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Feedback

Pure term and term insurance with return on premiums saw an uptick, says SBI Life's CEO Mahesh Kumar Sharma

Mahesh Kumar Sharma, MD and CEO, SBI Life, in an interaction with Business Today talks about how insurance policies are now more treated as a risk protection tool and not a mere savings product



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Mahesh Kumar Sharma, MD and CEO, SBI Life

India currently ranks 10th in the global life insurance market with the penetration of 4.2%. While there is still a huge protection gap to cover across the country, life insurance products like pure term and term insurance with return on premiums have seen an uptick post pandemic. Mahesh Kumar Sharma, MD and CEO, SBI Life, in an interaction with Business Today talks about how insurance policies are now more treated as a risk protection tool and not a mere savings product.

BT: Has the demand for protection policies tapered after recovering from COVID-19 crisis? What has been the impact of COVID on your business?

Maresh Kumar Sharma: The outbreak of pandemic affected businesses across the globe and the insurance sector was no exception. At SBI Life, we were able to ensure business continuity due to our robust strategic risk assessment, capital planning, governance and risk awareness. The learnings, pandemic gave us, will always be there with us. The sudden uncertainty induced an increase in the risk perception which has led to a positive shift in the way people thought about insurance products. A constant worry for the well-being of loved ones has led many to revisit their financial portfolio and build a financial safety net with life insurance. Since then, insurance has to some extent become an integral part of financial planning. However, with India ranking 10th in the global life insurance market with the on-ground penetration of 4.2% (overall), we are yet to cover a huge protection gap across the country. Life insurance solutions like pure term and term insurance with return on premiums saw an uptick and consumers are treating it as a risk protection tool and not a mere savings product. With this, SBI Life also saw a strong growth in its Protection NBP of 32% to Rs 16.0 billion for the half yearly ended as on September 30, 2022. Another development during the pandemic situation was the use of digital platforms and technology complemented the traditional way of insurance selling and continues to be accepted by the consumers.

BT: Which are the product categories where you have seen increased traction recently?



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Maresh Kumar Sharma: As consumers' needs evolve, the insurance industry continues to be at par with their needs. In the post-pandemic times, the consumers have started to recognize insurance is the only way to future-protect oneself and loved ones. Demand for all insurance products including term, annuity, savings related insurance products like guaranteed return products and ULIP products, have gone up and consumers are making it an integral part of financial security. There is no such thing as a one-size-fits-all solution anymore. For consumers to hedge life uncertainties, they are choosing appropriate financial products and insurance products that cater to their specific interests and needs, rather than relying on only one or two financial instruments. As SBI Life's Financial Immunity Survey 2.0 suggests more than 75% of Indians believe insurance plays an essential role in overall financial planning, and over 50% believe that 'Financial Immunity' is necessary to secure the financial future. Post Covid-19, the uncertainties in one's life cannot be overlooked and consumers are now more aware and want to be financially prepared at all times in their lives.



BT: How good are annuity policies compared to other products for retirement planning?

Maresh Kumar Sharma: Retirement is one of the most important life stages in a person's life. People work hard and earn to make sure they live stress-free once they retire. While retiring can be a reward for years of hard work, it can also trigger stress specially related to finances and investments. Thus, it is important to have a sound financial plan that will help in creating a large retirement corpus so that the needs are met without the fear of outliving money. Having a regular stream of income post retirement is thus significant. Fixed annuity policies provide the required financial support in the vulnerable phase of retirement. One knows well in advance how much he/she will receive when the annuitisation phase starts. It also offers a sense of safety because an annuity gives a return pay-out month on month, quarterly, half-yearly, annually, depending upon the case. Annuity is not just a good investment option for retirement, it is a need. After a person retires from active duties they need annuities to provide a regular income. Annuity plans, therefore, provides a regular income post retirement which helps retirees to be stable financially.

BT: Interest rates have risen over the last few months. How much return guaranteed plans offering compared to other fixed income products?

