HDFC Life Special – Paisa Vaisa – 12th August 2019

Introduction:

(*Vishal's Introduction in the Show*)

Folks, welcome to Paisa Vaisa, am your host Anupam Gupta @b50 on Twitter and this is the HDFC Life Special. Life Insurance seriously an important product. There are so many aspects of the product itself has changed over the last I don't know how many years we have online ULIPs today and then there are topics like ULIP V/s Mutual Funds and we ll talk about all of this. My guest today is Vishal Subharwal, Executive Vice-President E-commerce and Digital Marketing at HDFC life. HDFC Life is massive. My guess is that they are probably among the largest private-sector life insurance player, but I'm going to ask Vishal for all of that. Welcome to the show. Thank you so much for doing this for us. When you were in school, were you convince that you ll grow up to pursue your career in Life Insurance?

Vishal shares his background and gives introduction of HDFC life [0:01:00-0:01:57]

Vishal Subharwal: Life Insurance as a subject, nobody thinks as a kid that they will be part of the sector. I am very pleased to be here. I started working in 2000. I joined the life insurance sector in the year 2010. I actually joined on September 1, 2010, which is when ULIP guidelines kicked in for the industry. I have been here for 9 years and done a couple of role.

Anupam Gupta: How big is HDFC Life? You're my first life insurance guest on Piasa Vaisa. I am so excited about that

Vishal Subharwal: We got our license in the year 2000. First private life insurers to get a license and that's how we started our business. Right now as things stand, you know, our assets under management are more than one lakh crore and our market cap is incidentally also around one lakh crore, as we speak today. We are number one in terms of market share, in terms of new business premium as well as new business margin. So that's how we stack up as a company.

Introduction to Life Insurance category & Investment Instruments [0:02:03-0:05:45]

Anupam Gupta: Isn't this simplest of financial product, probably after savings bank account and yet I don't think all of us have it, whether you look at it in terms of penetration or in any which ways. Is it a lack of awareness? Do you think people don't even know what it is? Or do you think people know what it is and they don't think it's for them,

Vishal Subharwal: At HDFC life we have done a lot of research on this subject, let me step back a little bit and speak about three kind of risk, life insurance companies help you cover:

I. The **first one is the mortality risk:** the risk of dying early and therefore, you know, your family does not have enough income to support their livelihood. That's number one.
II. Number two is **morbidity risk** the risk of falling sick, you have some critical illness and therefore, you know, there's a lot of expenditure out of pocket for your hospitalization, medical bills etc
III. Third one is **longevity risk,** where your living a very long life and you don't have enough money in your bank to support your needs

These are the three risk as life insurance company we cover. I don't think it's either a lack of awareness or knowledge about the product. So if you look at any survey along with savings deposit or bank deposit, life insurance ranks pretty high. Now there is been historical reason most of the money in life insurance is moving into savings and investment products rather than protection products.

I think that's rather primarily your question, It's an extremely affordable product. In less than 17 rupees per day you can buy 1 crore cover for let's say if you're 30 or 35 years old so that's pretty much as cheap as that. Awareness is also pretty high all the survey says that.

There are three reasons why people don't buy life insurance. The first one is in any Financial product people expect a return of money to come back, right?. If you are paying a premium and if the risk event doesn't materialize then what happens to the money? It's gone waste. This is proven by research. Second is need for more clarity, people want more clarity - how much to buy? what is the right level of cover? Is this the right cover? Where can I buy? And everybody kinda knows in their head that they need to buy it, but they will postpone the purchase. Third one is everyone thinks we are Immortal. It's very difficult to imagine the mortality of self and these are the top three reasons which kind of research tells us.

So that's one aspect which is just you know, how consumers think the second part -In today's world where everything is a digitized everything is getting recommended based on algorithms and stuff like that. You want a one-click transaction process. That you think and immediately purchase the product once you have information on the price, cover and other details. Insurance right now fortunately, unfortunately is not that magnetic process because we are going beyond a transaction that you are undertaking. Right now, we are pretty much covering you for the full life that the rest of your life and therefore we need some information from you – about your health, about your income so that we can afford to pay you, keep it cheap, prices can remain low and stuff like that.

