

YEAR-ON-YEAR PARESH PARASNIS

Tuning to Customers

Life insurance products will be serviced better and become more transparent

THE recent sharp correction in the global stock-markets meant a rude awakening for fund managers and investors alike. What does this mean for the Indian life insurance industry?

At the level of individual customers, the industry will move faster towards a need-based approach. Everyone has a need, either protection or saving, for life insurance which keeps changing with their life-stage and financial profile. The latent needs are:

- Protection of income in case of unforeseen events
- Protection from loan liability
- Planning for future savings needs
- Post-retirement pension needs
- Cover for medical exigencies

My experience of talking to a large

INVESTORS SHOULD CONSIDER THE PRIMARY PURPOSE OF LIFE INSURANCE—SECURING THEIR FINANCIAL FUTURE THROUGH APPROPRIATE POLICIES

number of retail customers reveals that these contingencies have not been fully planned for by the middle class. Individual investors should seriously consider the primary purpose of insurance—securing their financial future through appropriate policies—in their financial planning exercise. You may not be in a position to commit the level of annual premium required to reach that dream figure, but it is important to make a start—keep increasing your premiums as your financial situation improves.

The high returns that unit-linked insurance plans (Ulips) gave in 2007-08 are not sustainable on a long-term basis. Individual customers would do well to consider life insurance as a long term savings option since that is when the effect of compounding truly plays out. Short-term volatility should not influence your decision on existing policies.

Is this a good time to consider conventional policies as a more secure option? Maybe yes, maybe no—the answer depends on your risk appetite and understanding of how

Ulips work. If you do not have the time or the inclination to regularly monitor your fund allocations, you would do best to leave it to a professional fund manager—your life insurer. However, it is important to keep in mind that even Ulips can be defensively structured, if you believe that investment in 'debt' is defensive. The choice of different funds is the biggest flexibility that Ulips offer as compared to the traditional 'with profits' policies.

At this time of financial stress, individual customers should fully evaluate the financial strength of the insurers. As a significant player in the financial markets (life insurers invested about Rs 55,000 crore in the equity markets in 2007-08), the life insurance industry will continue to contribute to the nation-

PRIYAM DHAR



building effort. As the economy comes out of its current difficulties, investments by insurers made in the current year will yield handsome returns in the long term. This unique and stable position, driven by a large base of retail customers, will enable the industry to create value for policyholders.

What else can customers expect from insurers?

- A more customised approach—bundling of solutions to meet specific individual needs.
- Given the current uncertainty in financial/employment markets, the need for individual pension policies would intensify further.
- In the backdrop of spiralling medical

treatment costs, the life insurance industry is now ready with a variety of health insurance offerings to meet individual needs. On the back of tax benefits under Section 80D, I would urge individual customers to plan for medical exigencies.

While the life insurance market will continue to grow, companies will step up investments in improving servicing standards and bring in more transparency to dealings with customers. Demystifying life insurance is a challenge for the industry and I foresee a move in that direction.

Challenging times call for innovative approaches. The life insurance industry is uniquely poised to deliver on its promises and continue to reach out to the masses. ||

*The author is Principal Officer and Executive Director, HDFC Standard Life Insurance
feedback@outlookmoney.com*