

Financial Immunity Study 3.0



Demystifying the Indian Consumers' Illusions: 2023

Knowledge Partner

Deloitte.

Table of CONTENTS

01	Executive Summary	3	05	Consumer illusion vs. reality	23
02	Foreword	4	06	Key findings from the Study	39
03	The journey of Financial Immunity	6	07	The path ahead	41
04	Financial Immunity Study 3.0	10	08	Conclusion	45
	- Objective, approach, and methodology	11	09	About Deloitte	46
	- Consumers' mindset on financial immunity	14	10	About SBI Life Insurance	47
	- Consumers' self-evaluation on financial immunity	19			



Executive Summary

With the onset of the pandemic, consumers in India and around the world gained a heightened awareness on building their own mental and physical immunity and that of their loved ones. However, with a prolonged recovery phase, many realised that their financial preparedness fell short in safeguarding their families' financial future during unforeseen crises.

With this in mind, SBI Life Insurance conceptualised and coined the term "**financial immunity**" to mean building and strengthening one's financial health against unprecedented and unexpected circumstances. The objective of this effort was to bring about awareness around the importance and need for being financially prepared and effect large-scale behavioral change in the consumer mindset towards building a solid financial foundation.

"Financial Immunity Study 3.0" is co-authored with Deloitte as Knowledge Partner. The study captures the pulse of Indian consumers on their key financial concerns, the steps they take to manage them, what financial immunity planning looks like under various circumstances, and the myths and illusions on financial preparedness that continue to exist. The insights were drawn from a quantitative survey of 5,000 consumers across 41 cities in India (metros and tier-1,2,3 cities) across demographics. Further, to decipher the trends that emerged, detailed qualitative discussions were conducted with eminent experts

across the banking, financial service, and insurance sectors.

Building financial immunity has three major components—financial protection of the family from uncertain life events, having a rock-solid financial foundation to fulfill future aspirations, and wealth creation for the long term. Although 80% of surveyed consumers believe that insurance is a critical lever in achieving financial immunity, there is a significant gap between their perceptions and actions. Moreover, the study also revealed that 94% of surveyed consumers who owned insurance were not adequately covered by their existing insurance policies; this is largely to do with the misconception that owning an insurance policy equates to being sufficiently financially protected.

Another common consumer misjudgement lies in replacing insurance with any alternative financial instrument. Amongst many such examples, consumers often surrender existing insurance policies for short-term liquidity needs or lower-than-expected returns in a specific timeframe. Further, there is also heightened dependence on employer-provided insurance coverage amongst Indian consumers making respondents feel that they are completely protected to address any uncertain crises.

One significant insight that emerged was that surveyed consumers in their 20s were the most uninsured demographic and correlated with the

lowest self-rated financial immunity score, in contrast with those in their 30s with the highest score. However, consumers in their 40s have also reported a lower financial immunity score than the peers in their 30s, indicating missed opportunities of not planning their financial foundation well when they were in their 20s through purchasing adequate insurance covers, investing in long-term assets, etc.

There is a clear indication that consumers who possess life and health insurance policies have a higher degree of confidence in their financial safety and future, than those who do not. The need and importance of having adequate insurance exist not only to safeguard the insured from any life uncertainty but also secure the financial future of their loved ones.

With "**Maano mat, Jaano**" as report's summarized adage, the aim is to enable consumers with knowledge and tools to determine their accurate "financial immunity" score and not merely rely on non-substantiated beliefs or misconceptions. The endeavor is to raise awareness amongst Indian consumers to consider life insurance as a tool for security, while opting for other financial instruments to build a financially immune future.



Foreword by SBI Life



Mahesh K Sharma,
MD & CEO,
SBI Life Insurance

It gives me immense pleasure to present the "Financial Immunity Study 3.0", an insightful report that highlights the consumer mindset towards their current state of financial preparedness and their illusions. In an increasingly complex and uncertain world, being financially prepared is not just a desirable trait, but a necessity. With our brand philosophy '**Apne Liye, Apno Ke Liye**', we recognize that our role extends to being an enabler than just a service provider; we are dedicated to empowering our customers with the knowledge and tools they need to achieve financial immunity and security.

"Financial Immunity Study 3.0", is a culmination of this effort. It encapsulates the insights drawn from the perspectives of 5,000 consumers across 41 cities, exploring their financial concerns, strategies for managing them, and the illusions they continue to believe in that continue to impact their preparedness. The key findings of the study serve as a comprehensive exploration of the state of financial readiness among our Indian consumers. It examines the evolving landscape of financial goals, challenges, and aspirations that our consumers navigate.

Insurance, being a crucial component of financial planning, plays a pivotal role in ensuring one's financial security. It is a safety net that provides protection and support when life takes

unexpected turns. Through this annual study- 'Financial Immunity Study 3.0', our objective is to create awareness around the importance & need of a strong financial immunity and bring in a behavioural change in the consumer mindset, encouraging them to prioritize financial preparedness as they do for their physical well-being.

Our belief is that financial immunity encompasses three core components: safeguarding one's family against life's uncertainties, establishing a solid financial foundation to achieve future aspirations, and creating lasting wealth. The study findings bring to light a critical chasm between perception and action, as the consumer survey reveals that while 80% acknowledge insurance's significance in securing financial immunity, only around 6% of those are adequately insured.

For the benefit of our esteemed consumers, we have also launched 'Financial Immunity Calculator' (<https://www.sbilife.co.in/financialimmunity>) which shall enable them to calculate their protection gap between their current viz-a-vis adequate insurance coverage. The 'Financial Immunity' calculator captures consumers' profile and current financial assets to provide personalized assessment and suggestions. One recurring misconception is the inclination to replace insurance with other financial instruments. Surrendering insurance

policies for immediate liquidity or short-term gains is a common yet misguided decision. The insights also underline the significance of early planning, as those in their 20s showcase the lowest self-rated financial immunity score. The score acts as a reminder that preparing today fortifies the foundation for tomorrow. Amidst the analysis, a resounding message emerges: those with life and health insurance demonstrate greater confidence in their financial journey.

Insurance, as this report underscores, is not just a protective cover; it is a safeguard for financial portfolios during adversities. With the insights held within these pages, we aim to spark conversations, shape informed decisions, and catalyse a shift towards a future where insurance is embraced not merely as a product, but as a cornerstone of financial resilience.

My gratitude extends to the committed teams both at Deloitte and SBI Life, who have transformed the data into a narrative of preparedness, empowerment, and protection. As you embark on this exploration of financial preparedness, my hope is that you are inspired to join us on this journey towards securing a future where immunity extends beyond health, encapsulating the very fabric of our financial lives.

Foreword by Deloitte



Sathish Gopalaiah
President, Consulting
Deloitte India



Monish Shah
FSI Leader, Consulting
Deloitte India



Soumya Dwibedi
Insurance Leader, Consulting
Deloitte India

In the intricate tapestry of India's financial landscape, where uncertainties often intersect with opportunities, the quest for preparedness takes centre stage. As we navigate the dynamic interplay of economic dynamics and personal aspirations, the significance of being financially prepared becomes increasingly evident. "Financial Immunity Study 3.0" serves as a crucial milestone on this journey, shedding light on the nuances of financial preparedness and, notably, the pivotal role that life insurance plays within this intricate framework.

India's financial sector is an amalgamation of innovation, regulatory changes, and evolving consumer behaviors. The advancements in technology, the burgeoning middle class, and the drive towards financial inclusion have collectively redefined how individuals engage with their financial well-being. Amidst these changes, the importance of a resilient financial foundation cannot be overstated.

In a world awash with data and perspectives, separating fact from

fiction has become a paramount endeavour. SBI Life Insurance and Deloitte are pleased to introduce a collaborative report "Financial Immunity Study 3.0". It examines the disconnect between perceived preparedness and genuine resilience, offering insights that empower individuals to align their financial decisions with the true contours of their lives. The report's exploration of consumer perceptions, behaviours, and gaps in understanding is an indispensable tool for all stakeholders in the financial sector.

"Financial Immunity Study 3.0" is more than just a compilation of data; it's an exploration into the synergy between the perceptions and realities that shape financial choices. It examines how consumers perceive their financial preparedness, often falling prey to illusions, and how experts' perspectives provide a compass to navigate these complexities. In order to help customers estimate the adequacy of their financial preparedness through insurance, we have developed a 'Financial immunity' calculator ([https://www.](https://www.sbilife.co.in/financialimmunity)

[sbilife.co.in/financialimmunity](https://www.sbilife.co.in/financialimmunity)). By offering insights into the strategies consumers employ to fortify their financial foundation, this report facilitates a deeper understanding of how preparedness can be woven into the fabric of everyday choices.

As we traverse this report's pages, we express our deepest gratitude to those who lent their voices to this endeavour. The consumers who shared their insights, the financial advisors who offered their expertise, and the experts who illuminated the path forward – all have played an instrumental role in shaping this report's narrative.

As we present this report, we invite you to immerse yourself in the stories, perspectives, and analyses that lie within. May this collaborative effort serve as a compass, guiding us all towards a landscape where preparedness becomes an integral part of our financial fabric, enabling us to weather storms, seize opportunities, and aspire to greater heights.



The journey of Financial Immunity

The journey of Financial Immunity

What does “financial immunity” mean?

The term “financial immunity” was conceptualised by SBI Life Insurance based on the consensus collected through interactions with consumers and experts on the perceived meaning and relevance of the term. “Financial immunity” could be defined as **“the ability to resist unforeseeable short-term or long-term financial stress through the preventive development of a sufficient financial corpus that sustains a family’s regular lifestyle and expenses, and/or counteracts financial shocks with instruments that subsume the current financial stress and safeguards future requirements”**.

To understand the relevance and applicability of financial immunity in the context of life, let us look at the following example:

Kishore, the sole earner in a family of four falls victim to a mishap, causing him to be hospitalised for a considerable length of time. Despite the financial support from his employer in terms of employer-provided medical insurance, the family had to shell out a substantial share of the expenses from their savings. While Kishore’s family did have significant savings, the sudden untoward incident drove a massive dent in their financial security, subsequently affecting their future plans. This is where having a strong financial immunity comes into play.

While Kishore’s family were able to meet the financial demands of this unforeseen emergency, it is clear that had Kishore secured his family with insurance coverage, his family would have been secure from the long-term financial stress of the event.



Recap



Financial Immunity Study 1.0

SBI Life Insurance conducted the first edition of the Financial Immunity Study titled, “*Understanding Consumer Attitude Towards Financial Immunity*” during the pandemic to gauge the mindset of consumers against the unforeseeable circumstances on health, life uncertainties, and financial preparedness. The study was conducted on ~2,400 consumers across a mix of 13 metro, Tier 1, and Tier 2 cities.

Report's first edition emphasised the growing significance of financial immunity in the aftermath of the pandemic, accompanied by mounting financial concerns, such as surging medical expenses and family health issues.

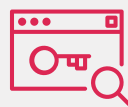
- 1 Eight out of 10 surveyed consumers prioritised financial and physical immunity, with a preference for health and life insurance products, such as term and critical illness policies, driven by the awareness of potential risks and the burden of medical expenses.

- 3 Eight out of 10 surveyed consumers associated Life Insurance with “safeguarding the family’s future”

- 2 More than half of surveyed consumers (53%) were not sufficiently prepared financially to bear the expenses of lifestyle diseases.

- 4 Eight out of 10 surveyed consumers felt that stress/anxiety affects mental & physical immunity

