

Understanding insurance as an investment

By TIMOCI VULA

TO suggest to an individual to take out an insurance cover on life and or property, or just the mention of the word 'insurance', will quickly divert the conversation to 'it's expensive' or 'it's only for the wealthy'.

A misconception that has, sadly, been widely accepted, especially among the financially illiterate.

However, the fact is quite to the contrary — having an insurance policy or policies can be the very safety net a family will need when an unforeseen circumstance strikes.

And that is precisely the commitment one of Fiji's leading life and health insurance service provider has taken on board — to create awareness and advocacy on the importance of insurance as an investment plan.

In response to questions from *The Fiji Times* recently, BSP Life managing director Michael Nacola revealed the low 'meaningful' insurance coverage in Fiji at only 15 per cent of the country's total population.

He said there was a large vacuum in insurance coverage in the country and brought to light the need for more awareness, accessibility and affordability.

"In our book, those that have insurance policies that are sufficient to cover off the untimely loss of a loved one, as well as act as an investment safeguard in the future, the coverage is quite low," Mr Nacola said.

"So that is part of our brief is to try and advocate the importance of insurance as an investment plan. And to make sure that people understand that it is a long term investment but that investment does pay off."

Mr Nacola said people needed to know that an investment-linked insurance policy is like a silent investment working hard in the background to generate returns.

While it aims to intensify awareness, education and advocacy, the insurance service provider is also urging present policyholders to hold onto their policies and not give it up in times of financial hardships "because it is manifesting itself in value creation for the investment portfolio that we have".

He said there were people who would regret not opting for a slightly bigger cover when their policies mature and would say "I should have put a little bit more aside because I would have received more at the time of maturity".



BSP Life managing director Michael Nacola. Picture: SUPPLIED

Mr Nacola said they conducted regular research and customer feedback, and a couple of things came through — i) understanding of what insurance is about; ii) accessibility; and iii) affordability.

He said in the Fiji market, it's important for interested people to understand that it is not just the traditional insurance, where you're paying in the event someone passes away.

Last year, BSP Life paid about \$94million in claims — about \$17m for health and about \$11m for death that went to family members when the life insured passed away; and the majority of \$66m was for policyholders who are still alive.

He said people needed to understand that for insurance policies, bulk of the payouts are

made because of the savings and investment element.

"So advocacy around why insurance is important is the starting point and is the first area we need to work on," Mr Nacola said.

On accessibility, he said "we are working hard on providing information through social media platforms and to make sure our 150 advisors dispersed around Fiji can assist people access information".

He added they were also targeting the platforms of major conferences for advocacy, and also urged employers to allow insurance agents to talk on the subject to their workers.

"Accessibility is important. We want more people to come into the net."

He said with collective efforts

from stakeholders, "we can see that needle move from 15 per cent to 30 per cent to hopefully 50 per cent in the foreseeable future".

He said those insured with investment-linked policies were partaking of all the benefits, and the more people signing up meant more premiums, which ultimately meant more to invest.

"And from those investments, the returns go back to all the customers by way of their bonuses. So we essentially work for our customers."

In the 2023 financial year, BSP Life paid out \$38.4million in bonuses to its 40,000-plus investment-linked policyholders, the highest ever in its 147 years of operation.

Mr Nacola said they were now accelerating innovation in terms of creating tailor-made products



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targeted at the lower end of the market to address affordability.

He said those products were tailored to an individual's financial needs and what they could afford.

"The benefit of insurance policies, it's not off-the-shelf where you're stuck with 'you must pay \$50' or 'you must pay \$100'. If you can only afford \$30 a fortnight, we'll take out a \$30 a fortnight policy. It's very elastic and allows people to adjust it to what their budget requirements are."

He added there was also a team on standby for policyholders faced with financial difficulties to be assisted because of the long-term nature of the commitment.

Mr Nacola said they hoped that as the economic environment stabilised that more people would have a bit more disposable income to take up an insurance policy.

With an investment portfolio of \$1.1billion, and a target of \$2billion in the next 10 years, the beneficiary of those returns will always be the policyholders.

Mr Nacola said their key interest at present was convincing people to understand and acknowledge insurance as a trusted and reliable investment to make.

"We need to work harder as an industry and we are working with the RBF (Reserve Bank of Fiji) to try and support the advocacy around financial inclusion, and specifically talking about how insurance can support that end outcome."

BSP Life is a joint venture partner of Sofitel in Denarau, and 100 per cent owners of Future Farms trading as Rooster and Oceania private hospital.



BSP Life managing director Michael Nacola and chief financial officer Munendra Naidu at the bonus declaration announcement in Suva yesterday. Picture: TIMOCI VULA