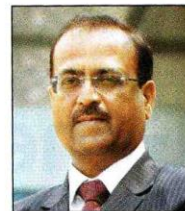


Opinion

'Insurance a Must for Youngsters'



TAPAN SINGHEL

MD&CEO, Bajaj Allianz General Insurance



I still remember the instructions my mother had given to me as a young man who had just started to earn. She had asked me to save a portion of my salary as part of rainy day fund. I had religiously followed her words and always used to set aside a chunk of my salary, lest anything ever went wrong. During all those years, I banished the thought of planning for a trip or buying that expensive suit or watch just to keep these savings of mine intact.

The country today is brimming with a young population, non-conformist to the age old Indian adage of earning and saving up for *roti, kapda* and *makaan*. With higher disposable incomes, the millennials unlike the baby boomers, have access to myriad opportunities and investment options much earlier in their lives. This has also exposed them to a superior quality of life—one with better resources at easy disposals.

While the new age life style is indeed a celebratory state of being, it is not a utopian

era and things may still go awry. An accident severely damaging your brand new car, hurting yourself during an adventurous trek, or getting hospitalised after contracting a local outbreak etc. are certain common situations that may bring one's life to a standstill. Given the rising costs, a single such damage or incident may burn a deep hole in your pockets or even evaporate your hard earned savings.

One may deal with such unpleasant situations smoothly if there is an adequate insurance protection in place. Insurance is a financial tool that covers you against all the risks that your life, health and assets may face, the importance of which is largely overlooked by most of the millennials. Though there is a negative sentiment for insurance in the minds of many, the industry's combined ratio of 120 per cent in the last fiscal is a pure indication of it living up to its promise of paying out claims.

While a lot of online and offline research goes into buying of assets such as a vehicle or a

property, the millennials at large are oblivious to putting in similar efforts while buying an insurance policy. For instance, a group medical cover is deemed adequate as against a standalone comprehensive health cover.

The healthcare costs have also risen exponentially and the contemporary sedentary lifestyle is manifesting a host of non-communicable diseases at very early life stages. Apart from the threats to one's health there are other risks too that can create a financial turmoil in a person's life. The rising incidents of road accidents, frequent catastrophes such as floods and earthquakes etc., all have the potential to damage our most prized possessions and disturb our financial stability.

With high investments and heavy EMIs to procure and maintain these assets, suitable insurance policies are a must to safeguard one's exposure to possible financial losses. Even more so when these insurance policies cost you no more than decent dinner dates. It is also advisable to buy insurance at the start of one's career itself as not only would it ensure lower premium rates, but will also create a better relationship with your insurer.

Youngsters also need to be cognizant towards the fact that insurance policies these days offer much more than covering just claims. Insurers today provide a host of value-added services enabling a preventive environment rather than a curative one. With the advent of connected devices and Internet of Things (IoT), wellness and health tracking services in health insurance are gaining ground. Insurers are increasingly adopting the data analytics tools such as Fitbits and linking it to their insurance apps to identify current

With higher disposable incomes, the millennials get access to myriad opportunities and investment options much earlier in their lives

and future health risks in their customers. Based on this data, they are even suggesting lifestyle solutions to maintain good health amongst their customers. Similarly, telematics based motor policies have been launched where one gets to know his/her driving behaviour, engine and car health and can also avail renewal discounts based on one's good driving behaviour.

To further create an appeal to the Generation Y, insurers have jumped on to the digitisation bandwagon and are re-defining the entire insurance experience. In their obsession towards creating a camaraderie with their new age customers, the insurers have leveraged latest technologies and are also available 24X7 on various social media platforms for easy claims and grievance redressal.