Key findings

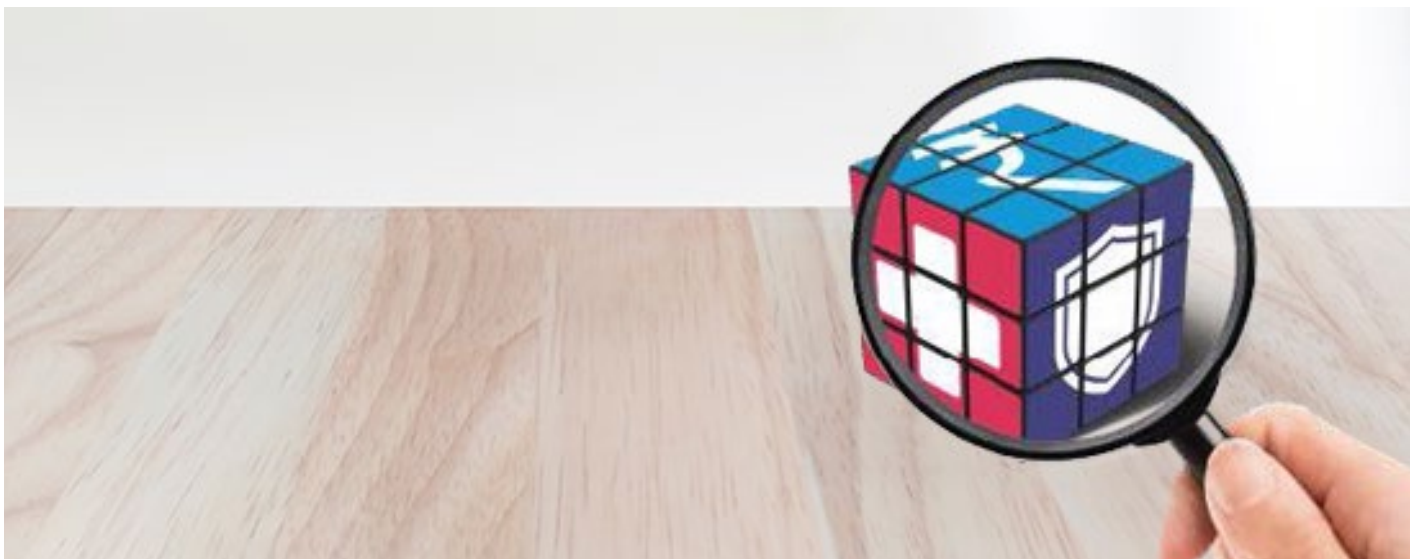
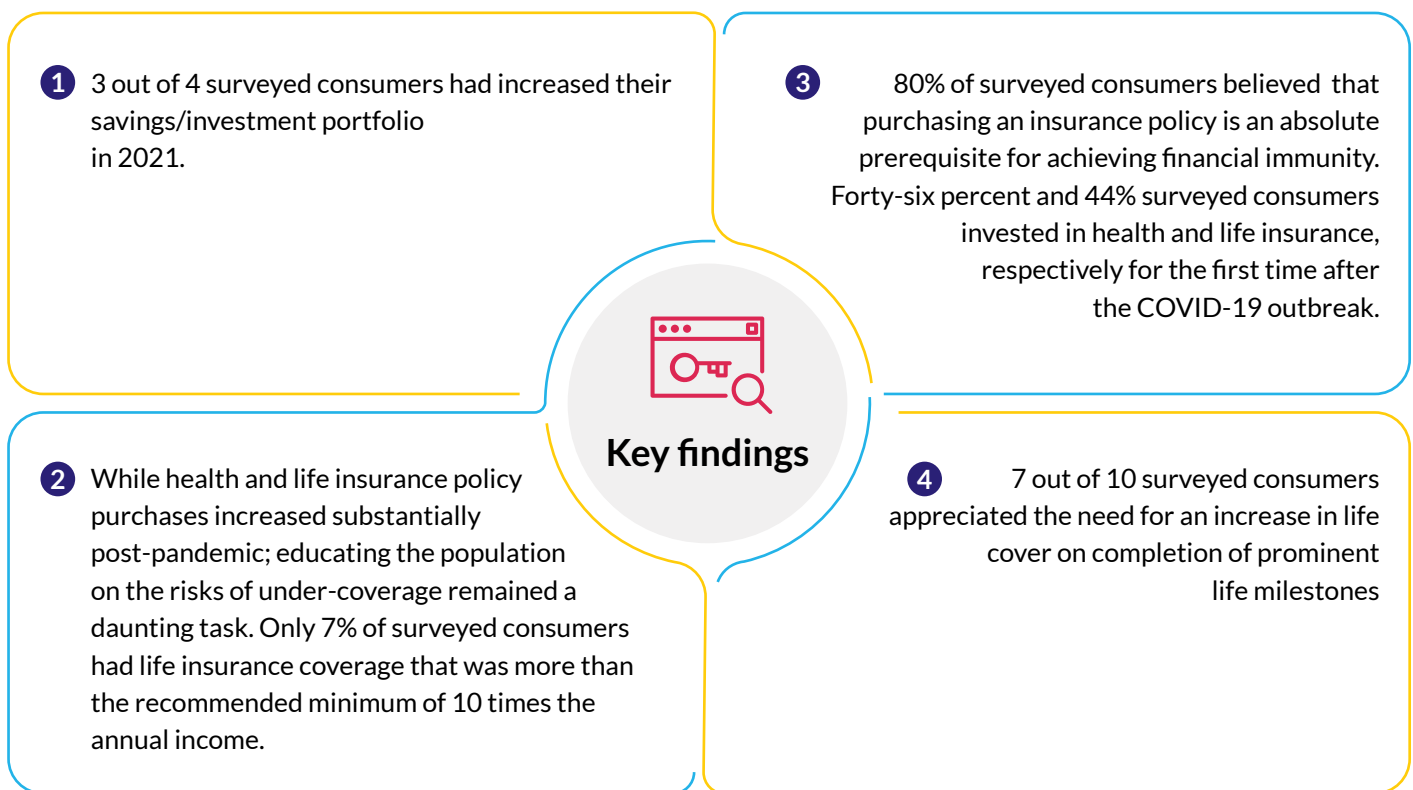




Financial Immunity Study 2.0

As Indian households prepared for the third wave of COVID-19, the focus moved to prevention from cure. SBI Life Insurance commissioned yet another edition of the Financial Immunity Study titled, “Decoding the Evolving Behavior of Indian Consumers towards Financial Immunity”, which examined the evolution in Indian consumers’ attitudes towards financial preparedness. In the second edition, the study coverage was enlarged to ~5,000 consumers across a mix of 28 metro, Tier 1 and Tier 2 cities.

The study highlighted key concerns about rising medical expenses, job instability, and health-related issues prevalent amongst Indian consumers. Unpredictability triggered by pay cuts and extensive layoffs prompted a rise in emergency funds, complementary income sources, and a shift towards prioritising job security.





Financial Immunity Study 3.0

Financial Immunity Study 3.0

Continuing the legacy, Financial Immunity Study 3.0 delves into the minds of consumers to understand their financial preparedness. Moreover, this study incorporates a validation process through consultation with industry experts to identify and rectify any prevailing misconceptions. The study's findings illuminate a notable trend: **although consumers have demonstrated a heightened awareness of the significance of achieving financial immunity and the pivotal role played by insurance as an enabler, significant disparities persist between consumers' perceived levels of "financial immunity" and their actual scores, as well as their insurance coverage.**

About the study: Objective, approach, and methodology

The Financial Immunity Study 1.0 and 2.0 reports have helped consumers to understand and appreciate the term “financial immunity” as “maintaining financial security and stability” along with an increased perception of “having another source of income” to be financially prepared.

The Financial Immunity Study 3.0 report aims to re-emphasise the need for building financial immunity to cope with unforeseen financial stress, similarly as consumers focus on building physical and psychological immunity. Further, the report also seeks to highlight the existing disparities in the knowledge and understanding of financial preparedness amongst Indian consumers.

The ultimate purpose of each of the Financial Immunity Studies continues to be to lead the way for the nation to be among the top financially literate countries in the world ensuing deeper and wider insurance coverage

Key Objective

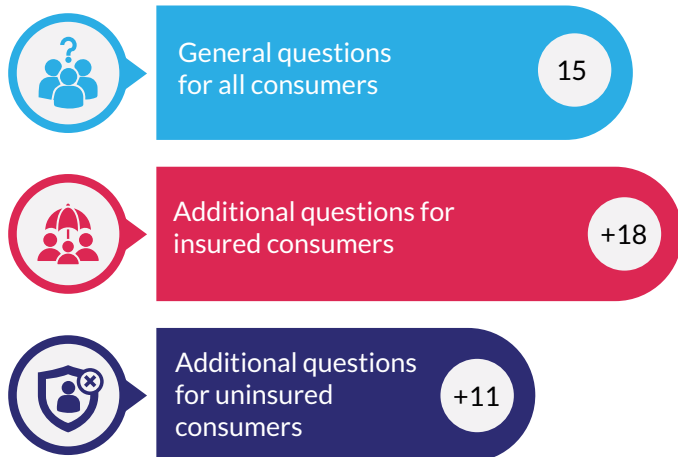
Ascertain the financial preparedness of Indian consumers:



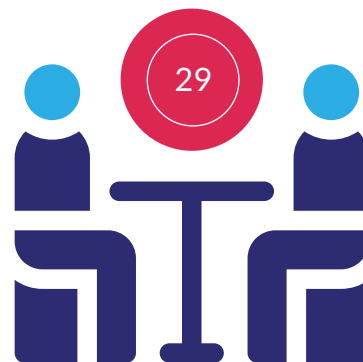
Approach

With the aim to broaden the purview of the 'Financial Immunity Study 3.0'; along with the consumer insights, inputs were also taken from key stakeholders ranging from industry experts and eminent financial planners.

Questionnaire for the online survey:



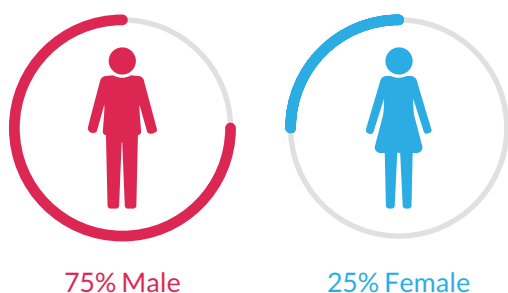
In-person interviews:



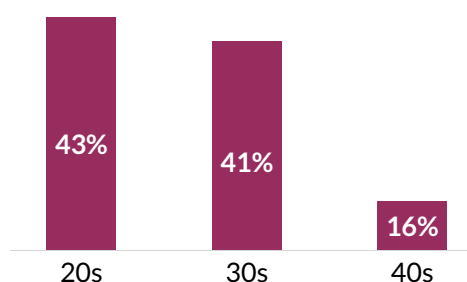
Surveyed consumers' profile composition

Sample selection for 5,000 respondents across 41 cities in India

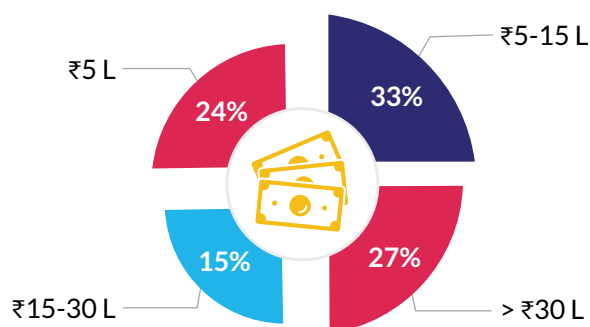
Gender split



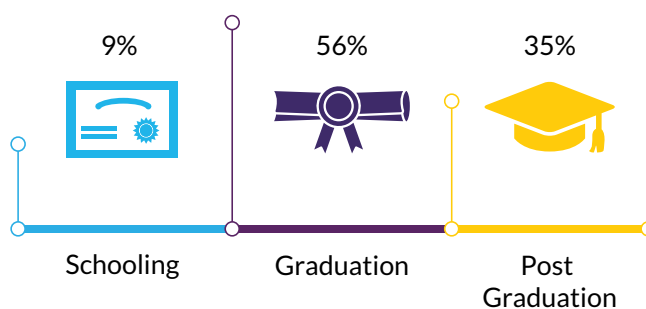
Age Range



Income split



Education Level



The survey respondents, henceforth referred to in the report as “surveyed consumers”, belonged to 41 cities in India, across metros and tier 1, 2, and 3 cities. A breakdown of the demographic has been illustrated below:



Consumer mindset towards Financial Immunity

Consumers' understanding of the term Financial Immunity

The learning from the pandemic pushed Indian consumers to build financial security and stability. The pandemic-induced layoffs prompted consumers to take precautions against unforeseen financial challenges that may arise. As new income opportunities emerge, Indian consumers are prioritising income diversification to reduce dependence on a single income stream, reflecting the desire to strengthen their financial resilience against uncertainties.

While consumers strive to build resilience against market, economic, and financial uncertainties, the motivation behind such actions varies.

The Financial Immunity Study 3.0 asked consumers to define what financial immunity means to them. Notably,

how financial immunity is understood amongst Indian consumers continues to be consistent. Since the inception of the Financial Immunity consumer studies, the prevailing definition of financial immunity has remained to be, **"maintaining financial security and stability"**. Nearly 47% of surveyed consumers identified this as the most relevant definition for them, highlighting its continued significance.

However, with increased financial pressures arising from the aftermath of the pandemic and the overarching effect of external and global factors, 39% of surveyed consumers equated financial immunity with the ability to generate income during challenging times, with 37% associating it with having multiple income sources.

Meaning of 'financial immunity' to consumers

Financial Immunity Study 1.0



- Maintaining financial security and stability
- Ability to live ones' dreams without compromise
- Have 5-6 months of cash flow in case of emergencies

Financial Immunity Study 2.0



- Maintaining financial security and stability
- Having multiple sources of income
- Have job security and business income foresight

Financial Immunity Study 3.0

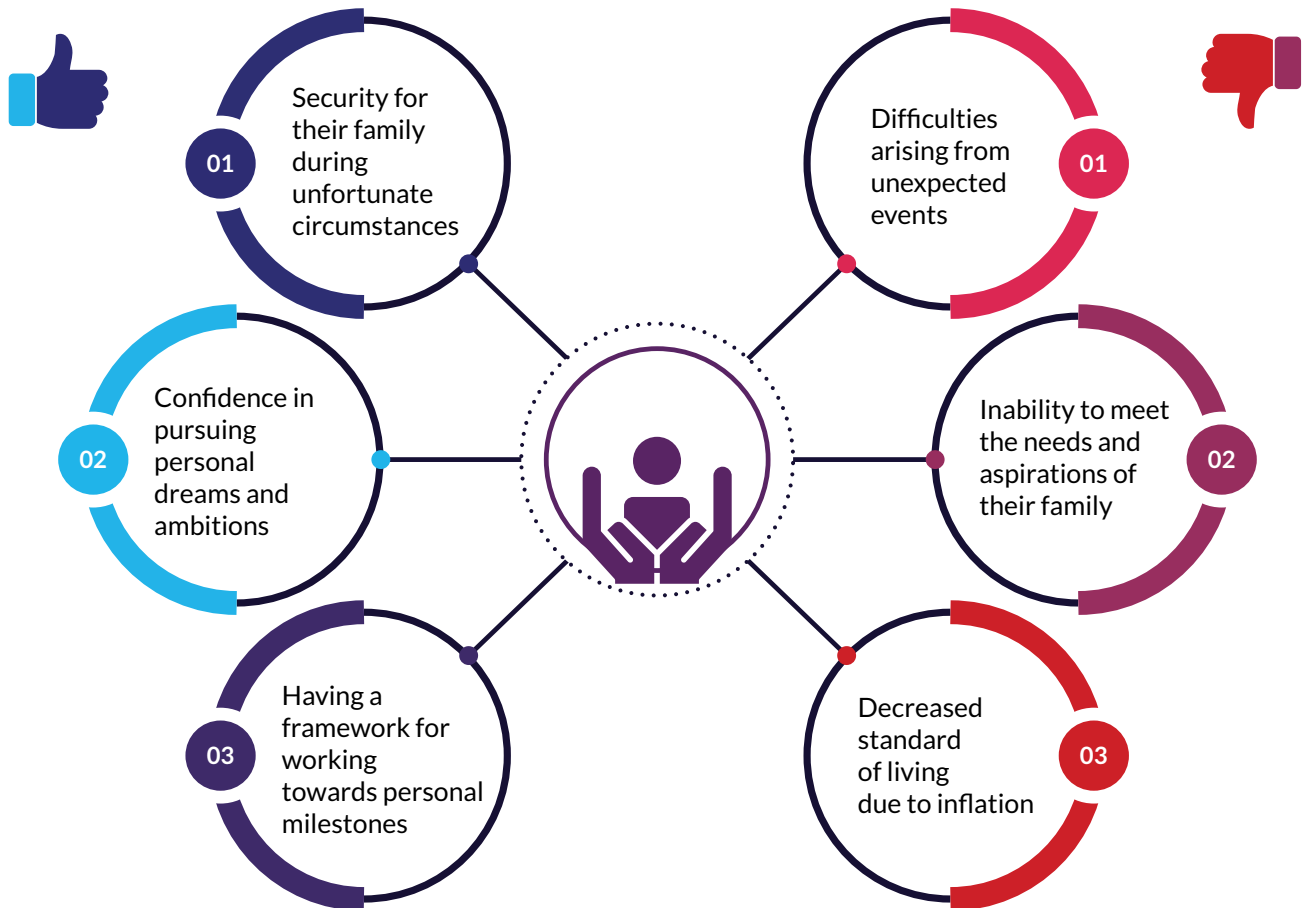


- Maintain financial security and stability
- To generate an income in difficult times
- Have multiple sources of income
- Have job security and business income foresight
- Ability to live dreams without compromises
- To live without reliance on loans and borrowings