These are the reasons why people don't buy life insurance.

Anupam Gupta: I have a life insurance policy, you can figure out which policy you want – it could be life or it could be whatever it is. Vishal said there is three specific needs, you should figure out which one applies to you and research about that.

Vishal Subharwal: To just add to that Anupam, there are two financial products that you need to start with. One is of course a savings plan which you know savings account or a bank account, which maybe your parents open for you as a kid and you continued open when you become an adult or a salary account and stuff like that. Once you start earning the first financial product, I would recommend for anyone is a Term Insurance product because it ensures that you know, whether it's for your parents or, for the rest of your family, you know, you're covered financially any risk that you might encounter, you know in the rest of your life especially around the death or the health side gets covered.

Anupam Gupta: I think he's also offer life insurance policy along with a job but irrespective of that you should have something for your own.

Vishal Subharwal: Most people now a days switch job. If you look at youngsters, its one or two years beyond that they want to move to the next job.

Evolution of the online Insurance (00:07:10 -00:08:49)

Anupam Gupta: So Vishal, I saw your card EVP E-commerce & Digital marketing and I know for that fact that this doesn't even exist when HDFC Life came out in the year 2000 and we are in 2019 and we can't do business without either of these two. Ecommerce and digital marketing, let's get into this evolution because I know HDFC Life has significant online presence and we will get into new technology and Innovation later. Let's look at evolution, from consumer perspective, how has this shift happened in the last few years or decade

Vishal Subharwal: There are two aspects, when we as a company started investing in this as a category, there were clear trends that customers were coming online, starting with searching for products information online, so you start with basic stuff like a website and put in your product brochures online and stuff like that. And then, you know, he created a separate a business unit to kind of look at E-commerce & Digital marketing as a very focus area.

Now what has happened is, products and technology has continued to evolve. Right now we are at a stage every product that HDFC Life offers is available online and you can buy it either through an app or website. And if you look at some of the statistic, right now not just customers are researching and gathering information online but they are buying products online.

It is no longer an information portal, there is an entire buying journey, which is available online. You can buy it on our platform or you know, any of our partners or be it bank assurance partner.

Anupam Gupta: I have actually done it myself in the year 2013. I actually have a HDFC Life Click to Protect policy which I bought directly from the website, without even any intervention from the advisor or anybody. I just signed up. I think the process back in 2013 by the way which is like 6 years ago was pretty smooth and am sure it must have got even better now.

HDFC Life Online Journey & Significant Customer Behavior [0:08:52-0:09:50]

Vishal Subharwal: As long as you are making the disclosures and the information in the proposal form is pretty it's very intuitive and seamless. Once you have filled the proposal form and paid the initial premium, our teams assess the proposal, the application and then give your decision pretty much quickly. You know in some cases you might have to go through a medical examination etc.

Anupam Gupta: That's that's part of the process, any numbers here that you can throw at us, maybe one point of time online or digital used to be X and today, anything that puts into perspective for listener so that they can understand that buying a life insurance product online is actually very feasible and it has grown in the last few years

Vishal Subharwal: Yes, so we can look at it in select category. The old school players who have continued to exist. I think for them the online business is not huge but with the emergence of some of the platforms which have come, websites that companies like ours have created; a lot of customers are coming in. Now the journey starts with a basic term plan or a health plan which we call the protection category. That's where the consumer journey has started, over the years it has moved to more Investments and saving plan. Now this is counterintuitive, why would people buy ULIP plan or traditional plan online but people are searching for it and people are buying it online. Another interesting research which is based on how consumers are searching for it outside the top 15 cities, searches are growing faster than the searches in the top 15 cities. So that's another trend we have figured out from the search engines etc and in terms of numbers. I mean, it used to be, I am largely speaking about the private sector, maybe some data you know, that is based on Market intelligence, you know, it's about thousand crore new business market online. I'm just talking about people buying directly from the company's website or through the portals. I'm not speaking about the people who are going digitally on the banks and purchasing it.

