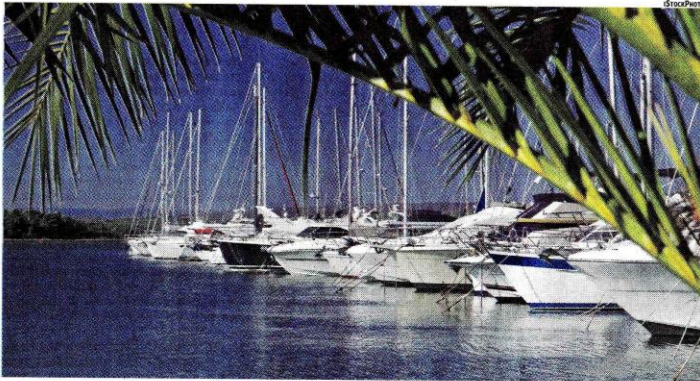


Safety comes first

For UHNIs, the universe of insurance expands to beyond the staple policies, to cover art, jewellery, yachts and private jets



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For the rich, it's not just about indulging in expensive collectibles, it's also about protecting them. While for an average household, the first brush with insurance typically starts with the motor, health and life insurance policies that double up as investments, for ultra-high-net-worth individuals (UHNIs), the universe expands to beyond the staple policies and extends to insuring assets including art, jewellery and watches.

"Insurance is increasingly becoming popular with UHNIs and what typically gets bought is a home insurance policy because that acts as a base. We further customize home insurance to insure collectibles and prized possessions," said M.

Ravichandran, president, insurance, Tata AIG General Insurance Co. Ltd.

Here is a look at what are the different insurance policies available for UHNIs.

Tailor-made home insurance

Home insurance for UHNIs get more customization. "The claims can be huge, so we offer this product only to those who have a deep standing and are passionate about their assets. This typically fits the profile of a UHNI," added Ravichandran.

Also, what such customization entails is an all-risk cover. "For example, a regular householder policy would cover artwork up to ₹10,000 against burglary or damage due to fire and other allied perils. But, say, it gets damaged in transit or in an exhibition or if the location of the artwork moves, then the regular policy will not be useful. Hence, we offer all-risk pol-

icies that would cover artwork at all points in time," said Ravichandran. Based on valuation, insurer and customer, one arrives at an agreed price which is insured.

But can you re-evaluate your assets and insure them appropriately? "The policyholder can re-evaluate assets and get them insured to the recent worth within the policy period. In art insurance, we offer add-on cover for 'market appreciation', wherein if the market value of the artwork, immediately before the loss, exceeds insured value, we will pay its market value up to 150% of the agreed amount," Ravichandran clarified.

It's such customization that has made the under-penetrated home insurance sector relatively more popular with UHNIs. "The spread of home insurance is less than 1%, and of the majority of policies are bought by UHNIs," said Sasikumar Adidamu, chief technical officer, non-motor, Bajaj Allianz General Insurance Co. Ltd.

Other covers

Connoisseurs of luxury recreation who own private jets and yachts buy insurance to protect these. "For private jets, third-party cover is mandatory and most owners of private jets insure their jets for liability and damage through aviation insurance. For yachts, liability insurance is not mandatory, but even then these are typically insured as repairs can be expensive otherwise. Yachts are covered under marine hull insurance," said K.G. Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance Ltd.

Insurance for self

In terms of life insurance, plain-vanilla policies are becoming popular with this segment.

"Insurance sales witnessed a boom in

2003-08, primarily led by bancassurance tie-ups. This channel was primarily responsible for broad-basing insurance sales across the UHNI community. But these policies were being sold with little or no correlation to needs and were, more often than not, sold as an investment product with a limited payment period. High commission was the key motivator, but towards the latter part of the decade, clients started experiencing dissonance given that the fund values were lower than what they had invested owing to the high upfront costs. Surrender charges and penalties were high leading to a strong disillusionment," said Sriram Iyer, chief executive officer, Religare Wealth Management Ltd.

"Traditional policies and unit-linked insurance plans are no longer sold by private bankers or wealth managers. The sole objective with which insurance is offered to clients is to create protection through online term plans," added Iyer.

This has happened largely because of the disintermediation (reduced use of intermediaries) of plain-vanilla insurance plans such as term plans.

However, under-penetration of life insurance continues to be a problem. "Despite increasing awareness, most UHNIs still do not have adequate cover. Only a handful will actually care to continually evaluate their insurance needs and update it periodically," said Iyer.

The reason some say why insurance policies haven't reached UHNIs is because of the current rules. "The current rules don't allow insurers to invest abroad. So, policies are not able to pass on the investment benefit of the emerging market," said Rajeev Kumar, chief financial officer, Bharti AXA Life Insurance Co. Ltd.

"What could make insurance a popular product for estate planning is if inheritance tax is levied. It will make whole-life plans, which are tax-free, a popular product for estate planning," said Kumar.

In health insurance, too, the market for UHNIs remains to be under-penetrated.

But things are changing. "Ever since policies with a high cover of ₹25-50 lakh have come in, there is growing interest for health insurance," said Rao. Hopefully, this will mean that they insure their most dear possessions—health and life.

18%

of the total UHNI spends is on jewellery, which continues to be the top spending category.