Advantages and drawbacks of having/not having a robust "Financial Immunity"

Surveyed consumers also expressed several advantages of strong financial immunity, including:

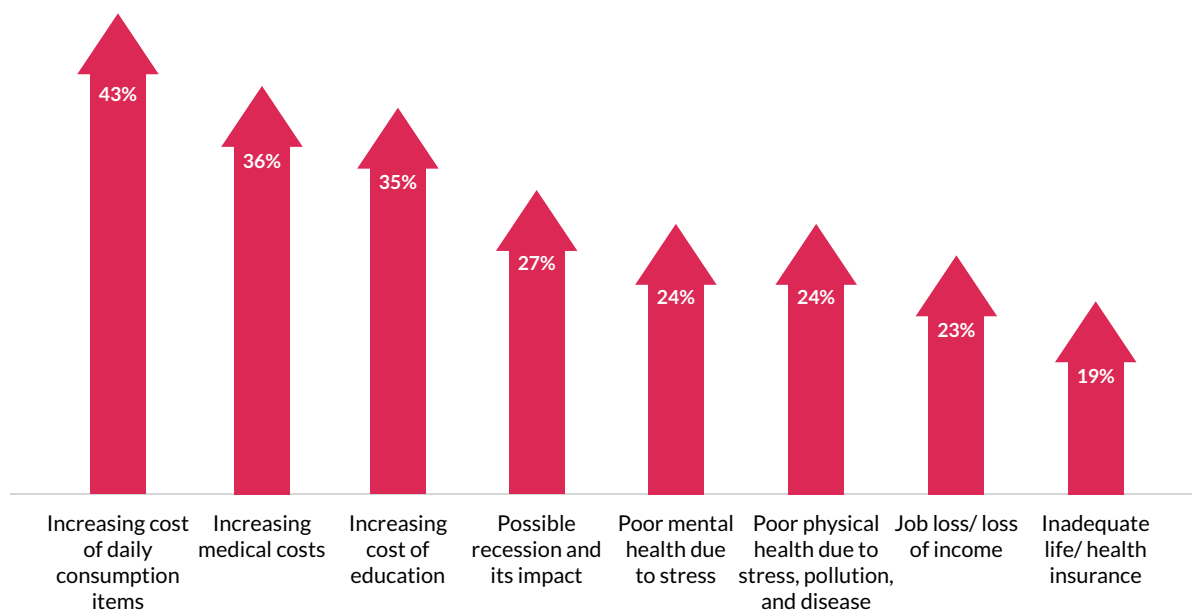
Conversely, the disadvantages of lacking strong financial immunity were identified as:



The key concerns

The last decade has been affected by multiple instabilities arising from geo-political tensions, unprecedented climate changes, and rising uncertainties around global financial institutions, resulting in tumultuous financial realities within the subcontinent. These have affected consumers in multiple ways, ranging from declining physical health to anxieties around financial stability, agnostic of the demographic they belong to.

Key concerns of surveyed consumers



Recap

Financial Immunity Study 1.0

- 1 Rising medical costs for critical illnesses
- 2 Family members affected due to the pandemic
- 3 Reduced income from job/ business



Financial Immunity Study 2.0

- 1 Rising medical costs
- 2 Instability of jobs/ business
- 3 Health of self/ spouse/ children/ parents



Consumer concerns highlighted in the latest study reflect a changing landscape as the pandemic subsides and other socio-economic factors emerge. This is also highlighted by inflationary expenses being the key worry amongst Indian consumers.

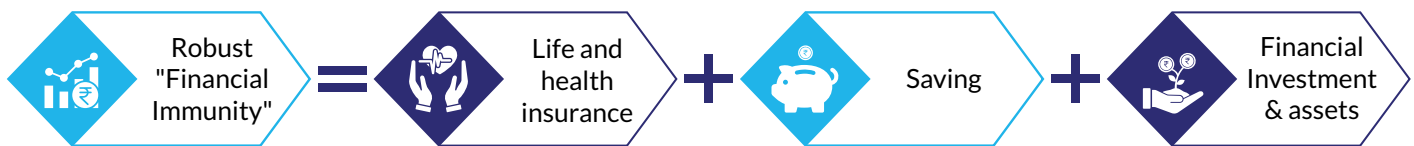
The earlier editions of the study saw main concerns centered around rising medical costs. However, with the pandemic dwindling, and with

India's inflation standing at 4.7% in 2023, we have observed a shift in key concerns towards inflation and rising living costs. A sizable proportion of **43% of consumers now consider inflation as their crucial concern** in today's economic climate. It is also noteworthy to highlight that inflation and increasing costs of daily items were rated as the lowest concern for consumers during the Financial Immunity Study 2.0.

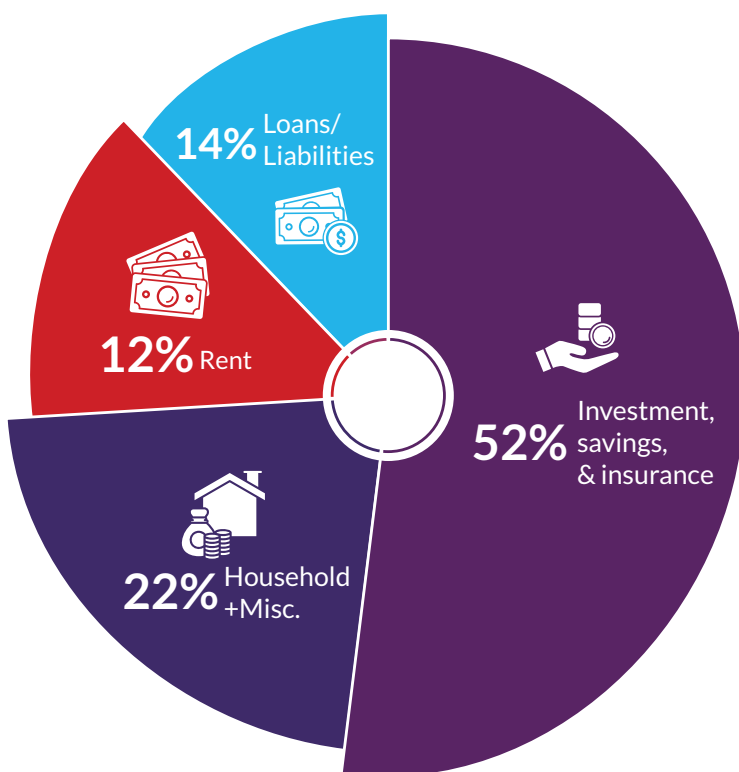
Nonetheless, lingering apprehensions around the pandemic remain, with 36% of surveyed consumers continuing to worry about rising medical costs. Additionally, 35% of surveyed consumers have voiced concerns about increasing expenses of education. There has also been a significant rise in mental health concerns and stress, with around 24% of surveyed consumers expressing worry in this regard.

The Indian Consumers' preparation to combat these concerns

To effectively address the concerns that plague Indian consumers today, they must prioritise their financial immunity. This entails understanding current needs/expenses and considering their future needs followed by the timely re-evaluation of their financial portfolio (including life insurance, health insurance, and investments in other financial instruments and assets).



Annual income allocation amongst consumers



The findings indicate that surveyed consumers are actively taking steps to prepare themselves to brace for these challenges. **On average, 52% of the annual income of Indian consumer households is allocated towards strengthening their financial immunity.** This allocation is ratioed with 17% towards savings, 16% towards financial assets, 11% towards life insurance, and 8% towards health insurance policies.

Financial Immunity Study 2.0 recap:

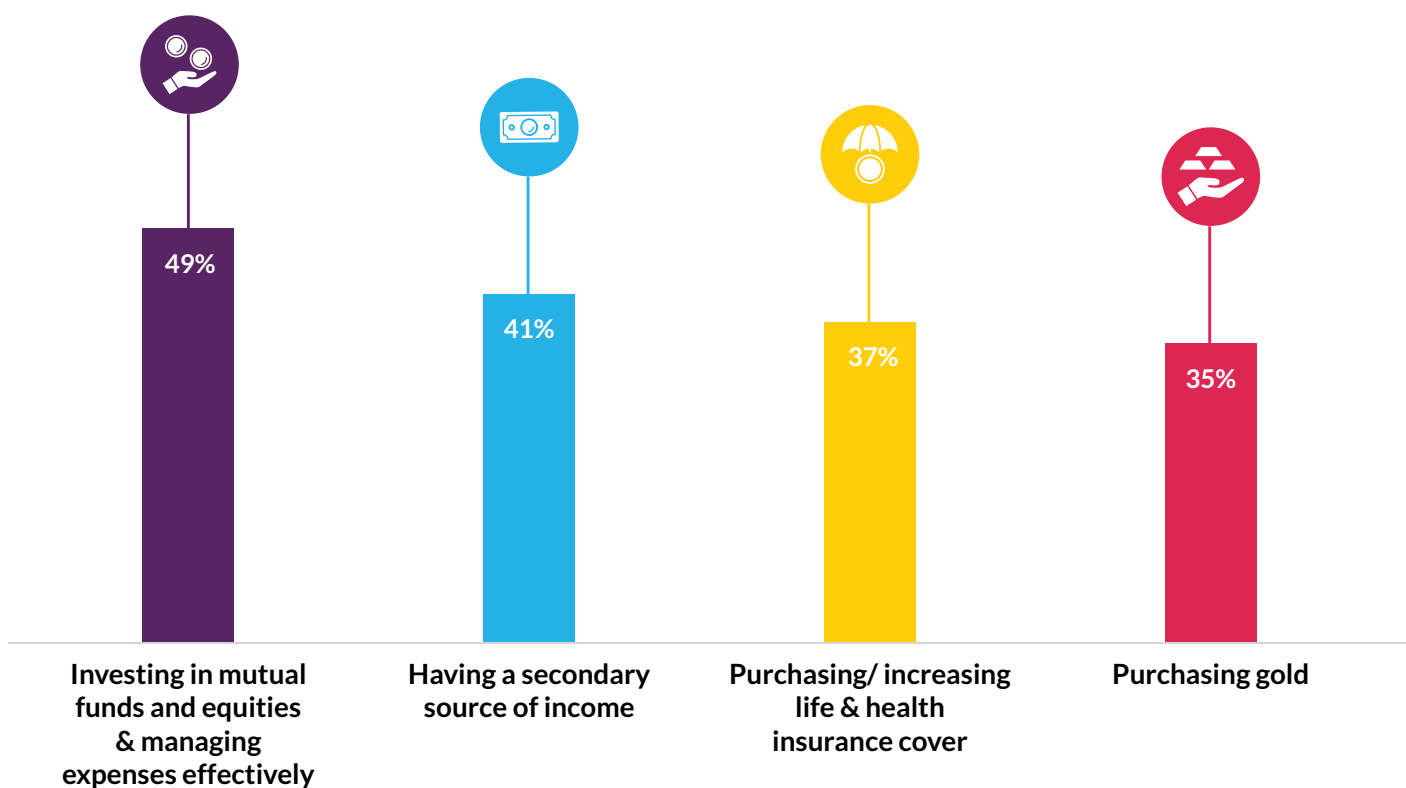
51% of respondent annual income goes towards building financial immunity

Surveyed consumers also indicated taking a balanced approach to their spending plans for the coming year, with a similar distribution between discretionary and non-discretionary expenses.

Strengthening consumers' financial immunity

49% of surveyed consumers indicated investing in financial assets and improving expense tracking as effective methods for strengthening their financial immunity. Further, 41% of surveyed consumers believe that having an additional source of income strengthens financial immunity. These data points align with the evolving understanding of financial immunity amongst consumers and underscore the increasing recognition of how diversifying income sources bolsters financial resilience.