Anupam Gupta: That's separate thing all together, that's happening outside of your ecosystem.

Vishal Subharwal: Today the agent is digitized as a bionic agent as we call it or the banks are digitizing very rapidly and consumer are buying products online there.

Role of Technology & Product Innovation in the Insurance Industry [0:11:07-0:18:08]

Anupam Gupta: Next couple of questions, before we go into a break. I am going to combine two questions into one. Online thing is driven by technology and product innovation. First I want to talk little about that and how, what is the role of technology and innovation today for something as basic as life insurance. Second – if I have technology assisting me in making my decision for the life insurance product or for ULIP, what is the importance of the advisor because 10-20 years ago the advisors was IT, he would probably be a relative before the private sector existed for insurance, there was this massive public sector which is still there and someone in the family would have a life insurance thing and they would say if you got a new born they would advice buy a life insurance. It has come a really long way, let us look at these areas. Role of technology and role of an advisor.

Vishal Subharwal: First let me cover, role of technology. The job of technology is to essentially been to disintermediate industries and that is happening across sector. Whatever you want to shop is available online and consumers do believe that they want to research online. So the first stage I spoke earlier about was wanting to research online yourself and then making your own decision, I think there is a great power that all of us as individuals believe that purchasing the product on your own makes you feel more secure, more happy and there is certain emotional trigger which happens around that. Technology has helped disintermediate and make life simple and ensured whatever disclosures are coming, are coming directly from me. Nothing is getting disintermediated and I'm speaking directly to the company so there is a certain bit of confidence in that. The second thing is technology is available 24/7. You can do it at your convenience. You can be in India, you can be in overseas, you can working in a night shift, you can be at home, you can buy an online product anywhere anytime. That's convenience in a sense, the ability to research and take your own decision is the primary benefit.

The second thing is in terms of product Innovation, what companies have done right, from our side HDFC Life because we believe this category was going to become bigger and better as time progresses. We've created this entire suite of products under the Click2series category, so for protection in the term plan category, we have click to protect. You brought the click2protect product in 2013, but the product has improved multiple fold in the last six years. So we had click to protect as the first product. Then we moved it to click to protect plus and then now we have to protect 3D + .3D stands for the product which covers death disability and disease in a single plan. That’s how the term plan has evolved.

The second category is the investments category - the savings and Investments category with the sliver of insurance cover. We had a online unit linked insurance plan, ULIP’s as we know them is called Click to Invest. The challenge was people were saying, you are charging me mortality and I don't want to pay for mortality, so we came up for product called Click2Wealth in which we return your mortality charges, if you don’t die and if there is a claim, we pay out the claim. Heads head you win, tail you don’t lose kind of situation from consumer perspective.

Anupam Gupta: You have kind of unbundled?

Vishal Subharwal: It’s still hybrid but depending on how your live stage pays out, lets say you take a 10 year Unit Linked at age of 25

Anupam Gupta: Let’s say at the age of 25 I enroll into a product and I am through it all the way till age 50 and I have not died

Vishal Subharwal: I pay you back whatever you pay me for your mortality charges.

Anupam Gupta: That’s possible today?

Vishal Subharwal: Yes, that’s possible. Online ULIP has that flexibility and other advantages around taxation.

Anupam Gupta: Logical question, given so much of technology, innovation and information, that is available to us what is the role of the advisor, today?

Vishal Subharwal: I think the role of the advisor remains critical. If you come to buy term plan online, you will find term plan from 24 life insurance companies today. Almost everyone has an online term plan.

Anupam Gupta: And there are aggregators that help you

Vishal Subharwal: And there are aggregators, right. Now interestingly a lot of the customers go in for assistance during the online buying journey. As I told you before, it’s not one click purchase and then you have questions which you can, just there is a toll free number available, there is a chat available, you can chat with the advisor. So it's no longer physical advisor needed, but you still need somebody to assist you in the journey because we ask question and you have to submit some documentation. To help you with that, there is consistent handholding which companies are providing and this is available not necessary in physical manner today, on a telephone or on a chat you can talk to an advisor.

