INTERVIEW. DEEPAK SATWALEKAR, retired MD & CEO, HDFC Standard Life Insurance

We might not necessarily see a consolidation in the industry

Deepak Satwalekar, a well known financial personality in the country, retired as the managing director and CEO of the HDFC Standard Life Insurance last week. He spoke with FE's **Kumud Das** *about the future trends in the liberalised life industry. Excerpts*

How do you see the life insurance in-dustrytoday?

The life insurance industry today is growing little slower than what was it has been growing for the last five years. But of all the financial sub-sectors it seems to be offering stability to the sectors.

It has not suffered large redemption pressures unlike mutual funds and there is no greater loss. The growth is not over 100% like it was last year. In the first half of the current fiscal, we had a growth of about 50% over the previous year. So, we are seeing those business strengths coming in. People are looking for long-term savings. A large number of contracts are for a period of 20-25 year range and a lot of younger people are now buying policies from us.

Don'tyou think that unit linked insurance plans (Ulips), and not risk products, has solely contributed to the growth of the life insurance industry?

I think it is one of the biggest confusion, which has been created by the media. I don't think that the media understands that the insurance is not just about risk product and protection.

Ulips are there to help you plan your financial security. Ulips also offer you protection. The combination of savings and protection is what every individual has to meet. I am not willing to understand and accept that Ulips are not insurance products. If you look at the developed market, may be UK as well, the same products account for over 90% of insurance sales.

Howdoyousee the appetite for Ulips after the recent stock market crashes?

We continue to see a huge request for ULIPS as over 90% of our total sales are Ulips. If the same trend continues, over 60-65% of the new premi-um that we get is targeted at our equity funds, which is about the right thing to do. Because if the market is at its low levels, then you enter the mar-ket at this level and over a 20-25 year period,you will see a huge appreciation in the value. So, Ulips also provide you the ability to participate in the stock market for a long term. That is the strength of the Ulip. Also, it provides you the flexibility to move across asset classes. So, I think the Ulips are absolutely customer-friendly, they are driven by customer requirements and the choice is in the hands of the customers.

How have you observed the switches among various Ulip options in the current volatile market?

In this period of market correction, we have we have seen people moving out of equities into debt. So, these are knowledgeable investors. They understand, they move out. But people new to this are willing to buy Ulips with maximum equity exposure at this low level of the Sensex. Because they believe that this is the right time to enter in a long-term scenario. If you want to believe everything we breed in then media, then Ulips have been forced seven or eight years unless, it was a basic requirement of the customer.

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How many players do you expect to enter the life insurance sector in the next five years?

Currently, we have 21 life insurance companies. I believe there are five other companies, which are waiting to start off by the end of the financial year. I am not sure, in the next five years we might see many more players. We might get half a dozen more players coming in, but I think what you might also see is a change of hands, a change of promoters. We might not necessarily see a consolidation in the industry, but partners being changed.

Such a development may happen as some promoters might lose their patience, because this is a long-term business and they may wish to get out. There are others who may wish to get in because they believe that in the long run, insurance and pension offer a huge opportunity for financial services companies.So, there willbe two people with two different sets of views on what the market is about. And so, there will be sellers and there will be buyers. So, I think, there might be a change of hands in promoters.

But, can there be a consolidation?

Consolidation may happen but, I think, it's not unless a company, which has to be acquired offers significant distribution strengths to another company. Life insurance is a big distribution-led business. Then, unless you can buy out some distribution capacity, it doesn't make sense. I think, they would need to see the quality of the portfolio before buying out a company. And if the quality of the portfolio is not very good, then there is no reason to buy out.

Despite two strong partners, HDFC Standard life was not among the top three companies. Would you like to comment?

I think the media is using the wrong parameters for judgment. New business is not the only parameter that should be used. What you need to look at is the quality of work that you are buildingup.

You need to look up whether you are selling long-term policies. You have to look at what the lapsation ratios are. Not just how much of business you get in. We are not in the business of ramping up the topline only. Our business is to create long-term value for policyholders and shareholders.That'swhatwehaveconcentrated on. We are extremely satisfied with the base that we have created for the long-term success of this company.

What are your expectations from the regulator?

I would expect the insurance regulator to evolve other measures of evaluation of performance of insurance companies. The only thing that they put out in place is the newbusiness premium income. I think they need to do more. I think they need to come out with a set of disclosure standards and regulations so that the insurance industry has more disclosures on the financial standing of the insurance companies than it is there today. I think we need a uniform set of definitions and guidelines as a part of the disclosure requirements so that when a number is put out, it means the same for all insurance companies.

The example would be that the lapse of policies 16 days after the due date. But in other sectors, the period is of 60 days after the due date. If we put out the number, say the lapsation rate is 10%. If somebody else says they have a lapsation ratio of 5%, people would believe that with such a low level of lapsation ratio that is a better company. So, what the a regulator should do is to move towards uniform definitions for all insurance companies and make them disclose the number of policies as well as premiums overdue beyond 30 days.