

# Bite-sized covers are cheaper but know the limitations too

The premiums in these plans are low as the cover is small but they are not suited for long-term needs

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**W**ith demand for insurance shooting up after the covid-19 pandemic broke out, bite-sized plans are gradually gaining popularity (read [bit.ly/3obh17j](https://bit.ly/3obh17j)). Last month, WhatsApp said it may start offering micro-insurance products from SBI General Insurance Co. Ltd on its platform soon; no further information has been released about it as yet. "Though at an initial stage, bite-sized plans are becoming popular, as they are catering to specific needs, with lower priced premiums," said Indraneel Chatterjee, co-founder and principal officer, Renewbuy.com, an online insurance aggregator.

Digit General Insurance Ltd, which in February 2020 launched India's first sachet health plan for covid-19, said they had to stop the product in just three weeks after it reached ₹50 lakh in total premium, a limit that was set by the Insurance Regulatory and Development Authority of India (Irdai) under its sandbox regulations.

"This is an untouched market and many companies are trying to attempt to increase insurance penetration using these products. Having a complete digital journey and value for money are some of the main factors for these becoming popular," said Adarsh Agarwal, appointed actuary, Digit General.

Customers are also going for bite-sized insurance plans as an additional warranty for white good products such as television and fridge. "While the primary warranty on white goods is offered by the manufacturers, bite-sized plans cover complementary defects and damages that are not covered under the original warranty," says Ashwin Ramaswamy, head, strategic partnerships, ACKO General Insurance Ltd.

We tell you what bite-sized



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insurance plans are and their key benefits and limitations.

## WHAT ARE THESE?

There is no standard definition for bite-sized or micro insurance plans but they usually focus on specific needs, and have a low cover and premium. They are typically sold over the counter via e-commerce companies and payment apps without any underwriting, have a one-time premium of up to ₹100 (policy ends after a claim) and are not standard.

**Bite-sized insurance plans may not be economical in the long run, and there is no clarity on renewal**

"An example of bite-size insurance is a plan that a person gets while booking an air ticket, which covers travellers for specific covers for the duration of the journey. Both insurance companies, as well as technology-driven insurance aggregators, are offering sachet plans, in life as well as non-life segments," said Chatterjee. For instance, IRCTC offers a travel insurance cover for ₹9 paise that pays a benefit of up to ₹10 lakh for death or permanent total disability due to rail accidents.

Some experts also classify Corona Kavach—an indemnity-based health policy (which reim-

burses the cost of medical expenses) launched last year—as a bite-sized plan, but its premium usually starts at around ₹200.

## WHAT DO THEY OFFER?

According to Ratan Chand, head, product development, Bajaj Allianz General Insurance Co. Ltd, sachet insurance products are contextual and need-based besides being light on the pocket. "For instance, if someone is on a pilgrimage, say Char Dham (the four pilgrimage sites of Hindus), he or she may like to have a domestic travel insurance policy for the duration of the pilgrimage only," added Chand.

Agarwal said that the lower premiums of such plans are sustainable as they have a total digital footprint. The digital-driven process makes the entire procedure seamless and transparent.

"Consumers do not need to undergo too many documentation processes or medical tests. Considering the target market for bite-sized insurance is majority youth, a fast-paced procedure is a major advantage for acquiring consumers," said Chatterjee.

Millennials or first-time insurance buyers are specially targeted under this segment as they do not usually prefer to pay high prices of premiums, he added.

"It is also a general behaviour, as someone in the age group of 40-45 years may look at a comprehensive health insurance, whereas a 25-year-old may look to address the immediate problem than an overall health insurance," said Abhishek Bondia, managing director and principal officer, SecureNow.in, an insurance brokerage firm.

According to experts, bite-sized covers can be beneficial as they can give the option of introducing an individual to a product and make them understand the benefits. "It can be used as a trial product before purchasing a full-fledged policy," said Chatterjee.

## LIMITATIONS

The biggest limitation of all in these plans is the fact they are not comprehensive and cater to specific needs. "Bite-sized insurance plans are benefit products offered for temporary needs and they cannot supplement full-sized life or health covers. Consumers with higher health risks and pre-existing conditions will not benefit from these products," said Chatterjee.

Moreover, such plans may not

be economical in the long run.

"Someone taking sachet insurance products repeatedly may end up paying more than what a person would have otherwise paid in case of an annual policy," said Chand.

There is also a big question mark over the renewal of these plans. According to Bondia, as these products are bought via digital platforms, the renewal aspect is not known.

## WHAT YOU SHOULD DO

It is important to do thorough research about the benefits and exclusions in these policies before buying. Checking the claims process is another important aspect.

"Look at whether the claims process is hassle-free and documents required are minimal. As far as possible, the claim process should be entirely system-driven with the least manual intervention. Also, like any other insurance policy, go through the terms and conditions," said Chand.

You should also find out about the point of contact after the policy is sold. "There are platforms where they will take ownership for claims. In other cases, the platform may pass on the responsibility to the intermediary or the insurer with which they have a tie-up. Some platforms also use insurance brokers as an interme-

**Check factors such as the claims process and find out the point of contact before buying such a plan**

diary for selling the products," said Bondia.

Individuals should keep in mind that the claim settlement ratio, which is the number of claims settled in a year against the number of claims filed, is usually not

available for these plans. "Bite-size is just the ticket size of the plan, so you can have a bite-sized health, property or travel insurance. Regulations require companies to report their numbers by the line of business and not by the size of premium," said Bondia.

So, don't just get swayed by the low premiums. Look at the benefits and exclusions, check the claims process and the quality of the insurer.