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Coverage is the most important aspect while buying life insurance, says Anuj Mathur of Canara HSBC Life Insurance



Anuj Mathur
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IRDAI is very well committed to enabling Insurance for all, Anuj Mathur, MD & CEO, Canara HSBC Life Insurance.

In an interview with MintGenie, Mathur said that Bima Sugam has the potential of changing the traditional way customers perceive insurance purchases.

Q. IRDAI revives bid to launch Bima Sugam wherein all insurance companies will hold an equal stake. How do you think this will change the way people buy insurance policies or claim on them?

Bima Sugam is a technology-enabled concept that has originated from the insurance regulator, wherein insurance companies together can create a common platform to provide customers ease of one-stop onboarding, servicing, and claims. The use of technology and focus on customer experience are the two things that will have a major role in increasing insurance penetration in India and 'Bima Sugam' is a promising step in that direction.

It is intended to be an open market platform integrated with various databases to enable faster processing, ease of service, better underwriting, and risk management as well through the best use of the data repository underlying an industry-wide platform.

Bima Sugam has the potential of changing the traditional way customers perceive insurance purchases -- making the digital customer experience easier and providing a common experience for all. But I believe

the larger impact will be the ability to manage all the customer's insurance needs – servicing, payment of renewals, reminders, and claims at a single place – across all the insurance policies one has.

It will also benefit insurance companies for faster and more efficient processing of service requests and setting benchmarks on service and grievance resolution. If implemented to reach the true potential of this concept, Bima Sugam has the force to change the market landscape and perhaps change the customer's perception of insurance. It will definitely aid in better penetration of insurance with innovative and customized product offerings and service capabilities from insurance companies.

Q. Lots of changes are happening on the investment and insurance front. What factors do you think will lend a new shape to the life insurance sector?

IRDAI is very well committed to enabling “Insurance for all” with a clear objective to increase insurance penetration and drive sustainable growth for the insurance industry. Many positive initiatives such as flexibility in regulatory sandbox guidelines, Bima Sugam, increase in tie-up limits for intermediaries, enhanced flexibility for entering the market, etc. have been introduced.

Insurers will now be able to quickly launch many new products as per changing consumer needs and with improved information access, consumers will also be able to take better-informed decisions. With this, the industry itself is working diligently towards better distribution services and increased operational efficiencies.

The sector, in such changing times, is getting more competitive and this will surely bring in better prospects for customers. Lately, digitization amongst insurers and consumers has also shown better uptake in terms of insurance penetration in regional pockets. All of this, when constituted together, would bring in much-required insurance awareness within the public and lead to increased penetration and insurance uptake.

Companies will need to remain agile and adapt quickly to new changes to continue providing value to their customers.

Q. Buying life insurance for tax benefits alone is futile. Assuming that the new tax regime would be the default in the future, do you think it would affect life insurance sales?

In my view, while there could be some short-term impact as customers adjust to the new tax regime where tax deductions are very few and incentives for investment in insurance or other tax-saving products are not available, in the medium term, the focus will increasingly move to proposition based selling and better understanding from customers on the real need for life insurance in their lives. There will be a shift from buying in a hurry to get tax benefits to adequate financial planning and buying basis my needs and circumstances.

The opportunity for the industry to capture the true potential market due to increased awareness and realization of insurance's inherent and long-term benefits will far outweigh the tax incentives' impact. In the last few years, we have seen that tax is not the only reason for life insurance purchases.

The insurance industry will analyze and adapt to the short-term impact of the tax regime on consumer behaviours through volumes, ticket size, costs, margins, and product strategies. At the moment, India ranges around 4.2 per cent of insurance penetration when compared with a global average of seven per cent, thus it also gives insurance companies a chance to work on their future strategies to tap the large customer base to cover the insurance gap made by the new taxation structure.

Q. How does one select the right life insurance coverage amount?

When we say life insurance, it not only safeguards your future in adverse times, but it also gives you a smart investment opportunity over the long run. Life insurance is about visualizing a larger perspective in your journey to living fearlessly by setting the financials in order.

