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[Why you shouldn't look at insurance as a discretionary expense](#)

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There are a variety of life insurance products in the market today that allow you to save and invest to generate returns but understand that insurance is a tool for protection.

If there's anything the covid-19 pandemic has helped us realize, it's the fact that life is filled with uncertainties and there's no way one can foresee an unfortunate event. Medical inflation is skyrocketing and life itself is unpredictable. This National Insurance Awareness Day, which is celebrated on 28 June every year, we tell you why you cannot afford to look at life and health insurance as a discretionary expense.

Insurance penetration in India increased to 3.70% in FY19, according to the Insurance Regulatory and Development Authority (Irdai) data, but globally, we are among the countries with the lowest penetration. While the demand for health insurance finally going up due to covid-19, life insurance is still catching up.

"Importance of having health insurance has become more imperative thus leading to inquiries for new comprehensive covers, increasing the sum insured of existing policies, widening the coverage of sum insured with help of additional top-ups or looking at covid-19-specific health policies," said Gurdeep Singh Batra, head-retail underwriting, Bajaj Allianz General Insurance Co Ltd.

New business premiums for life insurance companies tanked 32% in March, according to the data published by Irdai. Around March is when a lot of people end up buying insurance policies to save tax. However, the demand seems to be going up in the first quarter of the financial year, especially for term plans. "This increased demand is also reflected in Google data on queries in search volumes where the term insurance searches have gone up by 97%, and life insurance searches have increased by 22% between April and June compared with the last year," said Aalok Bhan, director and chief marketing officer, Max Life Insurance Co Ltd.

Health insurance

With the rise in costs for healthcare in the country, having adequate health insurance can come to your rescue during a medical emergency. While you may be covered by your employer, understand that it may not be enough, especially at a time like this, when layoffs are on the rise across sectors. Therefore, it's important to have an individual health policy.

Having health insurance helps you get cashless medical treatment or reimburse your medical expenses up to your requisite sum insured amount.

"The health insurance penetration in the country is below the desirable rate and the biggest factor that contributes to this is the lack of awareness amongst customers. The concept of

health insurance acting as a safety net against unpredictable financial woes is yet to find the kind of acceptance that it deserves," said Sanjay Datta, chief-underwriting, claims and reinsurance, ICICI Lombard General Insurance Co Ltd.

If you're taken aback due to the vast variety of products that are available, you could refer to the Mint SecureNow Medclaim Ratings to find a product that suits your needs.

Life insurance

The importance of pure protection products such as term plans is finally coming to the forefront but the change in attitude cannot be momentary. "With the covid-19 pandemic hitting the world, the mass majority is now waking up to the likelihood that these 'what if' events can affect them too. They are becoming cognizant of their vulnerabilities," said Anup Seth, chief retail officer, Edelweiss Tokio Life Insurance Co Ltd.

In the event of the insured's death, having term insurance ensures that the policyholder's financial dependents receive the pre-determined sum assured that can help them remain financially afloat. There are a variety of life insurance products in the market today that allow you to save and invest to generate returns but understand that insurance is a tool for protection and therefore, it's advisable to not mix your insurance and investment needs.

Lovaii Navlakhi, MD and CEO, International Money Matters, a financial planning firm said term insurance is the replacement of the economic value of a person. "If you are an earning member and contribute towards your family's goals, you need a life cover."

If the pandemic hasn't yet pushed you to buy adequate health and life cover, understand that these are two products that you definitely need in your financial portfolio to cushion against any untoward incident that could impact you and your dependents. "When we buy a car, we do not ask for the brakes to be removed to get a discount on the price; nor do we want to exclude seat belts. The insurance premium is a cost and may have no monetary benefit if there is no claim; however, the value you get in terms of peace of mind may be priceless," said Navlakhi.