Steps taken by consumers to strengthen financial immunity

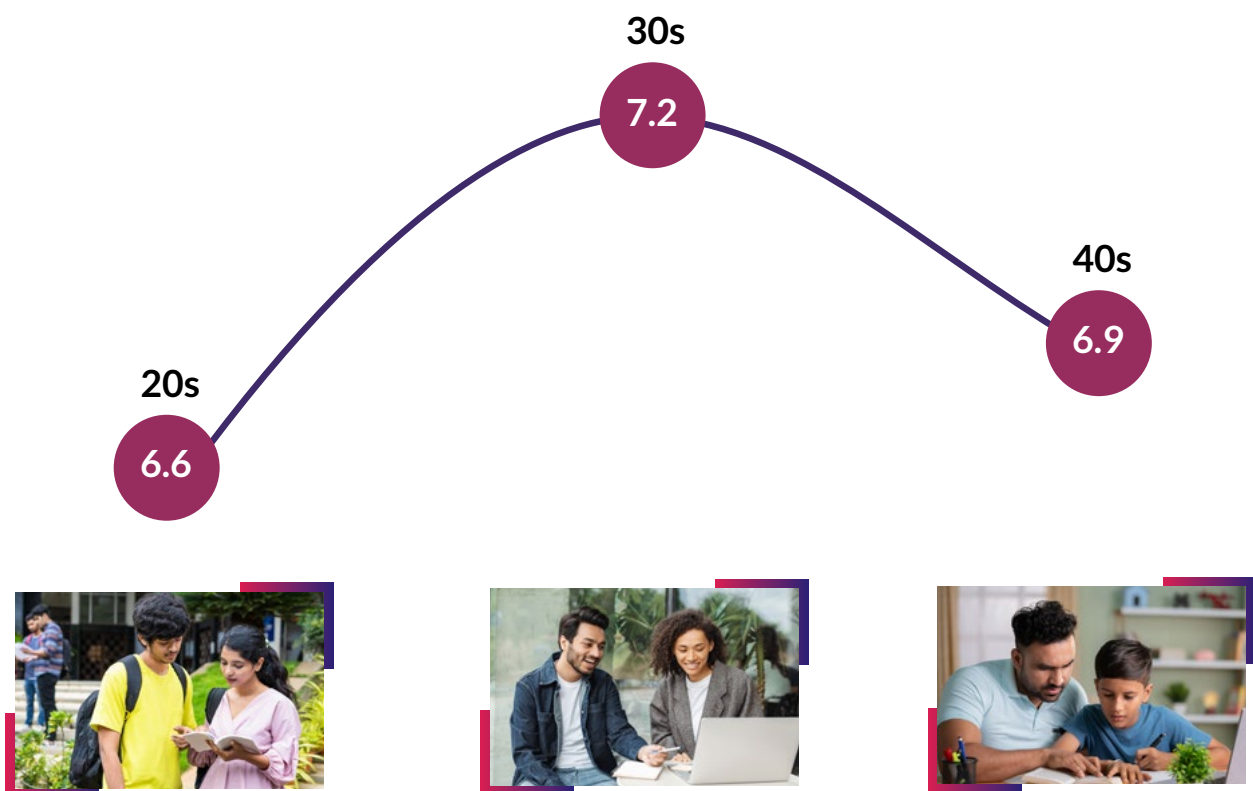


It also emerged that 37% of surveyed consumers believe that purchasing insurance or increasing their insurance coverage is an important action in strengthening financial immunity.

Consumers' self-evaluation on financial immunity

The study highlighted the age-related correlation with financial immunity. Consumers were asked to rate their financial immunity level on a scale of 1 to 10, (with 10 being the highest). The results indicated interesting variations across each age group.

Customers' self-rating in "financial immunity" by age group cohorts



Consumers in their 20s rated their financial immunity to be relatively lower, with an average score of 6.6/10. This age group prioritises fulfilling their immediate desires and wants. Their investments tend to be short-term and high-risk, with returns intended for wish fulfilment and travel aspirations.

On the other hand, consumers in their 30s rate themselves the highest and exhibit a proactive approach towards enhancing their financial immunity. They displayed a greater emphasis on financial planning and insurance, resulting in the highest average score of 7.2/10 amongst the groups.

Interestingly, consumers in their 40s reported a lower financial immunity score compared with those in their 30s with a score of 6.9/10, suggesting missed opportunities given that insurance ownership is far more economical if purchased in the 20s rather than later.

It is also crucial to note that consumers in their 20s are the most uninsured demographic with 42% of consumers not owning life insurance policies—a high correlation with a low financial immunity score. To mitigate such regrets in later years, individuals must focus on building a solid financial foundation in their 20s through investments and insurance.

A key factor contributing to delays in individuals building their financial immunity at an earlier stage is the lack of awareness of financial immunity and the use of insurance policies against unforeseen circumstances. There is a common misconception amongst consumers that insurance is merely an optional add-on rather than a prerequisite for financial immunity and stability. In that context, this report will shed light on the crucial role that insurance policies play towards attaining financial resilience.

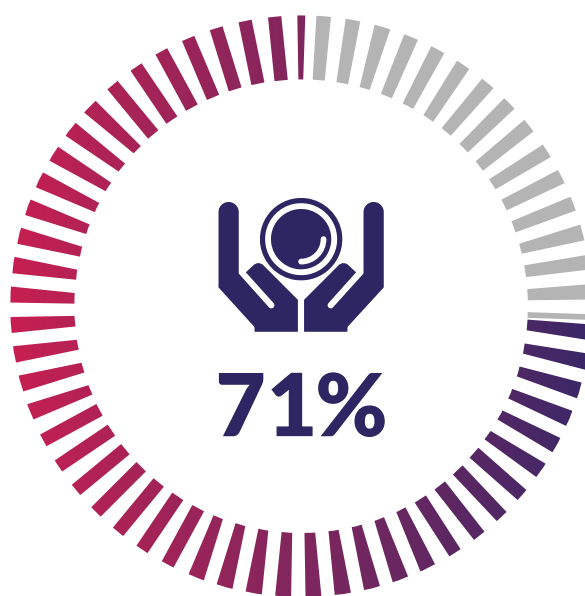
Strengthening “financial immunity” with insurance

Strong financial immunity relies on a combination of key components, including investments, savings, and insurance. To understand consumer perspectives on the importance of insurance for financial immunity, participants were asked to share their views. Notably, the pandemic has heightened consumers' motivation to enhance their financial resilience, considering the physical and financial challenges they faced. The study findings echoed this sentiment with **80% of surveyed consumers emphasising the role of life insurance in achieving financial immunity.**

Importance of insurance in consumers' minds for achieving financial immunity



of insured respondents



of uninsured respondents

...believe that insurance is a critical lever for 'financial Immunity'.

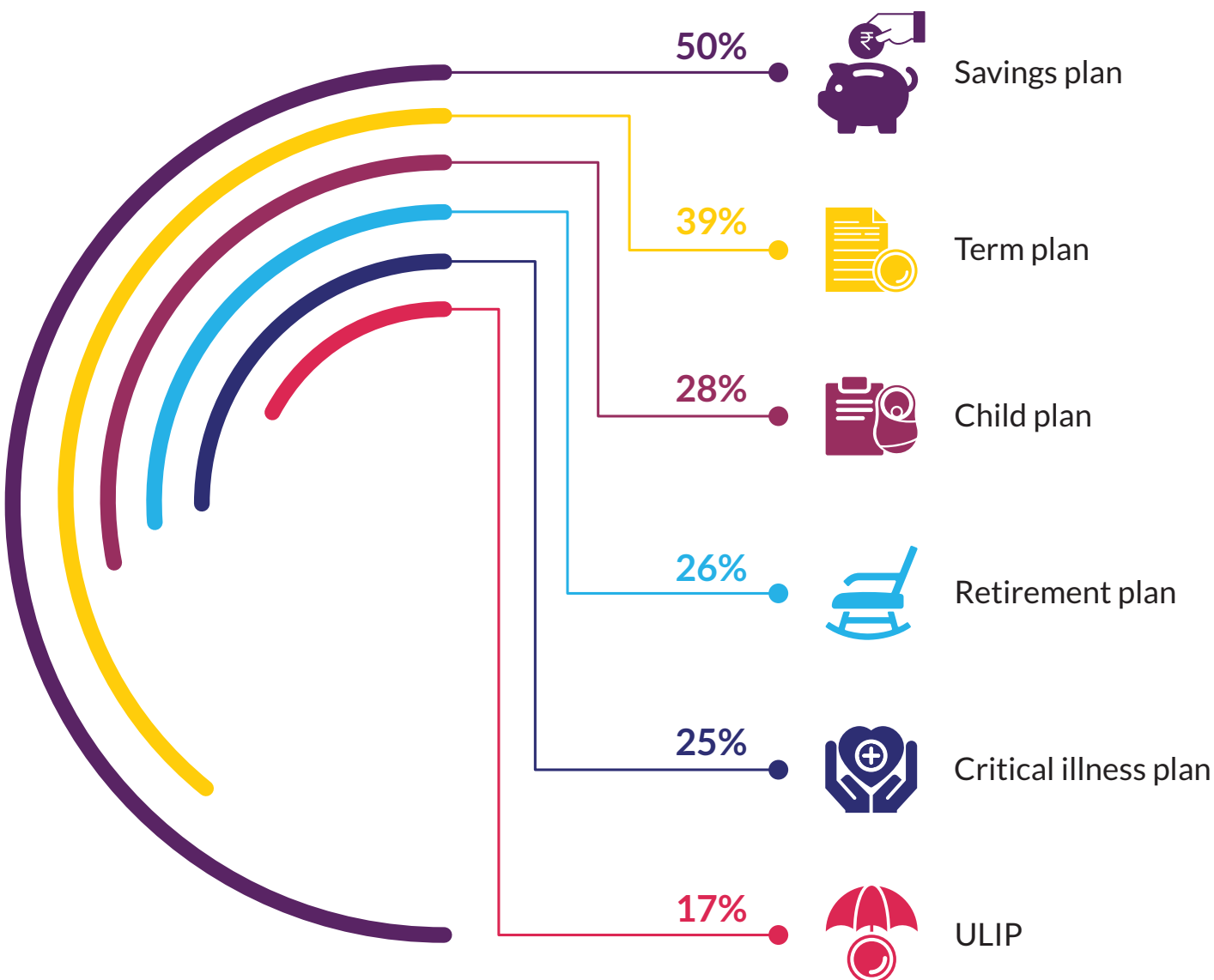
Remarkably, even amongst surveyed consumers who currently do not possess an insurance policy, 71% acknowledged the significance of insurance as a pivotal lever for attaining financial immunity.

Preferred policies for consumers

Amongst surveyed consumers, a significant majority of **75%** indicated that they possessed some form of insurance coverage. Notably, savings plans emerged as the most popular policy amongst surveyed consumers with **~50%** owning a savings plan. The popularity of savings plans can be attributed to their tax savings benefits and the assurance of guaranteed returns upon maturity.

Furthermore, 39% of consumers indicated owning term insurance policies, while 28% reported holding child plans, making them the second and third-most owned insurance policies, respectively.

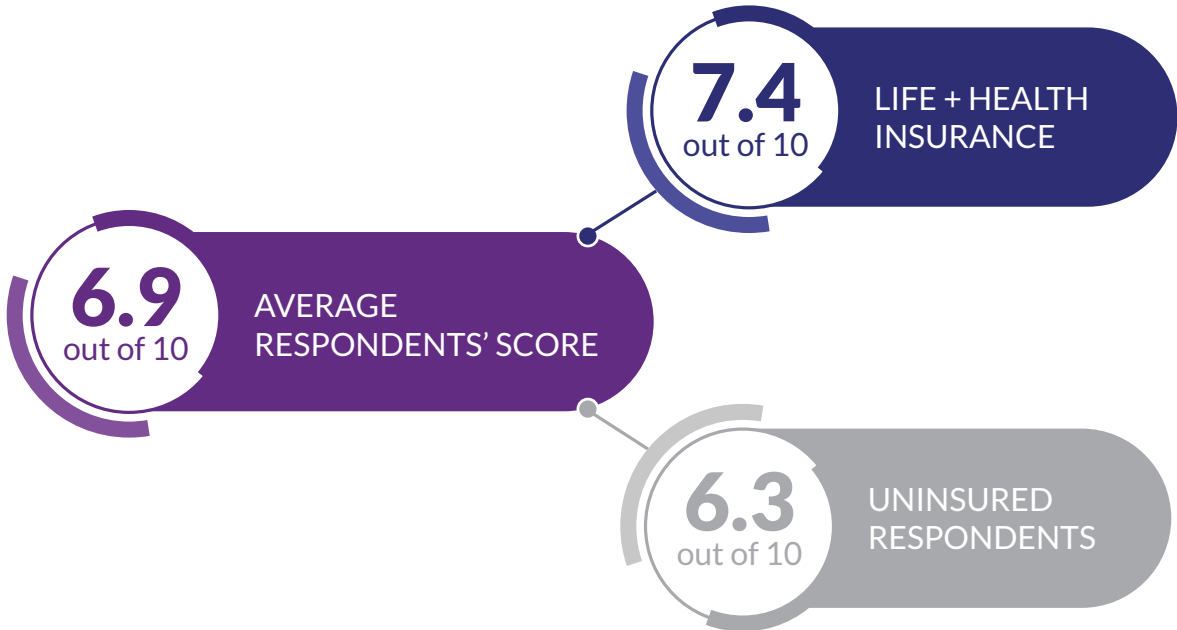
Most preferred insurance plans



Purchasing insurance: Fortifying financial immunity

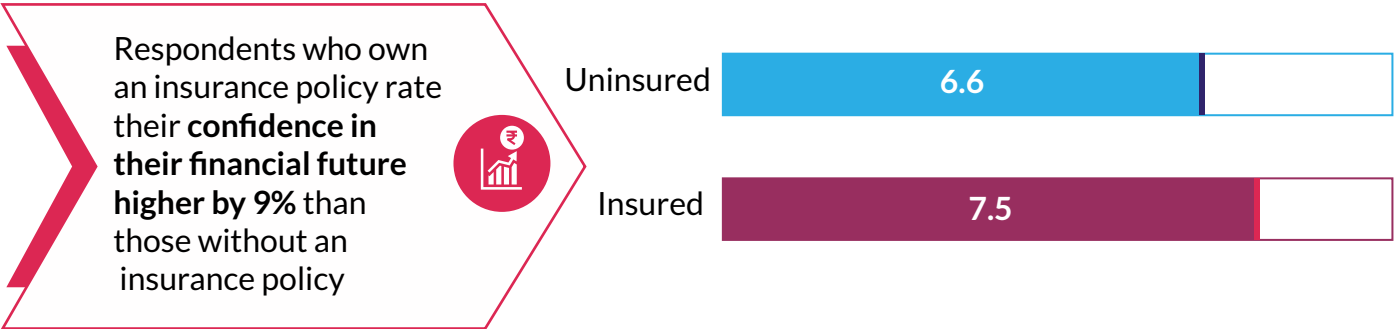
Surveyed consumers rated themselves as ~70% financially immune to unforeseen and adverse circumstances. However, surveyed consumers who possess an insurance policy (life or health) rated themselves higher, compared with those who do not possess insurance, by ~11%.