Anupam Gupta: So that's what, that's what is for an individual to figure out themselves, if they are confident enough to take the hand holding that you offer on the website without a distributor, that is also possible right from signing up online, to doing your medical test which is actually the bulk of the work for a life insurance product is at the start, because the entire process of signing up, going for the medical health check-up, the policy coming in, having a look in period which is 2 weeks(15 days)

Vishal Subharwal: Varies from 15-30 days

Anupam Gupta : And finally when you feel comfortable, you do the premium. Doing the premium is easy you can set up an ECS and you are taken care for life. So honestly that's the kind of product you want to have. As compared to actually signing up with an advisor who will then has his own charges and I still believe that there is enough reason for taking that help. God forbid if someone dies, that process then becomes painful. What is your views on that?

Vishal Subharwal: Not necessarily, if you look at our claim settlement ratio it's upward of 99%. We have nearly 400 odd branches and all the information in terms of claims filing, etc is available online. So you can get in touch or your nominee can get in touch with us and kind of have that claimed settled pretty easily. It's not a problem area any longer.

Anupam Gupta: In your experience, in the last 5-10 years online is on its way up in terms of people signing up online directly without an advisor

Vishal Subharwal: And yes, of course, I mean that's on ascendance. It's pretty much you know, it's pretty much doubling every year if I have to put it that way.

Anupam Gupta: Wow, that's good for you, that's effective on the cost also for you, right.

Vishal Subharwal: Its effective on the cost, but what we do is we pass on the cost and the product, so few of our your products online, that you see – On the term plan there's a 5 and half % discount rate if you buy online and you know, products like Click2Wealth on the Unit linked side are primarily sold online. And therefore we can afford the return of mortality charges, etc. Even the traditional plans have announced rates online so you get a higher guaranteed return.

Discussion on Unit Linked Insurance Plan V/s Mutual Funds [0:18:11 - 0:34:25]

Anupam Gupta: I am sure listeners can find out more about this. On the other said, big hairy topic ULIP's V/s Mutual Funds, something a lot of viewers have strong views over, something which Vishal has already come prepared from what I can see.

Anupam Gupta: Welcome back to HDFC Life special. We've been talking about life insurance the concept, why do people need it. Yes they do need it and how to go about it getting it with lots of technology, innovation and online stuff. My guest Vishal Subharwal, EVP E-commerce and digital marketing at HDFC Life

Anupam Gupta: Vishal, now controversy, this is something that you must have discussed with friends and families, on social media etc. It is a very hot topic out there, ULIP V/s Mutual funds. Anyone, who is listening to this, already knows that a lot of people talk about don't mix investments with insurance. If you want, investments go for mutual funds, if you want insurance go for term life. Honestly, that's always a choice that people have. Listeners, if you want to do that, please go ahead and do that.

We are going to talk about the ULIP product, how it is structured, what it does V/S mutual funds. I want to have a view from the other side. Someone who is from Life Insurance, who believes there is a case for ULIP's, Vishal tell us?

Vishal Subharwal: So Anupam, let me just break this into two parts – I) The first one is how all of us as an individual's think and practice financial goals and savings, right? There is the theoretical piece that we should stay invested for the long term but there's a practical piece around it. The second part is the product feature, we will cover the second part slightly later.

Now all of us an individual's, at any point of time or during a life stage has broadly two type of goals - short-term, you know, I need to pay the tuition fee. I need to run the house etc or one year later I need some liquid funds for some, to buy a home etc, I am not talking about that kind of money that you need in short term but maybe in 0-5 years space. You need it within 5 years you know, my product doesn't even allow you to kind of operate in that space because there is an inherent lock in and as an industry, as a company we are not really interested in having that pot of money or that share of wallet that you have.

What we actually talking about something, which is medium-to-long-term. Medium term what I mean is minimum 5 years and long-term is basically as long as you live, so this is where both Mutual Funds & Unit Linked Investment plan, insurance plan operate and in sense compete for your share of your wallet.

