

How to Manage your Insurance Portfolio?

First of all, let's face it, Insurance of any kind is not a straight forward product and sometimes beyond the understanding for a common man. In our experience over the years, following issues have been identified which can be daunting for a consumer of insurance products:

1. What are the risks you face in achieving your life's goals?
2. How do you quantify those risks?
3. How do you manage those risks with the help of insurance products?
4. A clear and concise understanding of various insurance products
5. How to choose an adviser with good understanding of the advisory process?

It is important that once you have decided to buy insurance there should not be any confusion about the products you have bought. Here is a simple four-step guide to tackle all the above issues:

1. **Select the Insurance Advisor**

As we mentioned at the beginning, one reason why insurance has turned out to be more complicated than necessary is because of the quality of insurance advice. Selling insurance as you are aware can be very remunerative. Not surprisingly, the advice is often biased in favour of insurance products that garner the highest commissions. So you have to be really sure that your insurance advisor is honest and competent. If you can't ascertain this easily, insist on references whenever possible. Check his recommendations by asking for comparisons across insurance companies over various parameters. Understand why he is recommending one insurance plan over another. And if he is making claims that seem outlandish to you, don't hesitate to either take it down in writing from him or get a confirmation from a company official.

2. **Identify your Needs**

Your needs may not be just short-term, you should identify your long-term needs as well. It is fact of insurance – you may not get it when you need it. Your health may change and insurance companies may exclude or charge extra premium for your pre-existing medical conditions. It is certainly a difficult task trying to predict your future state of health. You must identify your long-term financial goals and identify the risks that may prevent you from achieving those goals.

3. Quantify your Needs

Once you have decided why you need insurance, the next step is to calculate how much cover is sufficient to match current and future needs. For example, if you are buying Term Life Cover, you need to take into consideration your total loans and family commitments. The experts call it 'Human Life Value', or how much is the economic value of a human life. Your Insurance Advisor should be able to provide a good estimate of your economic value.

4. Conduct Regular Reviews

Like all other long-term activities, you must monitor your insurance portfolio closely to ensure that you are on track to achieve your objectives. For instance, if you have opted for a life cover (in line with your Human Life Value), then you will have to keep a close eye on your liabilities and financial commitments. If there is a discernible upward revision, then your existing life cover may not prove sufficient and you may have to consider taking additional cover. The solution to this problem is to opt for a slightly higher cover at the outset; since pure risk plans are relatively cheap, it will not prove to be expensive.

By now you would have realised that managing your insurance portfolio isn't as difficult as it appears. Like any other activity it involves taking decisions, implementing them and monitoring the results closely. Of course, your insurance advisor will play a key role over here, which is why it's important to ensure that he is honest and competent.