Self-assessment score on financial immunity



Moreover, surveyed consumers who possess an insurance policy expressed high confidence in their financial futures, rating it at 7.5 out of 10.

Consumers' self-rating on confidence in their financial future



These findings suggest a correlation between insurance ownership and higher self-perceived financial resilience amongst consumers.



Consumer illusions vs. reality

Consumer illusions vs. reality

Insurance is one of the least used amongst other financial products by Indian consumers¹ as insurance is commonly perceived to be an optional add-on to existing financial plans, rather than an absolute necessity. It is important to emphasise that insurance policies should serve as comprehensive protection for an individual's financial portfolio. The low insurance penetration rates in India can be attributed to several factors, the most significant of

which is the misconception amongst consumers about the use of insurance as a tool for financial security.

Through a deep understanding of the consumer mindset and study insights, our objective is to dispel these common assumptions that prevail amongst Indian consumers. By addressing these illusions, we aim to break through these illusions to help consumers realise the vital role that insurance plays.

Insurance-related illusions of Indian consumers



Illusion 1: "Merely owning an insurance policy guarantees adequate protection"

There is no disconnect with consumers on the importance of insurance in a financial portfolio. However, Indian consumers often believe that insurance is a one-size-fits-all product and that owning an insurance policy provides coverage and protection from future uncertainties.

Illusion 2: "Investments in financial instruments provide better security than insurance"

Financial instruments contribute to achieving financial independence and security. A variety of financial products can assist individuals to establish a robust financial position, including mutual funds, capital market investments, fixed deposits, debt assets, insurance, alternative investments, forex, real estate, pension schemes, and gold, amongst others. Each category offers distinct advantages for consumers. Further in the report, insights from our consumer survey have dispelled the misconception that investments in alternative products can substitute the need for an insurance policy.



Illusion 3: "Insurance policies can be forfeited in the event of fund shortage"

Indian consumers often view insurance as an expense and tend to surrender their policies during financial crises. This involves giving up the insurance coverage, forfeiting the advantages of locked-in low premiums, and foregoing the protection provided by insurance. However, findings indicate that surrendering an insurance policy for short-term liquidity needs is not a valid justification. The insights discussed further in this report dispel this misconception.

Illusion 4: "Consumers believe that owning assets and savings is a replacement for life insurance"

Although fixed deposits and savings are the traditional investment choice for most Indian households, they provide a different advantage as a financial asset than an insurance policy. As the survey findings will elaborate, savings and liquid assets are not a replacement for the security that insurance policies offer.



Illusion 5: "Employer-provided insurance cover is sufficient"

A segment of the Indian population benefits from insurance coverage provided by their employers. However, there is a prevailing misconception that an employer-provided insurance policy is adequate for individual coverage. This illusion has also been demystified further in the report.

¹Survey on 'Most used financial products in India 2023' conducted by Statista Consumer Insights

Illusion 1: Merely owning an insurance policy guarantees adequate protection

The importance of life insurance policies is not understated as it is a common financial product amongst Indian consumers. Although the term “insurance” is synonymous with security, it is often misconstrued that the mere possession of it provides sufficient coverage.

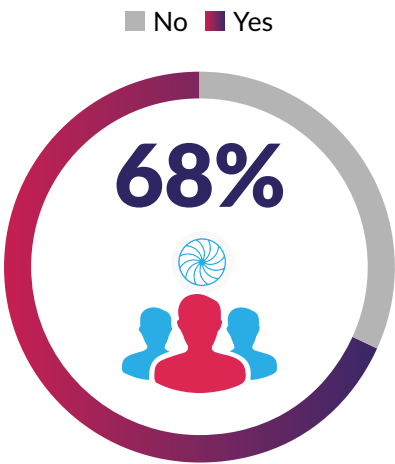
During the study, we noticed large-scale awareness and appreciation

around insurance policies as 80% of surveyed consumers claim that owning an insurance policy is an absolute necessity to build a strong financial future. While 83% of insured surveyed consumers strongly believe that insurance is critical for a strong financial future, even a majority (71%) of uninsured surveyed consumers share a similar sentiment about the need for insurance.

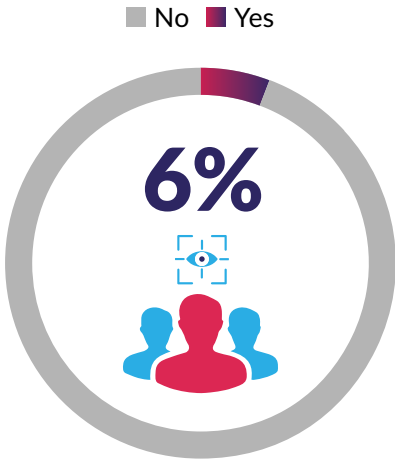
It has been found that there is indeed a correlation between the coverage amounts of insurance policies and the annual income of consumers. Despite this, many consumers still face a challenge when it comes to identifying the appropriate insurance coverage that suits their needs.

Although 68% of surveyed consumers believe that they are sufficiently insured, only 6% of consumers are in fact sufficiently insured under their current insurance policies.

Insurance coverage: Consumers’ illusion v/s reality



Consumer Illusion



Consumer Reality

The formula for adequate coverage under a life insurance policy

To be sufficiently insured, experts believe that an insurance policy must provide 10 to 15 times the annual income of the household as coverage.

As an expert in the field, I request my clients to have a minimum life insurance coverage of 10 times their annual salary.

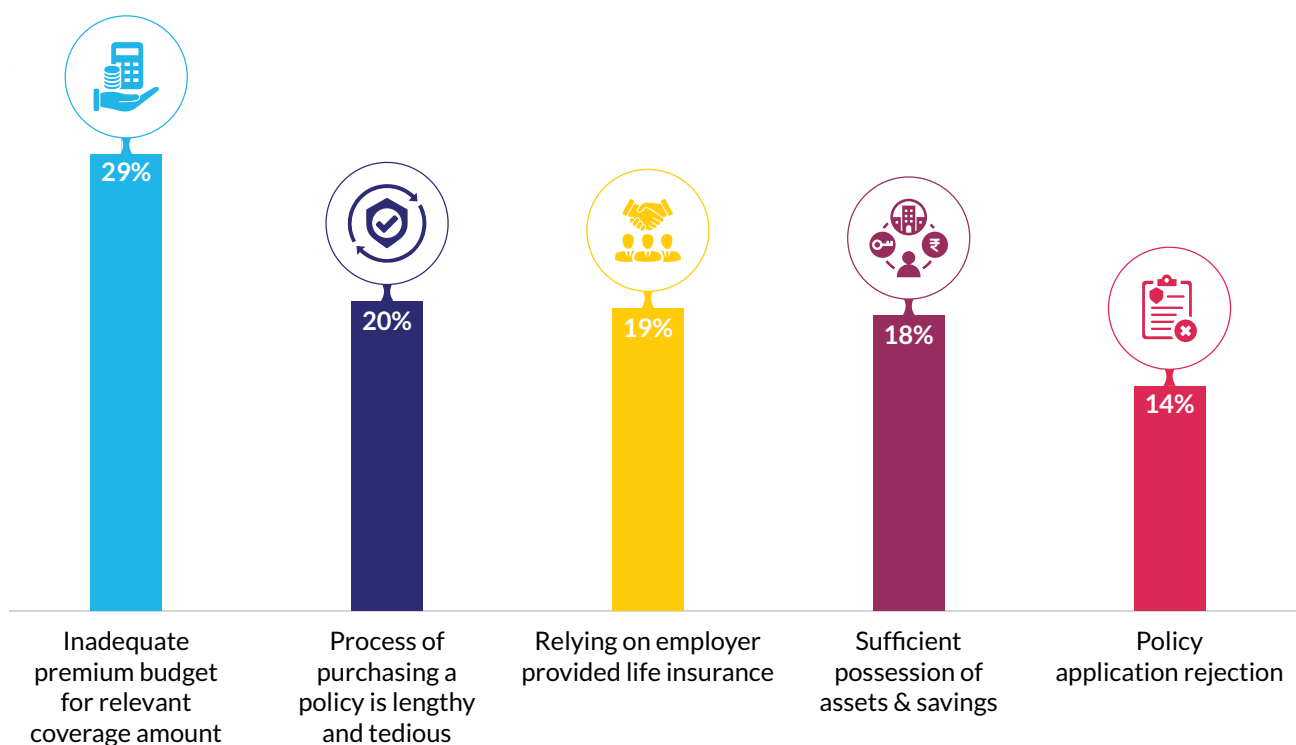
Expert coverage formula



Example: A consumer with an annual salary of ₹ 10 lakh must have a minimum life insurance cover of ₹ 1 crore.

When consumers were asked about the reasons for the lack of appropriate coverage, the main reason cited was a shortage of funds.

Key reasons for not investing in the requisite life insurance coverage





Inadequate premium budget for a relevant coverage amount

Although an insurance policy is a necessary non-discretionary expense, consumers today view it as a discretionary expense.

"A certain amount of my yearly income goes towards premiums for my family's insurance. It has been constant for several years, and I do not increase it, because the cost of living is high and by the end of the month, there are hardly any savings."

– Male, in his 30s, married and a father of one.

"My family and I are covered under the firm's insurance policy. A tiny portion of my salary is automatically debited as insurance expense, which is why I do not have additional coverage."

– Male, in his 40s, and a father of two.



Sufficient assets and savings

Consumers perceive investments in financial assets as a replacement for insurance coverage. However, the financial relief that insurance offers to its benefactors is far greater than the financial value that assets create at a similar time.

"I feel that 'three' times my annual income is a good life insurance coverage to have. I also have some savings and investments which will grow in the future."

– Female, in her 30s, unmarried and with no dependents.



The process of purchasing a policy is lengthy and tedious

Although insurance policies have been a popular financial instrument for decades, purchase behaviours for life insurance policies have not evolved as they have with other financial instruments, such as capital market investments. For a substantial portion of consumers, purchasing insurance is still an assisted and handheld journey with insurance agents.

"When I started my bank account, an agent cross-sold me an insurance policy. Since then, I have not increased my coverage as I don't remember the agent and I don't have the time to attend the branch again."

– Male, in his late 20s, unmarried and with no dependents.



Policy application rejection

Consumers become demotivated to reapply for an insurance policy in the case of a rejection which could be caused due to shortage of relevant documents submitted.

"I filled out a life insurance policy form when I started my bank account when I was 18. Due to paperwork limitations, my policy request got rejected. However, I did not try again."

– Male in his early 20s, unmarried, no dependents



Relying on employer-provided life insurance

Insurance coverage is amongst the most common inclusions under the "employee benefits" policies of most organisations globally. However, organisations offer sum insurance coverage for each employee per their budget and hence, it may not turn out to be sufficient coverage for each employee. The coverage amount could also be based on the seniority of the employee at an organisation. Additionally, employer-provided insurance is only available for the duration of the employee's tenure with the organisation.

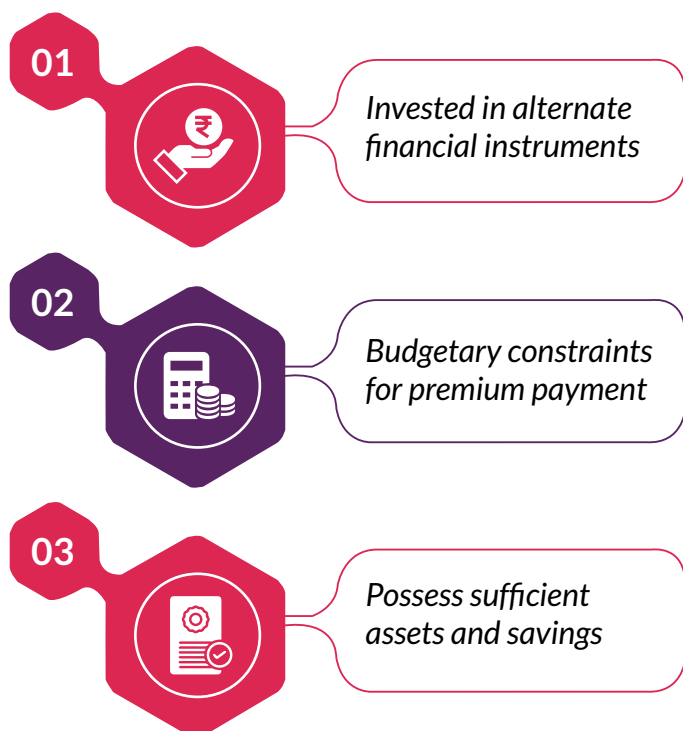
Another gap in consumer perception and action was noted when **97% of consumers agreed that life insurance coverage must increase over the years**; however, study findings reflected that this does not translate into action for Indian consumers.

Illusion 2: Investments in financial instruments provide better security than insurance

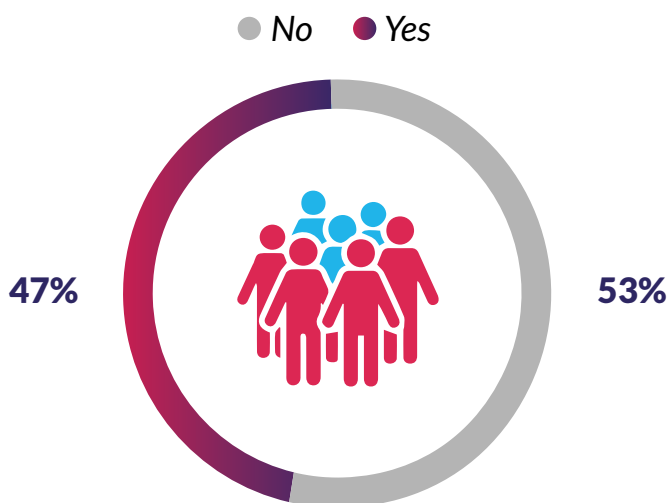
When it comes to financial planning, it is important to understand that investments in financial instruments and owning a life insurance policy serve different purposes. While investments can help multiply wealth over time, a life insurance policy offers financial security when necessary. Therefore, it is essential to recognise that investments should not be seen as a replacement for life insurance. By understanding the distinct benefits of each, consumers can develop a comprehensive financial strategy that includes both to ensure their financial well-being.

