

'New tax regime doesn't incentivize purchase of health insurance'

Tapan Singhel has been the managing director and chief executive officer of Bajaj Allianz General Insurance Co. Ltd for eight years now. In a conversation with *Mint*, Singhel talks about the company's sandbox proposals, the importance of rewarding good driving behaviour by giving a discount on motor insurance premiums and the impact the new income tax regime can have on the health insurance business



MONEYGURU

TAPAN SINGHEL
Managing director and CEO, Bajaj Allianz General Insurance Co. Ltd

Bajaj Allianz General recently tied up with Pune traffic police to reward good driving behaviour by way of discounts in premiums. How is this panning out and do you plan to do this in other cities as well?

Behavioural economists vouch for positive reinforcements to develop better habits, and we decided to give it a try. We felt that a lot of people see no point in following traffic rules, while there are some people who will wait at a signal, irrespective of others breaking it. Not following the rules can have gruesome and sometimes even fatal consequences. Hence, we felt that there was a need to reward good behaviour in some way.

Offering a discount in premium is a way to push more people to follow traffic rules. Through our association with the Pune traffic police, we are encouraging safe driving behaviour. We hope to develop more such associations across the country in the future.

Your proposal for "pay as you use" has been approved under the regulatory sandbox. Is the country ready to adopt such a product in terms of tech?

The motor insurance sector in India still uses generic parameters like the model of the vehicle and the location of the vehicle registration to decide the premium; it's not based on vehicle usage. So people who drive less and those who drive more end up paying equal premiums. The regulatory sandbox approval helps us correct this anomaly by charging premium as per the vehicle usage.

In terms of tech adoption, India has been one of the fastest adopters so I don't see a problem. If a customer sees value, she would like to adopt

the tech to avail the benefits. **How will the new tax regime announced in Budget 2020 impact health insurance products? The new regime doesn't allow people to avail of tax deduction on premiums paid for health plans.**

In more developed countries, where social security and health insurance is taken care of, investment in insurance aren't incentivized by direct tax per se. But in India, where the social security arrangement is available only for a certain strata of the society, purchase of such products should be encouraged. With the new tax regime, this seems to have been put on the back-burner. But people who are aware of the benefits of insurance will continue to buy it.

In India, where social security is available only to some, purchase of health insurance should be encouraged

The amendments to the Motor Vehicles Act has boosted motor insurance penetration. But other products like home and health insurance are still under-penetrated. How can this be improved?

Insurance remains largely a push-based industry. Our penetration is less than 1%, even after taking into account all the contemporary government schemes. People are still unaware of its benefits and for those who are aware, the process to buy the services is yet to be made simpler, more interactive and motivating.

With motor insurance regulations, we saw a spike in that business but home and health insurance have a long way to go, and insurers, regulators as well as the government have to push for this. With the changing climatic conditions, India is turning more perilous in terms of getting affected by flash floods, droughts, cyclones, earthquakes, storms and other disasters. While the

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Do you bring work home

I used to when I was younger, now I try not to



Your fitness mantra

Mental, physical and spiritual well-being



If you were 21 again

Work on being more compassionate towards myself and others



Favourite thing on your desk

My family picture



triggers for such events.

The premium for the same can be collected along with property tax. Once the claim is triggered, the amount can be directly transferred to the beneficiary's Jan Dhan account linked to the home policy.

The Insurance Regulatory and Development Authority of India (Irdai) has mandated all general and health insurers to offer a standard health product with a sum insured up to ₹5 lakh. Do you think this will help the space evolve?

With this move, Irdai has ensured that people receive the benefits of a health insurance policy without worrying about the various coverage and exclusions-related intricacies. I firmly believe that the easier a policy is to understand, the better it is for a customer to make a purchase decision. Hence, this mandate of having a standard individual health insurance product will help us enhance the insured population in our country. Not only would it increase awareness around this financial protection tool which is a must have in today's rising medical costs scenario, but the facility of paying premium in instalments will serve as an additional boon for the lower middle-income segment. However, I also believe that one should keep on revisiting the policy every year since medical inflation is seeing almost a double digit growth. Having a health insurance helps you lead a life of dignity during a medical exigency, helps you avail better treatments and also enhances the average life expectancy. This is therefore a welcome move, since it will get more people to buy their first insurance policy. But people who can afford should look to buy a more enhanced cover, along with a super top-up policy - which amplifies the coverage at economical rates.

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Indian government is focusing on providing affordable housing, it should also introduce an index-based scheme (parametric insurance) for home in synergy with the insurers to protect the homes of people against natural catastrophes. Parametric-based insurance solution automatically pays out a predetermined sum of money to the insured population in the event of catastrophes, as per the pre-defined