

Demand For Two Types Of Insurance Plans Jumps As Virus Reminds Indians Of Risk

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[Forum Bhatt@ForumBhatt2](mailto:ForumBhatt@ForumBhatt2)

While insurers, like other sectors, witnessed a contraction in premium during the lockdown, one segment of their business grew: protection policies.

Demand for term plans and guaranteed savings policies rose as worried Indians looked to cover risk during the pandemic that has already infected more than 7.5 lakh Indians and left more than 20,000 dead.

“Though things aren’t back to normal as yet, June has seen a clear shift and improvement over the previous two months of financial year 2020-21,” Rushabh Gandhi, deputy chief executive officer of IndiaFirst Life Insurance, told BloombergQuint over the phone. “Demand for pure protection plans has gone up dramatically in the last three months,” he said. “Compared to only 2% of the pure term policies sold in April and May last year, over 40% of our policy sales are from pure term plans this year.”

Individual new business premium for private life insurers fell 7% year-on-year in June, according to data from the insurance regulator and Bloomberg Quint's calculations. That's a remarkable improvement from May and April, when it declined nearly 32% and 40%, respectively, as insurers couldn't sell through their agency and bancassurance channels because all but essential services remained shut in April and most of May.

The number of policies sold also went up by 2% in June.

A drop in business isn't surprising when the economic activity is yet to recover from the world's strictest lockdown that decimated consumption. Indian have also cut discretionary spending as the economic impact of the pandemic triggered job losses and salary cuts.

Still, there are select customer segments where cash flows have actually improved due to savings induced by work from home, Gandhi said. "These segments continue buying life insurance products with a savings wrap-around. For the rest, while cash flows are affected, fear psychosis has taken over."

For the quarter ended June, Max Life Insurance Ltd.'s ticket size, or sales per customer, in overall protection segment stood at around 31%. The number of policies sold rose 8% and, according to V Viswanand, deputy managing director, more than half of the plans sold were from the protection category.

"Contrary to our expectations, in Covid-19 times, customers are willing to pay more for shorter premium payment terms," Viswanand told Bloomberg Quint. The job losses and stress to businesses as a result of the pandemic, he said, doesn't seem to have impacted purchase of life insurance policies, especially term plans.

According to Satishwar Balakrishnan, chief financial officer and principal officer of Aegon Life Insurance, customers are evaluating and opting to purchase life insurance policies now more than prior to the pandemic.

Max Life insurance and IndiaFirst Life Insurance said they witnessed an uptick in new policy sales to existing customers during the first quarter. For Max Life, premium from existing customers rose by more than a third.

Health concerns spurred the trend, according to Edelweiss Tokio Life. "Customers are redesigning their portfolios, looking through the lens of three critical elements — protection, savings and wealth creation," Anup Seth, chief retail officer at the insurer, said.

Online Sales

Insurers sold most of their policies through their bancassurance and agency channels prior to the outbreak. That changed after the lockdown, with many companies migrating to selling online.

According to the online insurance aggregator Policybazaar's conversations with companies, most insurers have transitioned to digital operations. "Agency and bancassurance were transitioning and weren't fully technically enabled to work in a complete digital fashion earlier," Santosh Agarwal, chief business officer of life insurance at the aggregator, told BloombergQuint. Agency business, he said, picked up in May and "June has been even better".

Edelweiss Tokio Life Insurance said it sold all of its policies digitally during the first quarter. "Customer acquisition, need analysis, onboarding and giving solutions, servicing have all been digitised," Seth said.

For Max Life Insurance, online sales rose 47% quarter-on-quarter in the three months through June, with the average ticket size growing 35%. Premium income from this channel doubled in June, it said.

Tata AIA Life Insurance also saw robust digital sales, according to Samit Upadhyay, executive vice president and chief financial officer and head – product. In June, the insurer's incremental agent applications—number of agents coming onboard to sell policies for the company—grew 114% over last year, Upadhyay said.

One More Product In Demand

Demand for guaranteed savings plans has also gone up, according to IndiaFirst Life Insurance. The company said people considering savings products are buying guaranteed policies—that offers guaranteed return during the term of the plan.

Tata AIA Life Insurance also said it's witnessing greater demand for guaranteed and assured returns plans following volatility in equity-linked segment because of uncertainty in the market.

Aegon Life said it's recommending unit-linked investment products through systematic investment plans to customers.

Way Ahead

Insurers expect recovery to pick up in the next few months.

Agarwal of Policybazaar said there will be a recovery in annualised premium equivalent. "The industry is adjusting to a new normal and the numbers will come back."

Gandhi of IndiaFirst Life Insurance said insurers are relatively in a better space than most other companies.

Edelweiss Tokio expects awareness for insurance cover in the wake of Covid-19 outbreak to aid insurers. "Life insurance industry normally grows at three times the GDP growth rate," Seth said. He sees the industry growing at 10-12% in FY21 provided the economy recovers not later than the third quarter ending December.

