

## Strong Brand Visibility and A Strong Bond of Trust With Our Customers - Vibha Padalkar

**M**s. Vibha Padalkar Chief Financial Officer in HDFC Standard Life Insurance, is the person to watch. Before joining HDFC Standard Life Insurance Co. Vibha became a member of the Institute of Chartered Accountants in England and Wales in 1992, after having completed the last part of her schooling as well as college education in London. She returned to India in 1993 and was briefly with Pricewaterhouse Coopers. This was followed by 7 years at Colgate Palmolive India including a short posting to their New York headquarters, wherein she received well rounded experience in the areas of financial reporting, costing, budgeting and internal audit.

Under her management, the company now is investing lots of time and effort in market research in understanding changing customer requirements. HDFC Standard Life was the first company to firmly position itself as a well-defined and differentiated brand. It is one of the few brands that customers recognize, like and prefer to do business. In an interview with INSURANCE WORLD, Vibha said our comprehensive range of products are designed and customized to provide very good long-term value to our customers. The interview is reproduced below, verbatim:

*1. From an organization marketing FMCG to a service oriented organization like life insurance, the transition must be quite challenging. How do you view your organizational responsibilities and accountability in the HDFC Standard?*

- The key similarity in both the organizations is that their services are business to customer (B2C) in nature. In both the organizations, preference is given to customer needs. At HDFC Standard Life, our focus has always been on designing solutions keeping in mind the needs of an individual across different life stages. We strive to create products, which add value to customers and complements their profile.

I am proud to be associated with HDFC Standard Life, one of India's leading life

insurance players, with strong brand visibility and a strong bond of trust with our customers. We will continue with our efforts to suggest the right life insurance policies to individuals as per their needs. Insurance is a long-term savings vehicle and encouraging individuals to remain invested for long-term would continue to remain our business philosophy.

*2. India is one of the few countries where tapping the rural sector for life insurance is expected to yield immense premium flow. But managing the cash flow out of premium revenues on a day to day basis has an enormous stake. What are your plans to ensure that every rupee of premium collected adds to the investible surplus of the company?*

- As an organization that has tight control on its discretionary spends, we stretch every rupee through smart investment decisions. We are striving to make the best use of our present capability through rationalizations of our existing infrastructure, and judicious efforts to curtail our expenses.

*3. In every country where life insurance has taken deep roots as a tool for consolidating the savings of the public, the infrastructure industry looks to life insurance companies to invest heavily in infrastructure projects. What is the policy of HDFC Standard in investing in infrastructure projects?*

- As a company that is regulated by strict legal and statutory guidelines, all our investments have to be duly approved by the Investment Committee. We are permitted to invest in asset backed securities, pass through certificates, security receipts and venture funds on a case-by-case basis. The Investment Committee is set-up in compliance with the provisions of the IRDA (Investment) Regulations, 2000. The primary function of the Investment Committee is to formulate the investment policy and strategies for the investment of the policyholder and shareholder funds in accordance with the limits prescribed in the regulations. The Investment Committee meets at regular intervals for review.



**Vibha Padalkar**  
Chief Financial Officer  
HDFC Standard Life Insu. Co.

*4. With uniform accounting standards becoming the order of the day, do you foresee any glitches in operationalizing them in the context of premium and claims accounting?*

- Uniform accounting standards have made the life insurance industry more regulated in terms of financial reporting, but I believe a level playing field is needed for uniformity and comparability. A lot of scenarios have to be carefully thought through, especially in the Indian context. While a higher level of reporting will bring its own challenges, it is definitely achievable.

*5. Asset management in augmenting the profitability of the company's investment portfolio is crucial for any life insurer. Are you contemplating outsourcing your asset management activities? What are your goals in this regard?*

- IRDA does not permit outsourcing of asset management activities. We have a capable in-house team, lead by our Chief Investment Officer. Also, we continuously upgrade the skill sets of our in-house team through training and development.

*6. Solvency of insurance companies in varying economic conditions is a sure test of the company's stability and operational efficiency. In India the law prescribes the minimum solvency*

margin to be maintained. What are your plans to ensure that HDFC Standard's solvency margin remains within the prescribed norms?

- At HDFC Standard Life, we continuously monitor our solvency margins. We have always maintained a comfortable buffer over and above the base requirements. During the financial year 2008-09, our solvency margin was 258% as against the regulatory (IRDA) requirement of 150%.

