DNA

# We will break even by 2010-11'

*HDFC Standard Life, one of the first-rung insurance companies, is into its ninth year of operations. The life insurer generated a total premium income of Rs 5564.69 crore in 2008-09, registering a year-on-year growth of 15%.* **Paresh Parasnis,** *principal officer and executive director, HDFC Standard Life, spoke to* **Nan-dini Goswami** *on the company's results, concerns and strategies. Excerpts:*

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**How do you rate the year just gone by?**

Growth has been lower. But, in line with the overall market conditions, the growth in effective premium income (EPI, calculated by giving a 10% value to a single premium policy) in the retail business has increased by 5% to Rs 2,552 crore in 2008-09. Renewal premiums grew 34%, while new policies rose by 16%.

Customers have reduced their annual premium commitment in new policies. People are not being able to commit for a long period and it's a wait-n-watch for many. Average premiums have come down. Perhaps the asset values have come down from a set goal of, say, three years back.

But this is the right time to top up policies. The need and goal for life insurance is always there and a fair amount of customer education is needed for the purpose. HDFC Standard today is going back to basics to help customers understand their needs.

**What will be your growth strategy amidst all this apprehension?**

Our strategy is three-pronged. Growing market share as a share of new business is important. Quality and persistency are also significant parameters.

**Would you be looking at major expansions in FY10?**

This would be a year of consolidation rather than expansion. Last year we expanded significantly and, this year, the idea is to look at greater penetration. It is easy to say - open up more business... but one has to look at cost overrun and find ways to bring it under control. We will look at the level of efficiency in the existing 600 offices. Moreover, we have 2 lakh tied agents and improving productivity is vital. **Your market share has dipped. What's your mantra to tackle the issue?**

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Strengthening our position without losing market share, and being aggressive. **How much of capital savings is possible with the Irda reducing solvency requirements in term, unit-linked and traditional plans?**

The reduction in solvency margins has helped us reduce the capital held for statutory purposes by about 15 %. **Are you looking at lowering premiums?**

We have brought down premiums for our term plans by 25% across all levels and ages. Though the overall reduction is about 25%, the term plan also offers a discount for those opting for a life cover of over Rs 25 lakh. **Do you think people will buy more of these plans now?**

The reduction in premium rates for term insurance would obviously provide a boost to this market. The Indian customer has largely not been keen on term insurance but this perspective is undergoing a change. With the increased level of borrowings - housing loans, personal loans, credit cards, vehicle loans etc - there is a much greater awareness of the need to protect the family from a huge liability in case of an untoward incident. The reduction in term insurance rates, we believe, would also help companies consider their need for keyman insurance a lot more seriously **What are your total funds under management and how has your performance been?**

Our total funds under management as of March 2009 exceed Rs 10,000 crore. Their performance is tracked on a regular basis and is in line with the relevant benchmarks. HDFC Standard Life's investment philosophy has always focused on consistent returns on a long-term basis. **Any plans to raise capital this year and when do you plan to break-even?**

We infused Rs 525 crore of capital last year. This year we would need around Rs 350 crore. Currently we have a capital of Rs 1,796 crore. We will break-even by 2010-11. Earlier we thought we would list in 2009-10, but this is perhaps not the appropriate time. **On the product side, are there any policies which you plan to popularise more?**

We are a new entrant in health and may come up with a couple of products this year. Children and pension plans would be the key drivers of growth. Health also has huge potential.

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