Now let me speak a bit about how we've seen customer behavior over the years and this is data that more than half of the customers, if they are doing systematic investment, discipline savings etc, they tend to stop it within 12 to 24 months. You don't stay consistent with an investment that you had started in the month 0, you kind of midway tend to muddle that plan change that plan, change your fund, change the equity or stock that you are owning.

Anupam Gupta: This is not Vishal Subharwal's opinion, this is fact.

Vishal Subharwal: This is fact, you speak to any financial services individual, he will tell you that a retail investor tends to underperform the fund.

Anupam Gupta: There is a two piece of data out here, I remember reading this article somewhere saying that SEBI or AMFI that average life of a SIP, half of the people who start with SIP stop it in two years.

Vishal Subharwal: It's pretty much in that zone. And where are talking about the retail customer here, and not the people who are like really rich or HNI's customers here. If you look at some of the global data here, consumers globally /universally behave the same. Even if you look at the Peter Lynch's fund which was the top performing fund in the 80s, pretty much customers got 5-6% less than average investor or you'll get the JP Morgan deck and the information that they put out in the US, the retail investor return is even lower than inflation because customers tend to come at the top of the equity market. Because people come in for funds largely for equity/ returns.

Anupam Gupta: So what you are basically saying is when I invest in 'A' mutual funds with an intentions of holding for 10-15 or 20 years I actually don't do that, chances are I may land up selling them after 2 years and buying again for 3 years and then again selling/buying. So my blended return over the long period of time V/s what the fund has actually delivered, fund delivers more.

Vishal Subharwal: The fund delivers more

Anupam Gupta: That's hard data, and that's mainly because of my impatience or whatever.

Vishal Subharwal: Its behavioral in that sense and in the short term you know we are impacted by the volatility. Volatility could be in terms of excess return or there might be a downside but over a longer term this evens out that's how data has historically played out and Volatility evens out and your returns tend to be better than normally how economies going in any actively managed or indexed fund. That's the discipline and behavioral part of the answer. Let me just speak about the product features, right and as I've told you before we don't operate in less than 5 years space. We are primarily looking at goals that you have for longer period of time – these could be retirement goals, this could be wealth accumulation goals, child education goal

Anupam Gupta: Anything that's atleast 10 years below or 5-10 years below

Vishal Subharwal: 5 minimum and the product allows you to move out after 5 years without paying anything, ok. You don't bear any cost if you move out of the product after 5 years. My recommendation always is to maximize the tenure available in the product. If the product is available upto 40 years just lock it in for that period because you locked into a contract with an insurance company for that period. You may decide to exit at a time when you actually need the money, it could be 5 years, 10 years, 15 years or 20 years as long as you can afford to pay the premium please continue to pay premium and the wealth you know the fund will keep getting compounded.

I ll speak in the context of our online product HDFC life Click2Wealth is what it is called, now what this fund gives you. First of all, it has 8 fund choices that you have in a single product. You can buy an equity plan, balanced fund, debt fund, you can buy liquid fund. All of that in a single-unit linked investment plan.

Anupam Gupta: Back in the old day, there used to be simple equity, simple debt and that’s it.

Vishal Subharwal: There are 8 funds. You get bouquet of fund in one product. Now you can switch in and out of these funds at zero cost. So there's no load coming in and there is no load going out. Whatever premium you give me, gets invested in the fund on Day 1, the day you pay me the premium and what the company also does is, in this product, Click2Wealth, there is a special edition of 1% is the company adds back to the fund for the first 5 years.

So you pay me a 100 Rs in Year One, I make it 101, the company adds 1 Rs, second year you again pay me 100 Rs premium, I add 1 rupee. Basically instead of being on the downside, you are actually 1 rupee up on every 100 rupee you are investing for the first five years.