Amongst those surveyed, the key reason cited for not owning an insurance policy was the preference for **alternative financial products**, perceived to be more lucrative investment opportunities, leading consumers to reallocate their resources away from insurance premiums.

Reasons cited for not owning an insurance policy



Share of consumers who surrendered or did not renew their policy in the last five years



The survey also revealed that a staggering 47% of consumers had surrendered or not renewed their policies within the last five years.

Unfortunately, the choice to move away from insurance protection towards investing in financial assets leaves consumers and their families financially vulnerable. Furthermore, consumers often do not consider the cost of ownership and opportunity in most scenarios. Financial investments do not provide the extent of protection that an insurance policy can provide.

The total cost of ownership of a term life policy

Let us use an example to illustrate the total cost of ownership of a term life insurance plan versus a financial investment with a nominal Internal Rate of Return (IRR) of 14%.

Radha chooses a term life insurance plan with a coverage amount of ₹ 1,00,00,000 for 20 years, with an annual premium of ₹ 7,000. Over a 20-year period, Radha will pay a total premium of ₹ 1,40,000

Alternatively, if Radha invests the same amount of ₹ 1,40,000 in an investment with a nominal IRR of 14%, and leaves it untouched for 20 years, it will grow to around ₹ 19,00,000. However, if Radha passes away during the term of the life insurance plan, her beneficiaries will receive the entire coverage amount of ₹ 1,00,00,000.

From the given scenario, it is evident that despite a 14% nominal IRR return on investment, it would require significant growth over a period of 20 years to equal the coverage amount that the life insurance plan provides. The life insurance plan offers an assured and immediate protection of ₹ 1,00,00,000, ensuring financial stability for Radha's beneficiaries in the event of an unfortunate occurrence.

Experts mention that often, clients try to dissuade their wealth managers from purchasing adequate insurance policies. However, the risk of creating wealth without the safety of an insurance policy leaves the scope for partial or complete loss of financial assets due to unforeseen events.

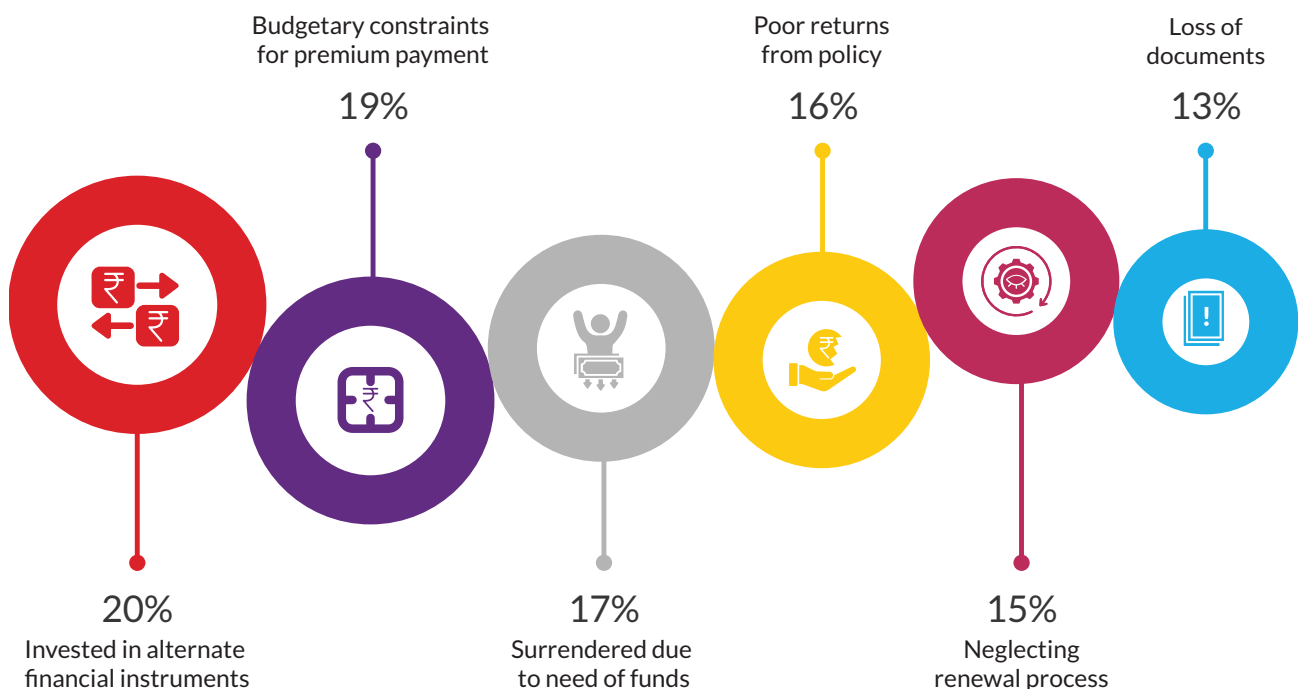
If an unfortunate medical accident or circumstance were to occur, you could lose a decade of savings in one instant due to rising medical costs. Insurance cover is a must.

– Expert opinion

Illusion 3: Insurance policies can be forfeited in the event of a fund shortage

Despite the undeniable significance of insurance, **nearly 50% of consumers revealed a tendency to prematurely surrender their policies**, despite the intended long-term nature of such commitments. Another crucial driver behind this phenomenon is the sudden need for funds. Consumers often choose to surrender their policies to reduce premium expenses when faced with an urgent need for liquidity. During our consumer study, it was observed that almost a fifth of the consumers chose to surrender their insurance policies due to urgent financial requirements.

Reasons cited for surrendering or not renewing insurance policies



While insurance is considered a non-discretionary expense, consumers often perceive it as discretionary when faced with immediate financial constraints. The decision to let go of policies and premiums for short-term cash needs is a concerning trend, which has ramifications on consumers' future financial well-being. Fortunately, the insurance industry offers opportunities to access short-term liquidity using the coverage as

collateral through financial borrowing opportunities while simultaneously retaining the insurance coverage. When individuals find themselves in need of immediate funds, they may consider borrowing against their existing insurance policies to access cash quickly. A significant advantage of this feature is the convenience and speed of the process. As policyholders have an active coverage policy, the approval and disbursement are swift

when compared with other borrowing options.

Experts highlight that the pandemic placed significant strains on consumers' financial positions, across segments of society. Enhancing consumer education on the potential benefits of alternative options, such as borrowings against an insurance policy, could have helped prevent policy surrenders under such circumstances.

Customers can now avail short-term funds using their policy as collateral so the industry can keep customers covered and reduce the protection gap. But the education offered to customers on this facility is low. – Expert opinion

Illusion 4: Owning assets and savings is a replacement for life insurance

It is believed by consumers that accumulating assets and savings can act as a replacement for a life insurance policy, which stems from the notion that substantial investments can provide a financial buffer during emergencies. However, it is important to consider the time value of investments in contrast to the comprehensive coverage insurance offers. While building assets and savings can be a prudent financial strategy, it typically takes years of consistent saving and significant compounded growth to match the immediate coverage provided by insurance. Thus, recognising the limitations of relying solely on assets and savings can emphasise the significance of having sufficient life insurance coverage to protect against unexpected emergencies.

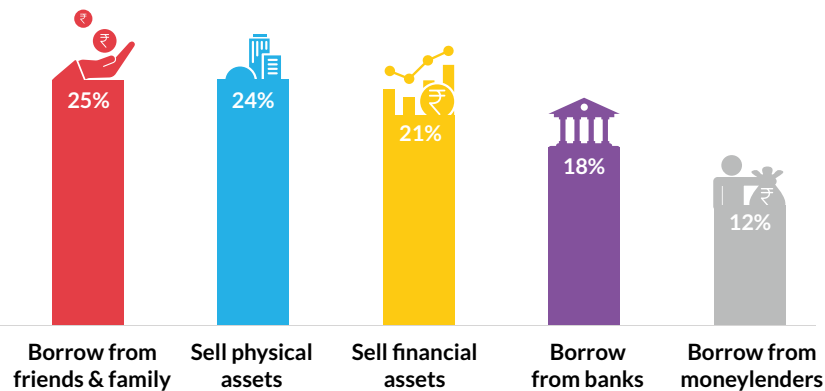
Share of uninsured consumers who are not confident in their savings for the future



Our study results revealed that despite not owning insurance, a surprising 62% of surveyed consumers expressed a lack of confidence in their financial future and did not place trust in their savings as a reliable financial security.

When faced with unexpected emergencies, this group resorted to alternative measures, such as borrowing funds from friends, family, or banks, as well as liquidating assets such as gold, real estate, and financial investments to meet their financial obligations.

Key measures highlighted by consumers in the event of financial or medical emergencies



Despite possessing savings and assets, consumers felt the need to resort to external sources of funds, emphasising the limitations of relying solely on personal savings or liquidating assets for immediate financial relief.

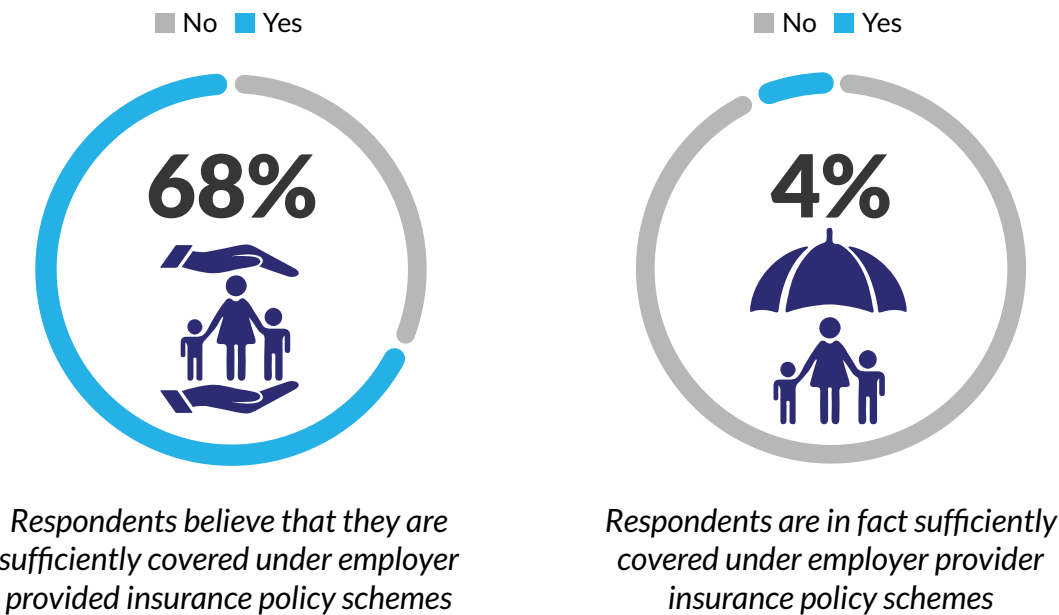
Illusion 5: Employer-provided insurance coverage is sufficient

A significant segment of Indian consumers comprise employed individuals covered by employer-provided insurance benefits. This type of coverage is known as group health/life insurance, which is designed to safeguard employees and their families. In this arrangement, the employer assumes partial or complete responsibility for paying premiums on behalf of its employees.

Employees typically contribute a small portion of their salary towards an insurance premium. Many perceive this kind of coverage to be sufficient and comprehensive.

Our study revealed that 68% of surveyed consumers that benefit from employer-provided coverage express confidence in the amount of insurance they have. However, it is observed that

96% of employees covered solely under employer provided insurance coverage are underinsured. This discrepancy arises due to employers adopting a one-size-fits-all approach, primarily based on an employee's seniority, while overlooking the personal details of the employee's life that would ensure appropriate coverage.



Furthermore, it is important to note that employees often consider their employer-provided insurance policy as their main or exclusive source of insurance coverage. This perception can create a false sense of security, as employees may not be aware of the limitations and exclusions associated with such a policy. The coverage of employer-provided insurance is also

limited to the tenure of the employee's association with the organisation.

The standardised nature of employer-provided insurance plans can result in significant gaps in coverage for specific medical conditions or unique situations. Employees may only discover limitations when confronted with specialised treatments or circumstances. It is crucial for

employees to actively engage in communication with their employers and insurance providers, seeking clarification and understanding about the specific details of their coverage. This empowers them to make well-informed decisions regarding the need for supplemental coverage, should the need arise.

Organisations provide cover to their employers based on a band system; 9/10 firms provide low coverage to check the employee benefits box instead of providing sufficient coverage.
- Expert opinion

Meet the archetypes

Based on the results of the consumer study, we have developed several personas that align with the consumers’ demographic and social characteristics to highlight how each perceives insurance:

The First Time Earners

Inspired, Motivated, Ambitious

KHUSHI PARIKH

LIFE STAGE: 22 Years Old, Unmarried
OCCUPATION: Start-Up Employee
HOME: Tier 2 City
EDUCATION: Graduate
ANNUAL INCOME: Under 5 Lakh
CONCERNS: Building Technical & Personal Skills
INFLUENCERS: Social Media, Influencers
INSURANCE COVERAGE: None



“I have just started earning and I am spending my entire paycheck on experiences every month. Insurance may be an investment I will consider making later in my life.”

PERCEPTION

Insurance is an investment I can make later in my life when I have a larger monthly income

REALITY

Total cost of ownership of an insurance policy is lowest when a policy is purchased at a younger age by locking-in the premium amount for the future

VS.

Current Key Worry	Commonly Purchased Insurance Plans	Most Desired Feature	Source of Information
Inflation in Prices (41%)	Savings Plan (32%)	Sum Assured/Premium Amount/Flexible Payment	Friends/Colleagues (40%)
	Low	High	
Financial Literacy How educated are they on financial matters?			
Insurance Awareness How well do they understand insurance?			
Digital Orientation How good is their ability to learn and use technology?			
Need for Financial Stability How strong is their requirement for financial stability currently?			
Retirement Planning Are their actions committed towards retirement planning?			
Family Responsibility How important is it for them to plan for dependents currently?			
Geographical Flexibility How easily are they able to move their personal/professional life?			