I realised the efficacy of transferring my risks to an insurance policy post joining the insurance industry. Instead of saving up considerable amounts for the potent bad times, I could have just spared an insignificant percentage of it to brace myself for the future. In a constant bid to live an action packed life, it is therefore of utmost importance that you make concerted efforts in creating an adequate safety net for yourself. An all-inclusive insurance portfolio shall hence help fulfil your dreams to live young, wild and carefree. ●

Cover Story

ANNIVERSARY ISSUE



For your Peace of Mind

Do not let vagaries of life impact your worldly possessions—insuring your assets is a cost effective way to protect what you own, finds **PREETI KULKARNI**

₹7.5lakh
the maximum
cover under third
party liability

The tranquil world of 53-year-old Chennai-based Ramesh Shankar came crumbling down with the 2015 Chennai floods. “I woke up feeling water splashing next to my bed in my first-floor flat in Kotturpuram,” he narrates. The incident resulted in his entire worldly possessions—TV, fridge, furniture, appliances, clothes and important documents getting all wet and damaged. “My car was submerged and I was saved, because of the comprehensive insurance, including engine protection that I had taken on a whim paid for its repairs,” he says with a smile.

“I just did not expect the house to be damaged in this fashion and had not thought of insuring the house,” he states in a sombre tone. Shankar re-built his life over the next three months and made his house liveable again. The cost of coming back to terms set him off by a few lakhs. “I was lucky that I got some money from the state government and my employer extended a generous loan at no interest,” he says. However, the trauma has not left him or his wife. “She was so emotionally attached to everything that we had built together painstakingly over the past three decades,” he recounts.

“Not many are aware that valuable assets in their homes can be insured at a minimal cost. Another common misconception is that home insurance does not provide a cover against natural calamities and it only covers fire and allied perils,” explains Sasikumar Adidamu, CTO – Non Motor, Bajaj Allianz

INSURANCE LEXICON



Deductible: A deductible is that amount of the claim that needs to be borne by the policyholder in case of a claim. For instance, if the deductible is of ₹1,000, the first ₹1,000 in case of a claim is borne by the policyholder. You can choose a higher deductible to bring your premium down, but that might be a mistake because you will end up paying a higher amount.



Insured declared value: The premium in the case of own damage (OD) vehicle cover is decided by the insured declared value (IDV) of the vehicle. IDV is the value that the insurer will pay if your car is completely damaged or stolen. In that sense, IDV is the sum insured and is calculated based on the invoice of your car minus depreciation.



Return to invoice: The Return to Invoice (RTI) is an add-on option which covers the gap between the insured's declared value and the invoice value of the car. It's an option that will fetch you the entire amount of loss that you incur in case of an accident leading to replacement of parts.



Engine protection cover: Automakers mention that it is unwise to crank up the car when it is stuck in water because it can damage the car engine. This add-on cover can be used to cover such instances along with the repairing cost of electrical circuit failure at a nominal additional cost.



No claim bonus: It is the discount that you get on your premiums for each year you don't make a claim. This bonus is applicable on the premiums that apply for the OD cover in motor insurance. The maximum discount over a period of time is usually capped at 50%—on the premium.



Zero depreciation: This additional cover gives you the legal right to claim the complete replacement cost of the parts damaged in case of an accident which the policy covers. This is useful, especially in case of plastic parts. The concept of part replacement over repairs with new age cars means you stand to benefit by adding this cover. However, this cover is only applicable on cars that are not more than five years old from the date of purchase.





SASIKUMAR ADIDAMU

CTO – Non Motor, Bajaj Allianz General Insurance

"One should provide the correct value of the contents and the structure as under-declaring may lead to problems while settling claims in case of home insurance."

MUST KNOW

Replacement value as a concept is important to know especially in case of home insurance. Generally the perception is to go with the depreciated value of goods when insuring the contents of a home. So, when insuring the contents of your home, you may put the value of a high-end two year TV at ₹40,000; even though to replace a similar set would cost you ₹75,000. Now, in case the TV does get damaged, the insurer would pay you the depreciated ₹40,000 and you would have to fund the balance to replace the TV. However, if you go with the reinstatement or replacement value, wherein you mention the present cost of a similar TV when insuring it, the claim, when raised, would pay for the replacement cost, subject to the sum insured. The importance of replacement value is best understood in case of repairs and replacement.



