

‘Basic term plan should be must in this country’

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MUMBAI: Life insurance penetration in India is as low as 2.76% of the country’s gross domestic product (GDP) even as the industry has a positive outlook. On a low base, the life insurance sector registered around 11% year-on-year growth for new business premiums in 2017-2018. HTMoney spoke to RM Vishakha, managing director and chief executive officer of IndiaFirst Life Insurance, on the reason behind the industry’s outlook and why India remains under-insured.

What is the situation of the life insurance industry right now? Are people buying insurance cover?

The overall growth of the life insurance industry has been positive. We have a very proactive regulator who really wants to make some serious changes in the industry such as the sandbox approach, new capital norms and few other changes. Hence, the industry is in a very good place.

Why does the country continue to remain under-insured?

We do not realise the importance of risk management and taking safety precautions. Even now, people in Mumbai travel on the footboard of local trains. There are still dozens of people on the road who do not wear helmets even after the imposition of the helmet rule. Our concept of risk is damaged. We have many financial risks

which need to be insured. Considering that we do not understand risk management, I think a basic term plan should be made mandatory in the country.

What are the insurance companies doing about mis-selling?

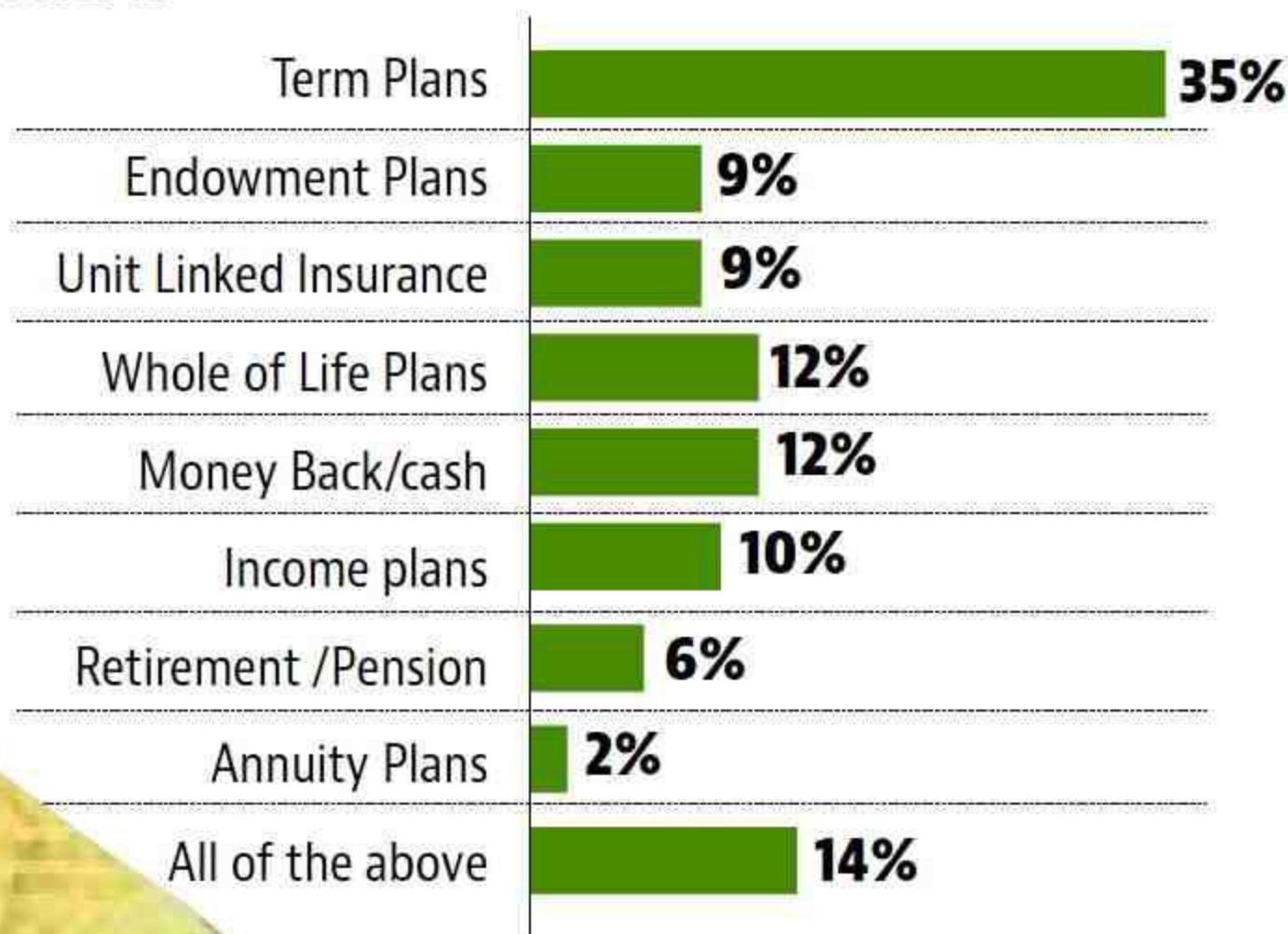
In terms of mis-selling, a lot can be done from the companies’ end. Technology can be used to build in checks in the system to make sure companies do not sell a policy to a customer who is not suitable for it. For example, if there is a retired pensioner who is receiving ₹15,000 a month as pension and there is a plan which has a premium of ₹10,000, the system should automatically show the anomalies. Any of these obvious anomalies can be brought forward at the initial stage of purchase.

From a consumer point of view, how can one identify mis-selling?

You need to answer some questions such as—what is the reason you want to save and what is the reason you want to be insured? When someone starts off as a student and the parents take an education loan, at that point of time the child should insure her future earnings. If something happens to the child, how will the parents repay the loan? If the house was mortgaged for the loan, then the parents will be in trouble. I think the customers should think through the following — protection, education, retirement, money management and legacy planning—before opting for a plan.

TERM PLAN THE TOP PICK

Considering that term plan gives you a significant life cover at low premium rates, 35% prefer it



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RM VISHAKHA, MD and CEO of IndiaFirst Life Insurance