We have taken away all other charges such as the administration charge, the discontinuance charge in the policy. Everything is zero. Right there is only a fund management charge, the fund management charge is capped by the regulator at 1.35% the liquid fund is even cheaper. The maximum the fund management charge you are paying is 1.35% and if you look at some of the other actively managed funds etc, it's it's it's ballpark, this would be median of average of those. There's someone the higher side and some might be on the lower side. On top of these you enjoy tax benefits under 80C, once you invest but more importantly the proceeds from Unit Linked Insurance plan are also tax exempt. So basically you generate a corpus, after 10 years there is no taxation. You redeem your units, whether you do a partial or full withdrawal. Because the proceeds are coming from an insurance policy, there is no capital gains tax.

Anupam Gupta: Versus what I get with Mutual Funds, which is 10%... Or whatever the exact amount is.

Vishal Subharwal: Yeah, whatever the number is depending on the income slab. So yes, that's the basic difference. You're in for the long term, you are disciplined. The fund management charges are miniscule, the company's doing a special addition. And we've spoken about the taxation...

Anupam Gupta: The switch part...Yeah, fund switching is free. Versus, here if I am switching between equity and debt there might be a load implication.

Vishal Subharwal: Well, load as well as taxation implication. Short term and long term, both.

Anupam Gupta: In the case of a ULIP, atleast for Click 2 Wealth, if I feel I don't want so much exposure to equity, I can change that allocation. There's no cost or tax implication. Sometimes theres a limit to the number of changes I can make in a year.

Vishal Subharwal: This product has unlimited fund switches

Anupam Gupta: In a year?!

Vishal Subharwal: Yes

Anupam Gupta: Wow! I didn't know that! I thought it used to be limited to once a year.

Vishal: It used to be limited to four free fund switches in the previous avatar, but now everything is free.

Anupam Gupta: Okay.

Vishal Subharwal: What I haven't spoken about is the sliver of insurance.

Anupam Gupta: Oh, yes! Till now I thought we were only talking about an investment product. Go on, please.

Vishal Subharwal: You get minimum 10 times the premium as cover, assuming you're paying regularly.

Anupam Gupta: So, if I'm paying 1 lakh annually, then I'm getting a 10 lakh cover?

Vishal Subharwal: Yes. And there are some charges deducted for the risk covered. At the end of let's say, 10 years, if you've lived through the lifetime of the policy we'll return those risk charges, the mortality charges. I'm just talking about the plain vanilla variant here.

Anupam Gupta: Sure.

Vishal Subharwal: There are some other variants as well. Let's say if you want your childs education to be protected, or your spouse or family income to be protected, there's another feature called the waiver of premium feature in the product. Let's say something happens to you in the course of the policy. The insurance company will pay the subsequent premiums. Let's say it's a 10 year policy, and the demise of the policyholder happens in the 5th year. For the remaining 5 years, it's the company which pay the premiums, invest in the fund. The fund will continue as planned. Your spouse, your child is protected. And the money doesn't go immediately, it goes at the end of the period which you had originally envisaged.

Anupam Gupta: It's compelling, isn't it? I mean..

Vishal Subharwal: Aurbataun?

Anupam Gupta: In my opinion, there is so much nuance. There are so many small factors out there beyond the entire "you should only do this" or "do that"... I think all of us are grown up enough, all of us have enough info at our fingertips... Please tell us more.

Vishal Subharwal: There's also a Golden Years variant. If you're planning for retirement, you can take the plan till 99 years. Keep investing in the plan, and if you continue till you're 70, which is..well, your listeners will be probably half that age..

Vishal Subharwal : What I would advise is, put out an Excel sheet. Let's say you want to invest 1 lakh per year for whatever period you want to invest, and compound that at 8%, for example.

Anupam Gupta:: Big number!

Vishal Subharwal: Right, the number will run into crores. That is a part of the corpus that will be availble at the end of 70 years. And you can withdraw that at a systematic fashion till the age of 99. If you want to put a lump sum and you want to do rupee cost averaging when you're paying the premium, you can do that as well. You pay me lump sum, invest in a liquid fund. Every month it goes into the fund that you've chosen.