Maresh Kumar Sharma: The year of 2022 has been one of unprecedented events. The Covid-19-driven disruptions did impact the world economy, as a result of multi-decade-high inflation rates in many developed countries the monetary policies were altered, which eventually led to an aggressive rate hike cycle. Due to this, interest rates worldwide increased. Fixed income products were traditionally preferred to provide a secured future to the child to meet the growing demands in terms of education etc. It was because they offered consistent interest rates and zero market-linked risks that made them an attractive method of locking in one's money. It worked perfectly until about a decade ago. As a result of economic crisis, the prevailing fixed deposit rates were slashed dramatically to an all-time low. Therefore, a more feasible and safer alternative is a guaranteed insurance plan. With

the added benefit of life insurance, it is primarily an investment for risk-averse investors. In addition, it promises a guaranteed return without being affected by market volatility. A guaranteed insurance plan provides security for the family. These plans are one of the best money savings plans as the premium paid accumulates and assures good returns on the investment.

BT: How have ULIP policies performed compared to mutual funds over the period of last one and three years?

Maresh Kumar Sharma: The nature of ULIPs and Mutual Funds is totally different. While Ulips are market linked insurance products and provide market related returns along with the life cover, mutual funds return only the NAV of the invested amount. Hence, I do not think they are comparable.

BT: During Covid time underwriting criteria for insurance companies changed. Has it continued?

Maresh Kumar Sharma: The coronavirus pandemic increased consumers need and awareness towards life insurance. There was an evident increase in the number of people who expressed interest in buying life insurance as a result of the coronavirus pandemic. At the same time, the pandemic made insurers echo back and review the underwriting process, particularly the ones that involved in-person health exams. It also became more challenging and changed the way that many consumers go about purchasing a policy. New guidelines compelled us to think of newer ways of underwriting as compared to the traditional ones. Rather than conduct in-person testing, there was an increase in relying on physician statements, phone interviews, or online screenings to assess the health status of the applicants. Now when the world is returning to normal, the insurance industry has developed cutting-edge, digitally enabled, and data-driven underwriting process. We at SBI Life are constantly looking at upskilling our underwriting approach and limits to make larger policies available quickly. Driven by the need for efficiency and evolving customer expectations, we have been moving steadily towards greater digitization. With the use of more advanced technology and expanded data sources, we are constantly developing our underwritings criteria to serve our customers better.



BT: Your views on IRDAI allowing banks to sell policies of 9 insurance companies.

Maresh Kumar Sharma: The regulator, IRDAI, has always taken steps to bring ease to the consumers. This decision will contribute towards increasing insurance penetration and make India an insurance inclusive country in the years to come.

BT: Your views on IRDAI rules are favourable for PE investors. Considering insurance companies achieve break even after many years, will PE investors come in this market?

Maresh Kumar Sharma: That will depend a lot on the returns generated from the insurance business. I feel the regulator has been very open minded about bringing positive changes that will help the industry grow. They are prepared to take steps which could improve insurance penetration and attract players/investors that will help boost growth and make insurance accessible across the country. This is a very mature way of permitting regulations keeping in mind the customers and growth of the industry.

BT: Many insurtech companies are offering insurance plans directly to customers. What is your view on it?

Maresh Kumar Sharma: There are a whole host of new options for buying insurance today. Many insurtech companies are offering insurance plans directly to customers, and this is changing the way people shop for and purchase insurance. Insurance and Insurtech companies both are using technology to make the insurance buying experience more efficient and convenient for customers. The end goal for both these entities is to increase the insurance penetration and make buying insurance an easy process for its customers. However, life insurance has many types of products, and it is not very easy for even educated people to understand & grasp all the nuances of a product on their own. Very simple term products can be sold

directly online, but most of the other products would need the help of an advisor, either physically present or digitally available. Despite the challenges, it's clear that the insurtech revolution is changing the insurance market. And as more companies enter the space, we can expect even more innovation and disruption in the years ahead. However, human advisors will continue to play very important role for some time to come.

BT: Cyber Frauds is on rise as people have more access to Internet/Mobile banking, what new initiatives has SBI Life taken to address the issue?

Mahesh Kumar Sharma: SBI Life Insurance is a part of the State Bank of India group, one of the largest financial conglomerates of India. While we take pride in being a part of this group, we also understand our responsibility towards protecting its reputation. We have developed a robust cyber security system that enables us to identify any gaps or threats in the system before we engage in any activity for the organization. We conduct awareness programs among our staff, business partners and customers to make them aware on emerging cyber security issues and how they can prevent any fraudulent activity. We also have a security operations center which monitors all our digital assets to quickly detect any attempted attacks or breaches so that appropriate action can be taken.

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