'Bancassurance will be key to the insurance for all by 2047 goal'

Q&A **Vibha Padalkar**, managing director and chief executive officer of HDFC Life Insurance, expects new business growth to rise to the early teens from 9-10 per cent, with retail term, non-par and annuity products supporting growth. In an interaction with **Manojit Saha** and **Aathira Varier** in Mumbai, she calls for a stable regulatory environment and says the firm remains open to selective mergers and acquisitions (M&A) opportunities. Edited excerpts:

HDFC Life is the second-largest private-sector insurer, with a 15 per cent market share. What will it take to become the number one player?

■ It depends on the distribution structure. If HDFC Bank were to move back to an open-architecture model, getting to number one would not be difficult. If my counter share is 60-65 per cent, simply grossing that up would take me close to the number one position. In an open-architecture environment, however, we have to invest much more in relationships, including feet on the street. So, the margins of closed- and open-architecture models are very different. Unlike banking, insurance has significant variations in commercials and acquisition costs, particularly between open- and closed-architecture models.

Do you think the traditional dominance of bank-backed insurers is changing, with agency channels becoming more important?

■ All our channels need to grow. Banks have 10 times more touch points than the entire life insurance sector in terms of branches, and their rate of branch additions is also faster. It is almost a self-goal to say bancassurance is not the way forward. I believe bancassurance will play a critical role in achieving 'Insurance for all by 2047'. Online insurance will largely be bought by more aware, younger and metro customers. The bigger challenge is evangelising the need for insurance. Our philosophy is to let 1,000 channels bloom and be present in every channel. We already have more than 350 material channels and, including smaller fintechs and other partners, around 500. The need of the hour is not to redistribute the pie between channels, but to get more people selling insurance and take the need for insurance to the last mile.

How do you view the issue of mis-selling in life insurance, and how much responsibility should insurers take for mis-selling by bank employees and other distributors?

■ In life insurance, the mis-selling rate is 5-10 per 10,000 policies sold. In banking, it could be five times that, and in health care, five to six times higher. So, while there is anecdotal noise around insurance mis-selling, the numbers are relatively small. We should not let the focus on mis-selling discourage people from buying insurance. The proportion of customers who complain is very small relative to the overall number of policies sold.

Post-GST rate rationalisation , some products, particularly term insurance, saw strong growth along with higher ticket sizes. Is that momentum sustainable?

■ In Q1, we grew retail term by 42 per cent, compared with 20-25 per cent before GST, so growth has effectively doubled. Of the incremental 25 percentage points, roughly half is due to GST and half to what we have done on product features, pricing and reducing friction in underwriting. So, even after the GST-led boost fades, I believe growth should remain above the 20 per cent levels we were previously seeing. If we move from the early 20s to a steady state of the high 20s to early 30s, I would consider that a meaningful benefit. Unfortunately, this benefit has not been as visible in savings.

Annuities are gaining traction across the sector. What would an ideal product mix look like for HDFC Life?

■ We approach it from the bottom up; the company-level mix is an outcome, not a predetermined target. We assess product suitability across customer cohorts, income levels, age groups, geographies and distribution channels. At the company level, I would expect ULIPs to settle at around 40 per cent. Non-par in the high 20s would be healthy; we are already at 25-26 per cent. Retail term has crossed double digits and should remain there and gradually increase. Annuity has grown 150 per cent and now accounts for around 11 per cent, which I expect to remain healthy.

You have added more than 250 branches in the last 30 months. What measurable improvement should investors expect from these investments?

■ The 250 branches now contribute 15-18 per cent of our agency channel revenue, so they are already quite meaningful. Their contribution has steadily increased over the last 24 months. Six months after opening, they contributed in the low single digits; that moved to the high single digits, then crossed double digits, and is now approaching a 20 per cent exit rate this year. So, productivity is trending well. We do some rationalisation because we do not always get it right.

Where do you see HDFC Life's new business premium growth and market share in FY27?

■ We expect growth to return to the early-teens, which we have indicated, provided regulatory disruption is not significant and we reach a steady state. In Q1, all channels other than HDFC Bank grew 17 per cent. HDFC Bank was flat, bringing overall growth to around 9 per cent. Many channels are already growing at that pace; it is primarily one partner that has affected the overall number. HDFC Bank accounts for about 46 per cent of our retail business and roughly 33-34 per cent of overall business, including credit life.

With FDI creating opportunities and partners changing hands, is HDFC Life looking at inorganic opportunities?

■ We continue to evaluate opportunities. We were the first, and so far the only, M&A transaction in the life insurance space. We have the balance sheet and appetite and will continue to evaluate opportunities. The opportunity needs to be meaningful, so we will be selective about what makes strategic sense. There are more stake sales than entity sales, but we cannot buy a stake in another company. Entity sales are relatively few and far between.

If you had one request for the regulator or government, what would it be?

■ We need a steady-state environment. Whatever changes are coming, let us get them over with. Constant changes mean CEOs, senior management and boards spend a lot of time recalibrating the model. That needs to stop so we can focus on growth, financial inclusion and bringing more customers into insurance.

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Vibha Padalkar, HDFC Life Insurance MD & CEO