Evolution of ULIP Product in the last 10 years [0:34:24 - 0:38:25]

Anupam Gupta: Great! I wanted to wrap this answer in a way that, 10 years ago what ULIPs were like. There were some problems... We're just being frank..

Vishal Subharwal: ..yeah, yeah sure.

Anupam Gupta: ...at that point of time the market was different, the regulation was different. The world was different. Versus today. Just give me 2-3 points as to where this product has actually improved. So that our listeners know that when you're searching for a ULIP, these are a few things that are a few things that are better today, and they should find out more, before making a decision.

Vishal Subharwal: Yes. So let's say the fund generates 10% returns. Now what the regulator's done, is, the charge which the insurance company can extract out of this 10% has been capped. Now this is a function of how long you've stayed in the product, but yeah, it's capped. Which means the insurance company can't take any more charges, and the shareholders essentially fund the other expenses. IN the earlier avatar of ULIPs, pre-2010, the allocation charges were really high. Which means if you were to give 100 rupees the company would only invest 90 or 80. In 2006-7 India was at the peak of it's bull run, and then the global financial crisis happened. Money in the past was doubling every two years. Here you had paid allocation charges, markets are crashing… So you left a red mark in your fund. Companies could charge high fund management charges. Surrender charges were high, so you come to an insurance company, and say I don't want this plan, you had to incur a high surrender charge. But all this has been taken away. We have Click 2 Wealth, where pretty much everything has been brought down to zero, apart from the 1.35% FMC and the mortality charge, which I'm returning to you, right?

Anupam Gupta: Wow. It's become more transparent also.

Vishal Subharwal: Absolutely transparent.

Anupam Gupta: What you see is what you get.

Vishal Subharwal: And the fund performance… everything, is available in the website. A lot of people, they don't know where this fund is getting invested. As per regulation, we have to update our website with the fund performance and what stocks we're holding on each fund…

Anupam Gupta: And you get updates on your units every… week?

Vishal Subharwal: Whenever you want. You can check it on the app…

Anupam Gupta: There's an app for it?! I feel old suddenly!

Vishal Subharwal: Fund switches is one of the most important features, because people look at the NAVs and they want to switch across funds and stay in the same product.

Anupam Gupta: Folks, just keep that in mind, okay? Any decision you make with your money should be a well-informed one, rather than just have blind faith in some belief like "don't mix insurance and investment", which does have merit in its own place, but you've got to stay informed of the other side. Vishal has spent a long time explaining to you how the new ULIP is much much better than what used to be there 10 years ago. What he spoke at the beginning was quite compelling. First, with ULIPs, you are going to be invested for a long period of time – could be 5 years, 10 years, whatever. And second, investor behaviour. There's enough data on record to show that what you get when you do 'masti' with your investment products – buying and selling and stopping your SIPs – stops you from getting the much higher returns that your fund gets. That's just data, it's not me saying my own opinion. Vishal, last question of the show. Trying to just push the envelope, since we have covered a controversial topic already. We had this thing on twitter also, where I had put this out. When I had gone to my bank, I got approached with this product. "Sir, aapismeek lakh daliye 10 saalkeliye, uskebaadaapkoek lakh harsaalkeliyemilega."

Vishal Subharwal: Right.

Discussion on the Traditional Savings Plan – Sanchay Plus Product [0:38:48 - 0:41:00]

Anupam Gupta: So I was like, "Dude, first, that is simple." And I say this with all seriousness. As compared to any other thing where I have to sit down and do calculations – SIP, return, this many years. This guy was very simple – "Put this much for this many years and get this much." And I asked him the IRR, and he actually told me the IRR. I remember when I used to ask this question to the distributors or the bank people, they would say, "nahi IRR kyahaipatanahi." He was frank enough to tell me. And I actually went back home and did the excel work. His IRR was right. I won't get into whether his IRR was high, low or whatever. What is the deal with traditional savings products out here, as someone who manufactures and sells it. I know that there is a case for it, or else you won't be doing it. I want to know the other side of the argument, what you had replied to me on twitter also, in case people didn't read…

Vishal Subharwal: What's in it for the consumer, right?

