployment. The level of data collected generally reflects the telematics technology employed and the policyholders' willingness to share personal data. The insurance company then assesses the data and charges insurance premiums accordingly. For example, a driver who drives long distance at high speed will be charged a higher rate than a driver who drives short distances at slower speeds. With UBI, premiums are collected using a variety of methods, including utilizing the gas pump, debit accounts, direct billing and smart card systems. (NAIC, 2018)

1.1. Objectives

This paper aims to assess the awareness among consumers regarding telematics in insurance. Attempt is also made to associate the socio economic variables and awareness.

1.2. Methodology

The present study investigates the perception using primary data collected through structured questionnaire.

Along with percentages, Chi Square test is also used to test the association.

Table 1
Profile of the Sample

Variable	Category	Count	%
Gender	Male	38	41.3
	Female	54	58.7
	Total	92	100.0
Age	Below 30	40	43.5
	30 to 50	50	54.3
	Above 50	2	2.2
	Total	92	100.0
Highest Educational Qualification	+2/Diploma	8	8.7
	Graduation	24	26.1
	Post-Graduation	52	56.5
	M. Phil. / Ph. D.	8	8.7
	Total	92	100.0
Occupation	Salaried - Govt or Public Sector	34	37.0
	Salaried - Private Sector	30	32.6
	Self Employed	4	4.3
	Unemployed	24	26.1
	Total	92	100.0

Region of Residence	Rural	54	58.7
	Urban	38	41.3
	Total	92	100.0
Marital Status	Single	40	43.5
	Married	50	54.3
	Divorcee	2	2.2
	Total	92	100.0
Religion	Hindu	68	73.9
	Christian	12	13.0
	Islam	10	10.9
	Others	2	2.2
	Total	92	100.0
Monthly Income	Below Rs 2,00,000	24	26.1
	Rs 2,00,000 to Rs 5,00,000	44	47.8
	Rs 5,00,000 to Rs 10,00,000	20	21.7
	Above Rs 10,00,000	4	4.3
	Total	92	100.0
Type of Family	Joint	22	23.9
	Nuclear	70	76.1
	Total	92	100.0
Type of Residence	Own Residence	84	91.3
	Rented Residence	8	8.7
	Total	92	100.0
Whether Owning a Car	Not Owning a Car	28	30.4
	Owning a Car	64	69.6
	Total	92	100.0

Source: Survey Data

The sample could cover all main segments of demographics including car owners and general public. The sample could also include people from different occupation and income segments with different educational background.

Table 2: Awareness of Telematics in Insurance

Variable	Count	%	Chi Square	Df	P Value
Aware	20	21.7	29.391	1	< 0.001**
Unaware	72	78.3			
Total	92	100			

Source: Computed from Survey Data
*** Highly Significant*

Much of the respondents were found to be unaware of the new proposal and concept. The unawareness is found to be significant as Chi Square test produced a p values less than 0.001.

Table 3: Association between Awareness of Telematics in Insurance with Socio-Economic variables

Variable	Category	Awareness of Telematics in insurance			P Value#
		Aware	Unaware	Total	
Gender	Male	10	28	38	0.528
	Female	10	44	54	
	Total	20	72	92	
Age	Below 30	8	32	40	0.823
	30 to 50	12	38	50	
	Above 50	0	2	2	
	Total	20	72	92	
Highest Educational Qualification	+2/Diploma	2	6	8	0.974
	Graduation	6	18	24	
	Post-Graduation	10	42	52	
	M. Phil. / Ph. D.	2	6	8	
	Total	20	72	92	
Occupation	Salaried – Govt or Public Sector	8	26	34	0.805
	Salaried – Private Sector	8	22	30	
	Self Employed	0	4	4	
	Unemployed	4	20	24	
	Total	20	72	92	
Region of Residence	Rural	14	40	54	0.412
	Urban	6	32	38	
	Total	20	72	92	
Marital Status	Single	8	32	40	0.823
	Married	12	38	50	
	Divorcee	0	2	2	
	Total	20	72	92	

Religion	Hindu	16	52	68	0.932
	Christian	2	10	12	
	Islam	2	8	10	
	Others	0	2	2	
	Total	20	72	92	
Monthly Income	Below Rs 2,00,000	4	20	24	0.765
	Rs 2,00,000 to Rs 5,00,000	10	34	44	
	Rs 5,00,000 to Rs 10,00,000	6	14	20	
	Above Rs 10,00,000	0	4	4	
	Total	20	72	92	
Type of Family	Joint	2	20	22	0.244
	Nuclear	18	52	70	
	Total	20	72	92	
Type of Residence	Own Residence	18	66	84	0.869
	Rented Residence	2	6	8	
	Total	20	72	92	
Whether Owning a Car	Not Owning a Car	6	22	28	0.973
	Owning a Car	14	50	64	
	Total	20	72	92	

Source: Survey Data
 # Chi-Square Test
***Significant @ 5% level of significance*

No significant association is found between the socio economic variables and awareness. The respondents are found to be more unaware across different socio economic categories. Even the respondents owning a car are found to be unaware of the recent development.

2. Conclusion

Serious awareness drives shall be initiated to improve the awareness of the users regarding the application of telematics in insurance. The prospects and consequences needs further clarification and there is a significant need for consumer education in this aspect.

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2. Moneysupermarket.com(2012) accessed from URL: https://www.moneysupermarket.com/money-made-easy/what-is-telematics-insurance/
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