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[Unveiling Underinsurance: Not just portfolio but insurance coverage matters in house, motor and health](#)

No one wakes up excited to buy insurance, it has always been looked at as an unnecessary expense, especially when it comes to general insurance. There are two major reasons for this.

We are not wired to see risks, which makes us undermine various risks we are exposed to. So, people often think that if I don't raise a claim at some point in time, then what is the use of insurance?

The second prominent reason is a lack of trust in the system; the general perception is that even if I spend the money to buy insurance coverage and raise a claim, my claim won't be settled.

Although this reason has proved wrong, evidently so from the combined ratio of the industry, which demonstrates that claims are being paid.

However, sadly, the perception still prevails, which the industry is working to change. Regarding the first point, why should you invest in insurance even if you won't claim?

Firstly, one should never undermine the unpredictability of life; it is always prudent to have insurance cover that helps you bounce back smoothly after any eventuality.

Secondly, even if you don't claim, your money would help someone else in their dire time of need; you would be helping build a resilient society.

Now, let us discuss another prevalent issue about insurance; even those who opt for insurance tend to go for inadequate cover. This is called 'underinsurance', which can eventually be very expensive for the insured.

To understand the importance of the right sum insured, let's look at different lines of business.

Property:

When it comes to property, underinsurance can lead to huge losses later. When you underinsure your property, your claim amount gets reduced by the same percentage as the underinsurance. Hence, it becomes imperative to opt for the correct sum insured.

The sum insured can be arrived broadly under either of the three categories: reinstatement value, market value, or agreed value.

You must cover the correct value of your house (the cost of the home excluding the cost of land), furniture, fixtures, contents, appliances, etc., to have a strong safety net to fall back on, during times of need.

Health:

Medical inflation is growing at about 15% annually. Picking the right sum insured today may not suffice tomorrow.

A simple way to manage this is to review and evaluate your sum insured every 2-3 years to ensure it aligns with the increasing inflation and the quality of treatment you seek.

Strengthening your base policy with a super top-up or a top-up is also wise. Accumulating a cumulative bonus further enhances your base sum insured.

Apart from this, you should assess your requirements and opt for relevant add-on covers that will enable you to build a comprehensive cover.

Many people only rely on insurance provided by their employers or opt for a low sum insured, like a 1-2 lakh cover. In an exigency, this amount falls short, and the person has to spend a considerable amount from their pocket.

We all would have heard tales of people mortgaging or selling their jewelry to pay medical bills, an adequate health insurance can help evade such unfortunate situations at a nominal cost.

Motor:

Many people pick third-party insurance simply because it is legally mandatory. But if you look at it, just having a TP cover is like being underinsured since it only covers liabilities (legal, financial, accidental) that may arise if a third party suffers from a loss or damage to your vehicle.

But it does not cover damage to your vehicle, for which you require a comprehensive policy to safeguard your hard-earned assets.

To have complete peace of mind, you can also go for add-on covers like zero-depreciation, engine protection, and roadside assistance.

Pick the solutions that suit your requirements and pocket. But my recommendation is that at least comprehensive coverage is necessary to ensure that you are adequately insured in case of a loss.

To summarise, just having insurance isn't good enough. Adequate insurance is essential. Underinsurance is an issue plaguing our nation and impacting our citizens.

It reduces trust in the system and leads to high out-of-pocket expenses in case of an eventuality. As insurance professionals, it is our duty to inform customers about the importance of adequate insurance and why it is necessary.

Once you have made the right choice to get insured, pick the optimum coverage and sum insured, ensuring that you are properly insured if an unforeseen situation arises. Be adequately insured and remain worry-free!(The author is MD & CEO, Bajaj Allianz General Insurance)