ABOUT KHUSHI

- Khushi Parikh is a **22-year-old woman** living in **Gujarat**
- She is an employee at a **food and health tech** start up and earns the salary of a fresher in the industry
- She is **unmarried** and **lives with her parents** in her family home
- She is a **single child** and will eventually inherit the assets of her parents
- Khushi enjoys western music and is a **trained piano instructor** and makes an income of few thousand monthly through classes
- On weekends, she likes to go to the **movies** and **restaurants** with her friends
- She **does not invest** any amount of her income into financial assets or investments
- Khushi tries to save up some part of her money to **take her parents out** for a nice meal once every month

MINDSET

- Low income** makes for belief that insurance is currently not essential
- As current income is low, **future planning** is pushed to the future
- Current view will be with **short-term vision**
- Young aged individuals have a **lower chance of health-related fatalities** and insurance is only thought of during experiencing difficult situations
- Belief that they are still a **dependent of the family** who will manage these expenses

Disclaimer: This is Dummy Text

The Young Invincible

Ambitions, Brave, Spender

SANAYA NAYAK

LIFE STAGE: 28 Years Old, Unmarried

OCCUPATION: Corporate

HOME: Metro City

EDUCATION: Graduate

ANNUAL INCOME: 10 Lakh +

CONCERNS: Repayment of Education Loan

INFLUENCERS: Peers, Social Media, Influencers

INSURANCE COVERAGE: Low to None



"I earn a good amount of monthly income and I invest in monthly plans in the capital markets. I do not need an insurance policy as my investments will get me good returns."

PERCEPTION

Investments in financial assets and monthly investment plans will create wealth that will cover me for the future uncertainties

VS.

REALITY

Considering total cost of ownership of insurance, investments in financial markets are not a replacement for owning an insurance policy

Current Key Worry	Commonly Purchased Insurance Plans	Most Desired Feature	Source of Information
Inflation in Prices (41%)	Savings Plan (45%)	Sum Assured/Premium Amount/Flexible Payment	Financial Advisor (47%)
	Low	High	
Financial Literacy How educated are they on financial matters?			
Insurance Awareness How well do they understand insurance?			
Digital Orientation How good is their ability to learn and use technology?			
Need for Financial Stability How strong is their requirement for financial stability currently?			
Retirement Planning Are their actions committed towards retirement planning?			
Family Responsibility How important is it for them to plan for dependents currently?			
Geographical Flexibility How easily are they able to move their personal/professional life?			

ABOUT SANAYA

- Sanaya Nayak is a **28-year-old woman** living in **New Delhi**
- She is an **app designer** by profession working for an MNC with a steady and sufficient income
- She is **unmarried** and **lives with her parents** who manage the household expenses and monthly EMIs for the family
- Sanaya pays a **monthly subscription fee** to the gymnasium for exercise and recreation purpose
- On weekends, she likes to go to the **movies** and **restaurants** with her friends and colleagues
- She invests most of her disposable income in the **capital markets** and **monthly investment plans** to achieve **independence**
- Sanaya tries to save up some part of her money for personal expenses such as **travel** and **luxury shopping** every few months

MINDSET

- High income** makes for belief in **invincibility**
- As current income is high, **future planning** is assumed with **similar fortunes** and short-term vision
- Young individuals have a **lower chance of health-related fatalities**
- Gymnasium and active lifestyle strengthen belief in **personal fitness levels**
- Incorrect belief that investments will **create wealth**, and suffice for all future uncertainties

Double Income, No Kids

Realistic, Planner, Optimistic

KARAN KUMAR

LIFE STAGE: 34 Years Old, Married

OCCUPATION: Business Owner

HOME: Tier 1 City

EDUCATION: Graduate

ANNUAL INCOME: 15 Lakh +

CONCERNS: Increasing Price in Standard of Living

INFLUENCERS: Peers, Colleagues, Media

INSURANCE COVERAGE: None



"My wife and I are both earning a good amount of money and we run our household together. Our pooled income is invested in mutual funds and fixed deposits which earns us a good return for our future."

PERCEPTION

As I possess a sufficient amount of savings and investments, I do not need an insurance policy for the future

VS.

REALITY

Premium amounts invested in financial markets will require a long time and a high rate of return to provide similar value as that form an insurance policy

Current Key Worry	Commonly Purchased Insurance Plans	Most Desired Feature	Source of Information
Inflation in Prices (37%)	Savings Plan (56%)	Sum Assured/Premium Amount/Flexible Payment	Financial Adviser (52%)

Financial Literacy

How educated are they on financial matters?

Insurance Awareness

How well do they understand insurance?

Digital Orientation

How good is their ability to learn and use technology?

Need for Financial Stability

How strong is their requirement for financial stability currently?

Retirement Planning

Are their actions committed towards retirement planning?

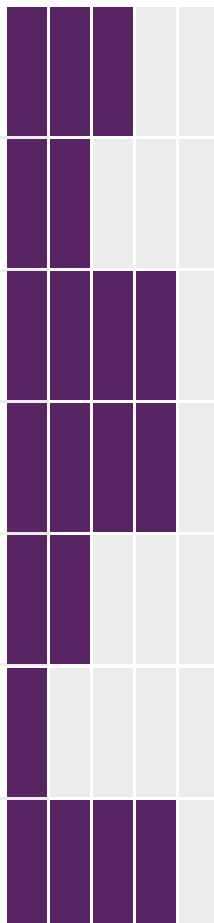
Family Responsibility

How important is it for them to plan for dependents currently?

Geographical Flexibility

How easily are they able to move their personal/professional life?

Low High



ABOUT KARAN

- Karan Kumar is a **34-year-old man** living in **Chandigarh**
- He is an **entrepreneur** who owns a **digital marketing agency** with over 40 clients with a steady and sufficient income
- He is **married** with **no kids** and lives with his wife in a **rental home** in the heart of the city of Chandigarh
- He contributes to **household expenses**, **rent** and has monthly **car EMIs** which are altogether split between his and his partner's income
- Karan regularly **travels to his hometown** to meet his parents and in-laws
- Karan likes **wildlife photography** and will plan at least 'two' trips annually to national parks in India, usually to **celebrate special occasions**
- He invests some of his family income into **capital markets** and **fixed deposit schemes**



MINDSET

- Double disposable income** makes for belief in stability and illusion of security
- Current lack of dependents** reduces financial stress for immediate future
- Monthly savings and investments creates **illusion of sufficient corpus for retirement**
- Belief that investments and savings will **create wealth**, which will suffice for all uncertainties for the future
- Funds invested in insurance premiums can be used to enjoy a **weekend getaway** with the partner

The Faithful Employee

Trusted, Loyal, Satisfied

PAVANA REDDY

LIFE STAGE: 33 Years Old, Unmarried

OCCUPATION: Corporate

HOME: Metro City

EDUCATION: Post-Graduate Degree

ANNUAL INCOME: 15 Lakh +

CONCERNS: Moving up the Corporate Ladder

INFLUENCERS: Peers, Colleagues, Media

INSURANCE COVERAGE: Employer Provided



"My company provides me an insurance coverage for which I pay an amount annually. I am covered in the policy, so I don't need to think about insurance at all."

PERCEPTION

Employer provided insurance coverage policy is adequate and sufficient to cover me from all future uncertainties

VS.

REALITY

Extent of insurance coverage amount must be based on personal requirements of the employees and employer provided coverage plans are usually inadequately covering employees

Current Key Worry	Commonly Purchased Insurance Plans	Most Desired Feature	Source of Information
Inflation in Prices (40%)	Savings Plan (53%)	Premium Amount/Sum Assured/Flexible Payment	Friends/Colleagues (49%)

	Low	High
Financial Literacy How educated are they on financial matters?		
Insurance Awareness How well do they understand insurance?		
Digital Orientation How good is their ability to learn and use technology?		
Need for Financial Stability How strong is their requirement for financial stability currently?		
Retirement Planning Are their actions committed towards retirement planning?		
Family Responsibility How important is it for them to plan for dependents currently?		
Geographical Flexibility How easily are they able to move their personal/professional life?		



ABOUT PAVANA

- Pavana Reddy is a **33-year-old woman** living in **Hyderabad**
- She is an employee at a **consulting firm** and earns a sufficient salary to manage her household independently
- She is **unmarried** and **lives by herself** in a house that she has purchased on a home loan
- She lives **close to her family** and visits them a few times a week
- Pavana enjoys food blogging and is an online food reviewer and guide
- On weekends, she likes to go to the **go hiking** and **riding her bicycle** for long distances
- She **does not invest** any amount of her income into financial assets or investments as majority of her income goes into fulfilling her loan
- Pavana has a dream of **moving up the corporate ladder** in her current organization



MINDSET

- Corporate employee cover** makes for belief that additional coverage is not required
- As current income is sufficient, **future planning** is a simultaneous activity along with payment of loan and EMIs
- Fit lifestyle of hiking and bicycling** gives confidence that health issues are not to be worried about and insurance is not an essential component considering her lifestyle
- Belief that since family is close by, there is a **safety net of support** in case of emergency

Prime Time Pioneers

Controlled, Forward Thinking, Focused

RAHUL RAI

LIFE STAGE: 47 Years Old, Married with Kids

OCCUPATION: University Professor

HOME: Tier 1 City

EDUCATION: Doctor of Philosophy (PhD)

ANNUAL INCOME: 30 Lakh +

CONCERNS: Child's Education and Marriage

INFLUENCERS: Colleagues, Research

INSURANCE COVERAGE: Partial to Full



"I pay a large premium for the coverage as I did not start at an earlier age to ensure the lock-in for a lower premium amount. At the time I did not think insurance was necessary, but in my 40s I regret not having started it earlier"

PERCEPTION

Owning 3x to 5x of annual income to coverage amount is sufficient

REALITY

VS.

Experts believe that a life insurance coverage of at least 10x protects the family left behind in case of an untimely incident

Current Key Worry	Commonly Purchased Insurance Plans	Most Desired Feature	Source of Information
Inflation in Prices (50%)	Savings Plan/Term Plan (60%)	Sum Assured/Premium Amount/Digital Experience	Financial Advisor (63%)
	Low	High	
Financial Literacy How educated are they on financial matters?			
Insurance Awareness How well do they understand insurance?			
Digital Orientation How good is their ability to learn and use technology?			
Need for Financial Stability How strong is their requirement for financial stability currently?			
Retirement Planning Are their actions committed towards retirement planning?			
Family Responsibility How important is it for them to plan for dependents currently?			
Geographical Flexibility How easily are they able to move their personal/professional life?			

ABOUT RAHUL

- Rahul Rai is a **47-year-old man** living in **Ahmedabad**
- He is a **university professor** by profession working for a leading Indian business management school with a **steady income**
- He is **married** with **two kids**, living with his family in a home fully paid off and purchased in the outskirts of the city
- He contributes to **household expenses** and has **monthly car EMIs** which are covered through his income
- Rahul is an **avid reader and collector of books** and spends a **portion of his income on 1st edition books** by his favorite authors for his personal library
- He invests a portion of his income with a financial advisor creating a **balanced portfolio** of risky assets, risk free assets, and **comprehensive life and health insurance** to ensure stability

MINDSET

- Must own a balanced portfolio with risky and risk-free assets along with insurance coverage to ensure **wealth creation** and **retirement planning**
- Must purchase a **health and life insurance policy** with a reasonably high coverage to **safeguard** from untimely and unforeseen events
- Must use insurance policies as a method to **save tax** on household income
- Must assure **sufficient savings** and **liquidity** for **child's life planning** and **wedding** for the future

The Golden Generation

Stable, Risk-averse, Settled

SHOBHA AIYAR

OCCUPATION: Home maker

LIFE STAGE: 50 years old, Married with Kids

HOME: Tier 2 City

EDUCATION: Schooling

ANNUAL INCOME: Under 5 Lakh

CONCERNS: Retirement planning, Child's stability

INFLUENCERS: Family, Media

INSURANCE COVERAGE: Partial to Full



"Just like my father had purchased a life and health insurance policy for me, I have purchased the same for my children."

PERCEPTION

Once an insurance coverage policy is purchased, the individual is considered as sufficiently covered

VS.

REALITY

An insurance coverage must be considered as a dynamic investment and must be changed with evolving life stages of the covered individual

Current key worry	Commonly Purchased Insurance Plans	Most Desired Feature	Source of Information
Inflation in Medical Cost (38%)	Savings Plan (25%)	Flexible Cover/Premium Amount	Parents/Spouse/Family (38%)
	Low	High	
Financial Literacy How educated are they on financial matters?			
Insurance Awareness How well do they understand insurance?			
Digital Orientation How good is their ability to learn and use technology?			
Need for Financial Stability How strong is their requirement for financial stability currently?			
Retirement Planning Are their actions committed towards retirement planning?			
Family Responsibility How important is it for them to plan for dependents currently?			
Geographical Flexibility How easily are they able to move their personal/professional life?			

ABOUT SHOBHA

- Shobha Aiyar is a **50-year-old woman** living in **Coimbatore**
- She is a **homemaker, loving wife** and **loving mother** dependent on the household income of her partner
- She is **married** with **three children** who are young and aspire to work in the field of medicine in the future
- She, along with her partner, plan to pay the **medical school education fee** for their children to help them set their future
- She has set up three quarterly SIP remittances, one for each child, for their **future and education**
- Shobha regularly **travels to temples** in South India for monthly religious visits
- Her household invests a major portion of their income in **fixed deposits** and in **shares** which are **recommended by her brother**, who is a day-trader in the capital markets

MINDSET

- Life and health insurance policy** is the **most important investment** for all my family members as it reduces risk of any uncertainties
- Saving a **major portion** of income in **risk-free fixed deposits** with an interest rate is a safe method of portfolio growth
- Education fund** and **marriage fund** for the future of all my children must be created
- A **monthly charity** of a certain fixed amount must be made to our home-town temple



**Key findings from
the study**

Key findings from the study

Inflation

and increased living expenses are the key concerns for the consumers



52%

of Indian household income is allocated to savings, investments, life insurance, and health insurance



47%

of consumers continue to equate financial immunity with maintaining financial security and stability



37%

of consumers equate financial immunity with having multiple income sources



71%

of uninsured consumers believe that insurance is an absolute necessity to achieve financial immunity



68%

of insured consumers have an illusion of being sufficiently covered. However, in reality, only 6% consumers are sufficiently insured



47%

of insured individuals surrendered their insurance policy in the last 5 years



80%

of consumers rely solely on employer-provided insurance policies



7.4

is the immunity score of consumers owning life and health insurance as against 6.3 immunity score of uninsured consumers



87%

of consumers plan to purchase life insurance in the next 5 years; out of which 46% plan to complete purchase within next year





The path ahead

The path ahead

Need of the hour

To dispel these illusions, the insurance industry should focus on creating awareness, while increasing market penetration. A few measures in this context have been elaborated below:

A joint effort

Increasing awareness about insurance as a tool for financial security must be a key priority in Indian society. Key stakeholders, including the insurance industry, government agencies, educational institutions, and corporations, amongst others who can influence this change must join efforts to increase education and awareness so that Indian consumers purchase adequate insurance coverage before they make discretionary investments in assets that are inherently risky.

