"Young buyers prefer term plans because of low cost"

Amitabh Chaudhry

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While life insurance is still aligned to the life stages of the policyholder, some are leaving insurance proceeds as inheritance for heirs, Amitabh Chaudhry tells ***Neha Pandey Deoras***.

Do you expect to see any change inproduct preference of customers in 2016?
Our experience over the past few years has been that customers want low cost products which fulfil their core protection needs before they look at at savings and investments. By core protection I mean risks of dying early, health and living well beyond earning years. So the trend towards greater sales of term plans, health plans and annuity plans is likely to continue. On the savings and investment side, customers' product preference tends to be a function of needs and risk appetite. So we see customers with a greater appetite to absorb risks saving with Ulips, while those with a lower risk appetite and preferring assurance rather than yield select traditional plans.

In this volatile equity market, are customers choosingtraditionalpolicies over Ulips?
We have not seen any such trend so far. There are customers who can live with volatility and are looking at this as a good entry point into Ulips. So it fully depends on the time horizon, saving needs and risk appetite of the customer.

Some news reports suggested that the industry is seeingredemptionpressurefrom Ulips. Is that true?
We aren't seeing any major redemption pressure which is adverse from earlier experiences. Policyholders redeem money typically for family-related requirements like financing a house, marriage or education. Many of them now understand that the product fits into their financial goals from a longer time horizon and staying helps them stay insured longer as well as earn a higher return.

Individuals typically avoid buying term plans because they fear notgettingany returns if they survive the term. Do you see such individuals taking interest in whole life plans instead?
This 'moneyback' phenomenon has been embedded in the consumer psyche over decades. But I think the tide has turned with several of our younger and educated customers preferring term plans as they are low cost, offer value for money and bigger risk cover.

How many Cancer Care policies have you sold so far? Have you seen a significant rise in cancer awareness?
We started selling Cancer Care plans during the middle of the financial year. Without disclosing numbers, the product has seen the fastest ramp-up among all products in our history. Cancer awareness is definitely high with many well-known, young celebrities getting afflicted by this ailment. We had Lisa Ray, herself a cancer survivor, to raise awareness about cancer and our product.

Doyou see policyholders aligninglife insurance with life stages or use it for inheritance?
Broadly it is still aligned to life stages and goals. Inheritance in India is still thought of in terms of physical assets. But yes, evolved customers are using insurance proceeds or nominations as a way of inheritance planning for their heirs.

Last year you decided not to sell policies below Rs 5O lakh and made medical tests mandatory. Has this helped in curbingfrauds?
Underwriting standards evolve from time to time. Medical test is only one of the steps in the process which help us evaluate and price risk, based on customer profiles. Fraudsters try to operate below the radar by engaging in low-value transactions. As an organisation, we believe there is a lot that can be achieved by leveraging unstructured data about the customer that may reside in various nodes-documents submitted, credit bureaus, social networks, health records, home verifications and we are using all possible tools available at our disposal to keep frauds in check without inconveniencing our customers.

What are the products you are planning to roll out this year?
We have several products awaiting regulatory approval. So based on when these approvals come, we will launch these products.

What type of products have you filed with the regulator-investment, protection or health?
We have filed products across all these categories. We hope to have a few of these approved before the end of the financial year and launch them within a fortnight of the file and use approvals coming in.

What is your outlook for the industry over the next couple of years?
Consumer demand is going to stay high. Technology is going to evolve and make products easier to buy and more transparent. It is up to the insurers and the regulator to get the business models right and move with speed to tap the potential. If the macro-economy stays fine, growth in the teens is a distinct possibility.

What are the challenges you foresee?
We have no dearth of challenges ranging from cost pressures, being attractive to talent, managing risks which are not just business related but also those related to macro and regulatory environment, keeping pace with evolving customer needs and fin-tech, investing in customer education and building distribution networks.

What are your expectations from the Union Budget both from the industry and policy-holders'perspective?
In the last 12 months, we have seen a boost come in through the Union Budget when various life, accident insurance and social security schemes were announced. Recently we saw an announcement on crop insurance. Carving out a separate limit for life insurance products either within or beyond existing limits would help improve penetration as well as encourage disciplined savings.