7. Internal Audit as a tool of control for expenditure and efficiency has become paramount in all organizations and more so in insurance companies which substantially deal with public funds. What objectives have you set for Internal Audit in your company?

- As a part of our internal control process, we undertake regular audits to weed out wrongful practices, if any, within the organization. Efforts are made to ensure minimal deviations from the prescribed processes and impose adequate controls at every level of the organization. Necessary corrective action is taken wherever wastages or inefficiencies are highlighted in the system. We have formulated a Risk Management Framework, which lays down the procedures for risk assessment and mitigation. The Risk Management Framework and the Risk Registers are reviewed quarterly by the Risk Management Council. The Board is kept apprised of the key risks associated with the business of the company and measures being taken to mitigate the same. The Audit and Risk Committee reviews key risks associated with the business of the company, its root causes and the efficacy of the measures in place to mitigate the same.

8. There is a view that choosing life insurance products such as ULIPs as an investment option may not be a wise thing to do, as complex fee structures may eat into one's returns. Do you consider investing in ULIPs both as a risk cover and as an investment of one's funds qualifies for a good decision?

- As life insurance is an investment designed to deliver long-term returns, Ulips are a good decision for individuals with a long-term (10+ years)

investment horizon.

9. The contribution of insurance premiums to the GDP of India as now existing is dismal compared to what is obtaining in many other countries. What, according to you, needs to be done to shore up the premium level in the GDP of the country?

- The life insurance industry in India is currently on a growth phase and companies are focusing on increasing their penetration in rural as well as urban markets. I believe that we should focus more on the Tier II and III cities, which are still relatively unexplored and under-penetrated. We expect that the industry would grow if exclusive tax benefits are made available for investment in this sector.

10) What is your opinion about the life insurance industry?

Competition in the market due to the entry of several life insurance players has led to product innovation, better pricing, vibrant distribution channels, improved delivery mechanism, and better customer servicing. Customer perspective has undergone dramatic changes. Today, life insurance is not merely viewed as a tax saving financial tool alone. Life insurance plays a dominant role in an individual's financial planning decision. The messaging has evolved from 'are you insured' to 'are you adequately insured.' Increasing customer awareness has led to individuals choosing multiple life insurance plans to fit their multiple needs -- protection of income from unforeseen events, protection from loan liability, planning for future savings requirements, pension requirements, or cover for medical exigencies - across their life stages. Need-based selling strategies of life insurers have helped individuals to analyse their needs thoroughly and select a life insurance plan that fits their needs rather than merely buying a life insurance plan to save tax alone.

Despite the criticality of life insurance, sales in the industry have been characterized by over reliance on tax benefits and limited advice-based selling. Our eight-step structured sales process 'Disha' however, helps customers understand their latent needs at the first instance itself without

focusing on product features or tax benefits. Although there are more than 22 life insurance players today, yet there is ample scope for everyone to grow and ensure that every Indian has adequate life insurance cover.

11) During the economy recession how is your company performing and what is the solution to overcome this situation?

The financial year 2008-09 was a difficult year for the life insurance industry. Several unexpected events - sharp correction in financial markets and a spread of recessionary trends had an impact on the industry's growth. Given the uncertainty, customers reduced their annual premium commitment on new policies. We however, believe that the need for life insurance - either protection or saving - is universal, irrespective of market conditions. Everyone has a need, be it protection of income from unforeseen events, protection from loan liability, planning for future savings requirements, pension requirement, or cover for medical exigencies. For effective financial planning and finding the right insurance plan that matches an individual's requirements, customer awareness is crucial. We believe that as a life insurance company, the most crucial task is to train the sales force, our first contact point with customers. In the current economic situation, we believe that it is best to stick to the basics - educating the sales force to pass on the right message to the public.

HDFC Standard Life's sales force (Financial Consultants) adopt the company's structured sales process called 'Disha' that helps customers understand their latent needs without focusing on product features or tax benefits at the first instance. We also pass on the right message on the market linked products. For the customers who are now nervous or wary of investing in Ulips, they have the option to invest in different funds ranging from the most conservative approach (with minimal equity exposure) to maximum equity exposure, depending on their risk appetite. If one does not have the time or the inclination to regularly monitor fund allocations, one would do best to leave it to the professional fund manager - their life insurance company.