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Why pay-as-you-consume is gaining momentum in 2026

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The idea of Pay-As-You-Consume (PAYC) insurance, also known as Pay-As-You-Drive insurance, is still fairly new in India and was first introduced in January 2020 when the Insurance Regulatory and Development Authority of India (IRDAI) gave approval under its Regulatory Sandbox framework. Since that milestone, insurers have begun rolling out usage-based motor insurance products designed to give drivers more flexibility and affordability, particularly those who cover fewer kilometres each year.

PAYC aligns with IRDAI's evolving regulatory enablement for usage-based motor insurance products that reward safe and responsible driving. Traditional motor insurance has long been a one-size-fits-all model, charging premiums regardless of how often or how safely a vehicle is used. PAYC insurance changes this equation by linking premiums to actual usage. For drivers who use their cars sparingly, rely on public transport, or own multiple vehicles, it offers a way that may result in lower premiums for certain customer segments while still enjoying comprehensive protection.

What is PAYC and How is it Beneficial to Consumers?

As the name implies, in the case of PAYC, policyholders declare their expected annual mileage while purchasing the policy. To activate the policy, individuals will have to upload a video of their car's odometer reading as proof before the term begins.

These types of policies offer flexibility when it comes to own-damage covers and are particularly appealing for car owners who may not drive daily but want robust protection when they do. For example, urban professionals who commute by metro or bus but use their cars on weekends stand to benefit from such policies. Similarly, families with multiple vehicles can insure the less frequently used car under PAYC, optimising costs without compromising safety. The affordability of these policies makes them accessible to a wider audience, ensuring that the insurance acts as a financial safeguard in times of crisis.

PAYC has options like Grace Kilometres and Carry Forward Kilometres. Grace Kilometres provides extra protection if one needs to drive beyond their insured limit, and Carry Forward Kilometres allow individuals to roll over any unused kilometres into the next policy period, giving you more value and continuity from their plan. Together, these features make your insurance coverage more adaptable to real-life driving patterns and help maximise the benefits of your policy.

Beyond cost savings, by rewarding safe driving, PAYC contributes to broader road safety goals. By aligning insurance cover with actual vehicle usage, PAYC encourages more mindful driving and responsible vehicle use, reducing accidents and claims. This ensures that roads become safer and also allows customers to save on premiums.

Pay-As-You-Consume or Usage-Based insurance products are subject to policy terms and conditions. Features, benefits, and availability may vary by product and customer profile. Readers are advised to refer to official policy documents before making purchase decisions

For users, opting for PAYC ensures that protection is aligned with usage and costs are optimised, all while ensuring that safe driving is rewarded. This trend signals a decisive shift in how motor insurance is being designed and consumed, and as regulatory support continues, PAYC is set to move from a niche offering to a mainstream proposition.

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