Anupam Gupta: Yes.

Vishal Subharwal: What we're talking about is our guaranteed savings plan which is called Sanchay Plus. Now, what we tell you in this plan is, you pay me X rupees for a certain duration of time, and at the end of a certain duration that we agree at the start, I'm going to return to you a certain corpus. You know the premium that you are supposed to pay in the policy and I'll tell you what corpus you'll get, so there are no 'if's or 'but's in it. If you stick to the contract in terms of paying the premium…

Anupam Gupta: It's true to its word, right? It's actually "guaranteed".

Vishal Subharwal: It is guaranteed. As people say – "Likhitswarupmeinapko contract mein guarantee milega." That is what convinces the customer. There are very few plans which can help you lock in your interest rate today, because interest rates are volatile, as we've seen in the example of Japan…

Anupam Gupta: Well, today there are Bond Yields in 0!

Vishal Subharwal: Yeah, zero, and even negative in some countries. In Japan, in the 80s, it used to be… double digits? And in India..

Anupam Gupta: Used to be 12-13%

Vishal Subharwa:l And it's come down to now… 6.5-7% as we talk today. Basically the insurance company, just like it manages the life risk of the individual, they are managing the interest rate risk. And there is a large segment of consumers out there who are interested in return of capital. Not just return of capital, safety of the asset/instrument is just as important.

Anupam Gupta: It's critical. If you're saying I'm committing 10 lakhs over 10 years, I would atleast want that much backing. Here you're signing on the dotted line that "Itnatohmilne hi walahai"

Vishal Subharwal: That is 'pakka'. So yeah, return of capital and whatever gets accumulated is guaranteed right up front. People have a misconception that individuals are putting all their money on this. It's all about asset allocation. You might put 10% of your savings in this, and that is what individuals are doing. Just saying that this product is good or bad…

Anupam Gupta: I appreciate your candor Vishal, seriously. We are tackling topics here which people have very strong opinions on, but then in the face of fact, you can't deny that.

Vishal Subharwal: Yeah… the strong opinions are largely on social media. (*both laugh*) In terms of the business inflows and what's happening on ground, there's a huge segment of customers who are buying this product, and it's a mix of the rich and the not so rich.

Conclusion of the Episode- How to learn more about Life Insurance and acquire financial literacy (00:41:31- 00:43:41)

Anupam Gupta: Folks, that is…. I'm just putting this out there. The second half, might have gone a little bit long, but I believe these both were very important things to talk about because they directly affect you and decisions that you make on your money. Both are topics on which people have a lot of opinions on, but like I said, you need to know both sides of the story. Vishal has been gracious enough to present a case without resorting to drama or anything you see on social media about these products. He's been frank about telling us that there is a certain case for these traditional savings plans, and ULIPs, and all of that….

Vishal Subharwal: But do buy term insurance before you buy anything else!

Anupam Gupta: Of course! That's the best possible advice that anyone can have or take away. For me, investment, you can think about it later, but term insurance, life insurance, or the basic form of insurance is extremely important. Go for that. Vishal, thank you so much for your time, for beign so gracious, with everything that we've shared. I hope you've had a good time understanding all these concepts of insurance. Last question, Vishal. How should people learn more about this, and tell us where they learn. Where all is HDFC Life present, where can they reach out to you.

Vishal Subharwal: The best place to go is our website – hdfclife.com, which is where all the product info and brochures are available. You can check everything online. That's the first place that you should go. We are available on social media - @hdfclife on twitter. You can write to us on Facebook, Instagram if you want to. We are present all over the place. Our toll-free number is available if you need help. You can call our agents as well. I'm personally available on twitter as well.

Anupam Gupta: Thank you so much Vishal. That is a wrap on the HDFC Life special. My guest Vishal Subharwal, EVP, E-commerce and Digital Marketing. Vishal thanks once again.

No material in this show is to be considered financial advice. The material in this show is for informational purposes only. Please consult a financial advisor before taking any financial decision.