Impact: Suppose your washing machine requires a new part to be replaced to make it work again, if the replacement price was used, in case of claim, you would not have to pay anything from your pocket. However, if you had taken the depreciated price, you would have to pay for the proportionate repair or replacement cost.

General Insurance. Welcome to the reality of lack of awareness of insurance for your assets—home, vehicle, gadgets and appliances and anything else that means the world to you. The good news is that there is some form of insurance available to insure your worldly possessions.

Insulate your homes from mishaps

At a very basic level, home insurance comes with two sub-sections: one that covers the building and the other its contents against fire. If you live in your own house, you should look to buy cover under both these sections. However, if you live in a rented house, you can't take the building insurance, but you must take insurance for the contents; you could include everything inside your house in addition to the basic insurance for damage and even burglary.

While going in for insurance, make sure everything that you wish to insure is listed in the policy. "Ensure that the values are adequate for reinstating the property. Normally, bankers mandate for taking insurance for the amount of the loan which will not cover your reinstatement cost. Be careful about the adequacy of sum insured for the structure. Insure all the contents against fire, burglary and breakdown," advises K Sanath Kumar, Chairman and MD, National Insurance.

One of the reasons why most people don't land up taking a home insurance is due to the elaborate and complex application form with extensive details, which makes the process of taking a policy very difficult. However, exploiting this gap, some insurers have made it simpler and easy to opt for by introducing a comprehensive threshold value for the contents of the house instead of detailing the price of everything in the house.

One important factor to consider when arriving at the value of contents of the house at the time of insurance is its replacement value (*Read: Must Know*) instead of the depreciated value. More importantly, when insuring for a longer term, do update the contents of the house and its value from time-to-time.

A safer ride

The mandatory requirement of liability insurance enforces people to insure their vehicles before they can ride them on the



Photo: PRABHAKAR RAO

BHAUMIK PARIKH, 36, HYDERABAD

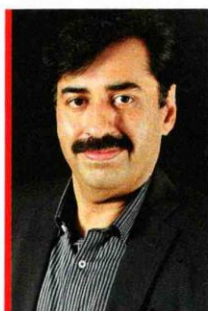
"I opted for additional covers for my Hyundai i20 because at an additional annual premium, these offer valuable support like key replacement and emergency transport in case of accidents."

road. But that alone should not be the driver to take this policy, as your car faces financial implications of being part of an accident which could cause damage to it. "My car just skidded

on the wet highway and the impact resulted in repairs worth ₹10 lakh," states Delhi-based Praveen Khanna. He was lucky to have a comprehensive car insurance in place.

Several new car models entering the roads each day has been one of the reasons for heavy traffic on the roads. Naturally, with this increased traffic comes the possibility of accidents, which can prove expensive in the absence of insurance. There are very few people who repair cars these days, as most car parts are often replaced. Due to this, the depreciated value of the car could actually leave you with a deep hole in your pocket, at the time of making a claim due to accidents.

Taking a cue from such examples, insurers have started to offer add-on covers. Today, there are add-on covers available with motor insurance such as engine protection and zero depreciation. "Zero depreciation is very useful when you have to deal with part replacement," warns Puneet Oberoi, CFP, Excellent Investment Advisorz. Take Hyderabad-based Bhaumik Parikh, who believes in the value of



PUNEET OBEROI

CFP, Excellent Investment Advisorz

"When you buy long term home insurance policies, you forget to increase your cover at regular intervals or include new additions to your home."