Coverage is one of the most important aspects while buying life insurance, and applies differently to everyone. However, one thing that remains constant is the uncertainty that life brings and the need to be financially prepared for the same. A good practice to decide the right life insurance coverage amount would be to ascertain the number of members financially dependent on the bread earner in the family, the current and future household expenses, the loans you have, and most importantly future goals of the family members.

It will be crucial to note that this number will not remain constant throughout one's life. The number will grow each time a family member gets added and hence would also impact the life insurance coverage amount of an individual. While adding all this up may lead to a significant number, insurance in India is still fairly competitively priced and with the benefit of lower premiums, you should go for an adequate coverage amount that brings certainty and peace of mind to you and your loved ones.

Q. Many people rely on buying group term insurance without realizing how the benefit from the same is limited to their employment tenure. How would you advise them to buy life insurance to secure their future?

Normally one has some group term coverage available from one's employer or on the basis of association with some group. But typically, the choice of the level of coverage features available, and cost are decided by the employer. At a base level, group term coverage certainly brings comfort to the employee and their family members. However, one needs to consider the following when deciding whether group term life will be sufficient or not.

Firstly, are you adequately covered particularly with respect to your loans and with respect to the replacement of your income? Secondly, in today's uncertain world, there is no lifelong employment with one employer – hence consider what happens to your coverage when you are shifting jobs, or if you take the plunge into being an entrepreneur, or if your next employer does not offer similar coverage. Finally, whether all financial liabilities would surely be wiped off till the time of the employee's retirement.

My advice would be to definitely include an individual term insurance cover (and critical illness coverage at least) as an added security net and treat the group term insurance as a basic level of add-on coverage. You would also be able to customize an individual insurance plan to your specific needs and this can be modified over time with changing needs of an individual.

Q. People view investments and insurance similarly, thus, explaining the popularity of ULIPs. Do you think separate investments in MFs and life insurance will replace ULIPs in the long run?

I believe that each product category has a proposition and addresses a particular need for the target customer segment, and hence has a place in the financial plan of a customer basis his/her specific circumstances.

Unit-linked plans offer a convenient and very flexible structure that can address your target requirement for the long term. At its core, it's a flexible and transparent structure to reach a longer-term goal to build a corpus and ensure that during the build phase, even in any unfortunate event, your family is protected.

You have the choice of the proportion of protection vs investment deployment of your money and a choice of investment options basis your risk appetite.

Customers must consider the benefits of longer-term competitive costs of ULIPs and the flexibility of switching their funds without charges, and also include the value of the protection cover, before assessing ULIPs vs alternatives such as mutual funds.

The choice will also depend on the liquidity preference of the customer in the early years. Additional benefits of ULIPs such as practically 'zero cost insurance cover' with features like Return of Mortality charges, the ease of moving funds without the hassle of withdrawal and reinvestment, and systematic fund transfer strategies should also be considered.

Q. Buying life insurance early in life has its benefits. What advice would you give to first-time life insurance buyers?

The full potential of life insurance is realized only if one invests in it early in life. That way the power of compounding for your investments and the power of low-cost insurance due to your younger age and better health condition can be fully leveraged.

My advice to young customers would be to explore and assess life insurance coverage early on in life maybe start by 25-30 years and definitely early if you are planning to get married or have kids, or have dependent family members. An added benefit is planning for life insurance helps you focus on your life priorities, and longer-term goals and manage the risks to your money due to untimely happenings such as critical illnesses or hospitalization.

Life insurance is one of the safest and strongest investment-cum-protection tools which can be customized as per the requirement and has multiple benefits to support the customer in every facet of life. A consistent investment can be the saviour in the long run.

As one gets older, life insurance will only get much more expensive; the younger you are, the more you benefit as the premium rates are lower; a customer should really understand this and enjoy the advantages of compounding and peace of mind at an early age which come if you start early, even if it's with the smaller cover amount or smaller but regular investments in a savings-oriented plan.

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