Insurance as a category

Insurance, as a category, encompasses distinct coverage types, such as life, health, property, and more. Educating consumers about the various insurance options available and their respective benefits is essential in enabling individuals to make informed decisions about their financial well-being. By providing clear and concise information about insurance policies, their coverage limits, and potential exclusions, the industry can empower customers to choose the most suitable insurance solutions tailored to their specific needs.

Insurance as a tool to achieve financial immunity

Highlighting insurance as a powerful tool for achieving financial immunity is a significant aspect of customer awareness. As highlighted earlier in this report, 80% of consumers believe

that it is an absolute necessity to achieve strong financial immunity. By raising awareness about the role insurance plays in mitigating risks and minimising financial vulnerabilities, customers can understand the importance of securing adequate coverage. Educating individuals about the potential financial consequences of being uninsured or underinsured can help them realise that insurance is not merely an additional expense but an essential component of their overall financial well-being.

Investment in insurance vis-a-vis alternative financial investment opportunities

It is vital to provide customers with a comprehensive understanding of the differences and benefits associated with each. Insurance primarily serves as a risk management tool, and financial investments should not be considered as a replacement for insurance coverage. Moreover, insurance policies, such as life insurance with cash value components, can offer long-term savings and investment benefits in addition to risk coverage.

Availability of simplified and bite-sized insurance products

Given the low awareness levels around insurance, a crucial aspect of enhancing financial literacy could lie in simplifying insurance products and making them more accessible to customers. By offering simplified and bite-sized insurance products, the industry can cater to the evolving needs of customers who prefer easily understandable and flexible

coverage options. This approach involves breaking down complex policy language, simplifying terms and conditions, and clearly stating coverage levels. Educating customers about these simplified products and their benefits can foster greater understanding, engagement, and the adoption of insurance as an integral part of their financial planning.

Affordability of insurance premiums

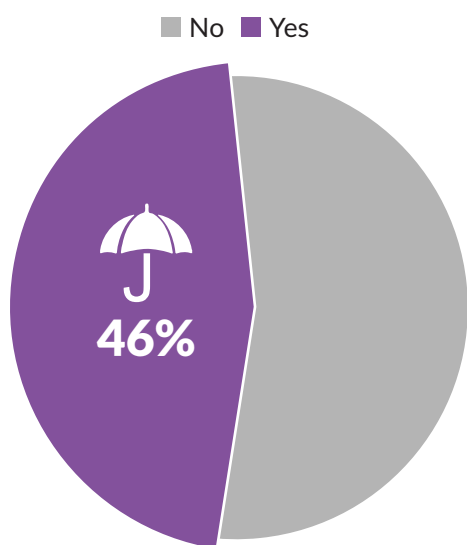
Addressing the affordability of insurance premiums is essential in promoting consumer penetration and increasing insurance awareness. Many individuals deter from purchasing insurance due to concerns about its cost and the frequency of premiums. Educating customers about numerous factors that influence premium rates, such as age, health, coverage limits, and policy types, can help them gain a realistic perspective on insurance costs. Furthermore, highlighting the value and benefits of insurance coverage with the financial consequences of being uninsured can help customers recognise the value of allocating a budget towards insurance premiums.

Overall, a comprehensive customer education strategy that focuses on these key elements can play a pivotal role in increasing financial literacy, enhancing insurance awareness, and driving higher adoption rates for consumers.

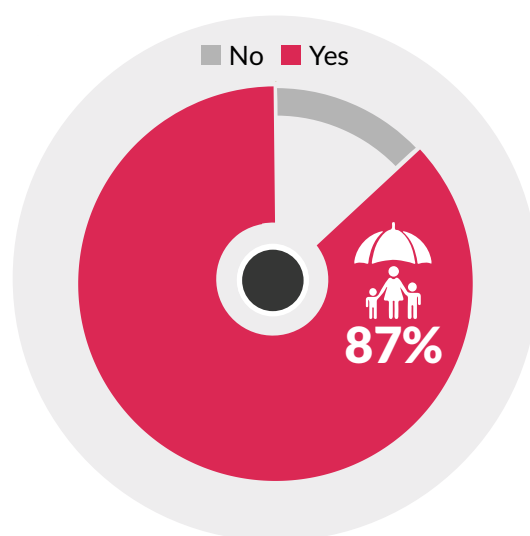
The silver lining

The prevailing lack of insurance coverage amongst Indian consumers, combined with inadequate coverage amongst the insured, presents a significant task for the insurance industry in narrowing the existing gap. However, there are encouraging signs as consumers indicated a willingness to purchase life and health insurance policies within the next five years. Approximately **46% plan to buy life insurance and 39% intend to purchase health insurance within the next year.**

Share of consumers who intend to purchase insurance in the next five years



of all respondents intend to Purchase Life Insurance in next 'One' Year

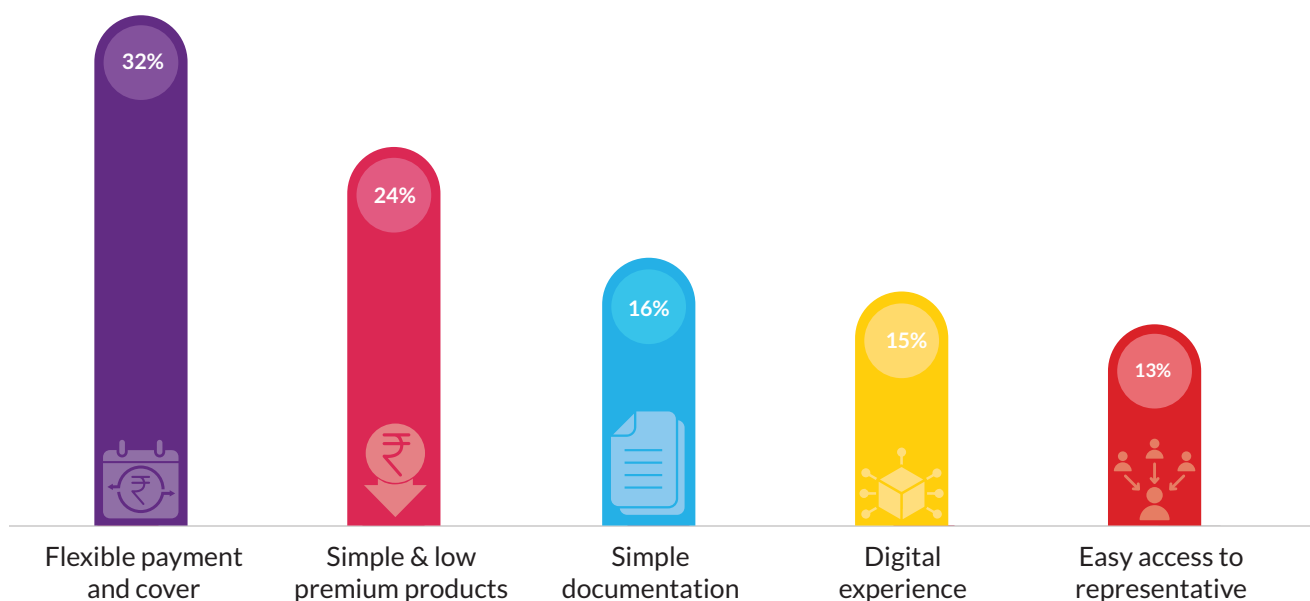


of uninsured respondents intend to Purchase Life Insurance in next 'Five' Years

This underscores the potential for the insurance industry to make a positive impact by effectively educating customers and realising these promising numbers.

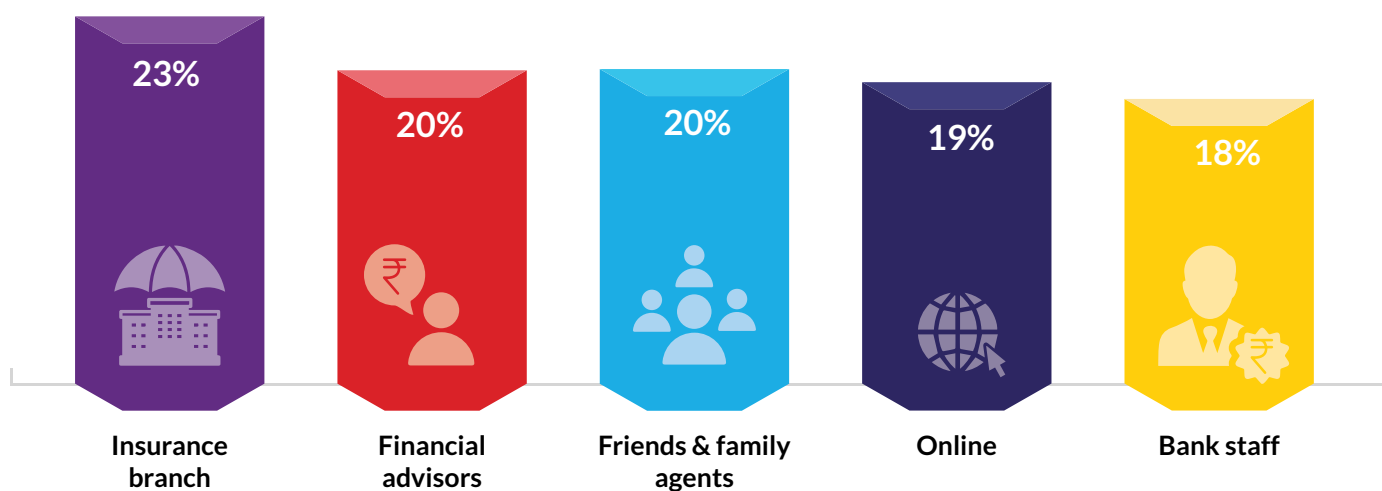
Additionally, **32% of uninsured individuals expressed interest in insurance policies that offer flexible payment and coverage options.** This flexibility alleviates the burden of fixed premium payments and may help address the illusion that insurance can be surrendered during immediate short-term liquidity needs. Further, approximately a quarter (24%) of uninsured consumers prioritised simple products with low premiums, indicating a preference for simple-to-understand and cost-effective options.

Features regarded as the most relevant while buying insurance



Despite the rapid advancements in technology that have streamlined business processes and financial transactions, the understanding of insurance in India is comparatively low over other financial assets. As a result, **23% of consumers want to seek guidance from insurance professionals at physical branches** when purchasing an insurance policy. Additionally, approximately one-fifth of consumers state that their decision will be influenced by their financial advisors, reemphasising the importance of a professionally guided journey when it comes to purchasing insurance policies.

The preferred mode for purchasing insurance policies



Conclusion

The Financial Immunity Study 3.0 report offers valuable insights into how consumers view financial immunity and the role of insurance in securing a financially stable future.

While the impact of the pandemic begins to ebb, rising inflation and living costs have once again emerged as major concerns for Indian consumers. The study findings highlight that while consumers harbour the intent to protect and secure their loved ones financially, there is an existing gap between intention and action.

The government, regulators, decision-makers, corporations, and institutions must take a proactive role in addressing this gap and encourage citizens to obtain adequate insurance coverage for their financial immunity. Social media can

help narrow this gap, particularly amongst the younger demographic, who, as the study found, are the least insured group.

The insurance industry must adapt to evolving consumer behaviours and preferences, and the insights in this report are essential in tracing these changes. By educating consumers with the report's insights, we can help dispel preconceived notions and help them make informed decisions about their financial portfolios. We anticipate a positive outlook for the industry in the next few years as more Indians recognise the value of insurance in providing financial security for their loved ones.



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About SBI Life Insurance

SBI Life Insurance ('SBI Life' / 'The Company'), one of the most trusted life insurance companies in India, was incorporated in October 2000 and is registered with the Insurance Regulatory and Development Authority of India (IRDAI) in March 2001.

Serving millions of families across India, SBI Life's diverse range of products caters to individuals as well as group customers through Protection, Pension, Savings and Health solutions.

Driven by 'Customer-First' approach, SBI Life places great emphasis on maintaining world class operating efficiency and providing hassle-free claim settlement experience to its customers by following high ethical standards of service. Additionally, SBI Life is committed to enhance digital experiences for its customers, distributors and employees alike.

SBI Life strives to make insurance accessible to all, with its extensive presence across the country through its 996 offices, 22,015 employees, a large and productive individual agent network of about 222,822 agents, 68 corporate agents and 14 bancassurance partners with more than

39,000 partner branches, 133 brokers and other insurance marketing firms.

In addition to doing what's right for the customers, the company is also committed to provide a healthy and flexible work environment for its employees to excel personally and professionally.

SBI Life strongly encourages a culture of giving back to the society and has made substantial contribution in the areas of child education, healthcare, disaster relief and environmental upgrade. In 2022-23, the Company touched over 1.1 lakh direct beneficiaries through various CSR interventions.

Listed on the Bombay Stock Exchange ('BSE') and the National Stock Exchange ('NSE'), the company has an authorized capital of Rs. 20.0 billion and a paid up capital of Rs.10.0 billion. The AUM is Rs. 3,282.8 billion.

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