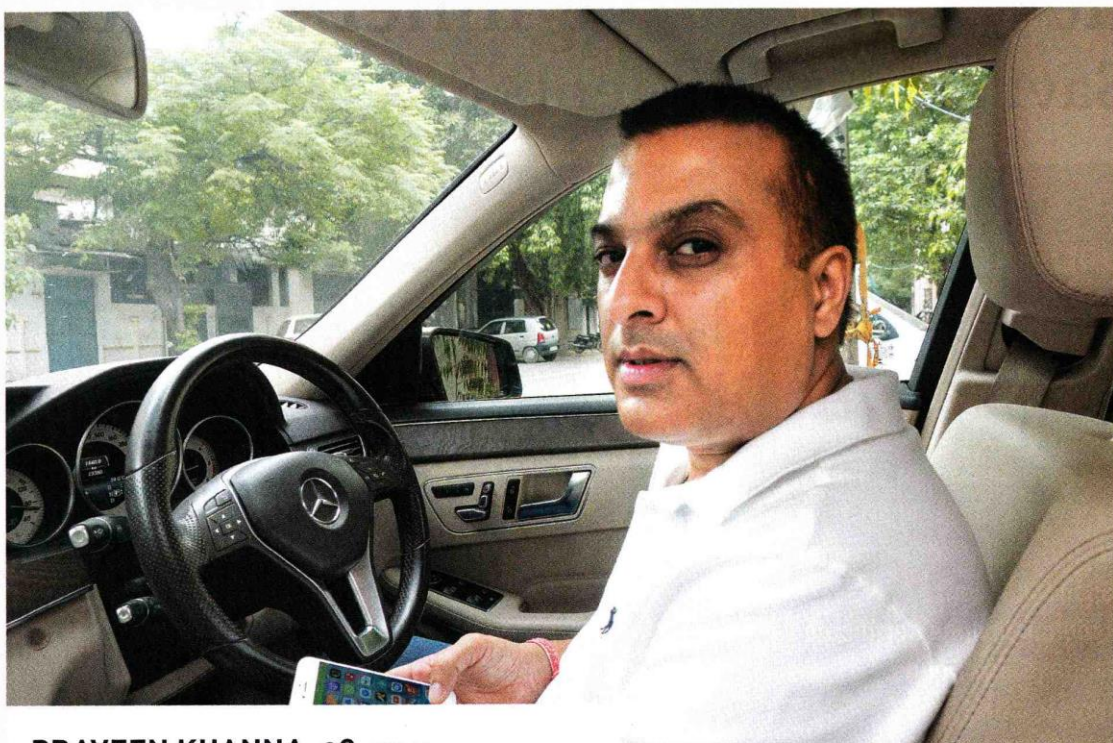


Photo: GIREESH GV

PRAVEEN KHANNA, 38, DELHI

“My Mercedes Benz skidded on the highway causing damage to the tune of ₹10 lakh. Thankfully, I had the necessary insurance and the insurer cleared the claim within a week of submission of the same.”

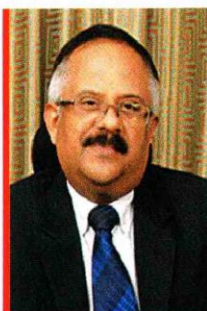
add-ons. He has opted for zero depreciation, key replacement and roadside assistance to boost his car's security, with the additional premium working out to just over ₹3,000 a

year. “I believe, it is important as the covers promise support in key replacement and facilitate emergency transport and hotel expenses in case of an accident. Loss of personal belongings during the incident is also covered,” he says. There are people who also take tyre replacement addition.

Other than your home and car, one of the most prized possessions is the mobile phones; smart phones are very fragile. The rising number of phones with cracked screens has made insurers take the cue to offer mobile phone insurance. These are available at the time of buying the phone and cost very little, in a case there is a replacement to be made.

The lesson for you is to list out things that are expensive to replace in your home and then scout for a policy that can help you transfer the financial risk of residing in them to a policy which will work for in case of claims. Going by the claim rates, one should feel encouraged to opt for insurance wherever possible than stay unguarded and face huge financial implications like Shankar had to face. ●

preeti.kulkarni@outlookindia.com



K SANATH KUMAR

CMD, National Insurance

“Most home buyers go in for just the fire coverage for their house structure. They do not insure the contents and appliances.”