

# A SUCCESSFUL POLICY

HDFC LIFE'S COMPREHENSIVE CHANGES IN THE WAY IT  
DID BUSINESS HAVE PAID OFF

*“Ideally, we want  
to be spoken of in the  
same breath as Life  
Insurance Corporation*

—AMITABH CHAUDHRY  
MD and CEO, HDFC Life



**A**mitabh Chaudhry is fresh from a meeting on technological transformation and is visibly charged up. HDFC Life has recently committed to spending ₹100 crore over the next five years on customer relationship and knowledge management and the groundwork's just starting. It's not the sum involved that's got the insurance company's managing director and CEO so excited — although that's pretty good, too — it's the very fact that the company is taking such key strategic decisions. For a company that got its insurance licence in 2000 and that has

the backing of a giant like HDFC, the Mumbai-based private insurer didn't really live up to expectations. In just a few years, HDFC Life's cautious and ultra-conservative approach had pushed it to a rather unimpressive No. 5 slot in the private life insurance space. "I think we lost the ability to take risks. If we got it right on putting in place the right practices, the question relating to serving the customer was not always answered," says Chaudhry candidly.

About two years ago, HDFC Life finally woke up. One of Chaudhry's first tasks after taking over the company's leadership in early 2010 was to chalk out a comprehensive change in strategy. It was clear to him that while the company had a trusted brand legacy, not enough action was taking place and change would have to happen all along the value chain to get HDFC Life back on track.

And that's exactly what he did, with impressive results, too. HDFC Life is a much stronger No.2 player now, with a 13% share of the private life insurance market. The Porter Prize jury was impressed with both the insight and its impact, pointing out that "the company has taken significant initiatives to ensure that all its efforts are aligned towards a common goal", which made it a winner in the "Leveraging unique activities" category. Take a look at how these efforts dovetailed.

#### STEP BY STEP

Chaudhry's game plan centres on five simple steps. Trouble was, HDFC Life had got used to a very narrow approach of doing business — it asked for endless, time-consuming documentation, for instance, and was slow in expanding to new territories. So, while none of the five measures was revolutionary, it wasn't easy getting the organisation to implement them. Still, the company started off by changing its logo to get closer to parent HDFC's brand symbol. "This was important since we needed to extract the best value from the HDFC brand," Chaudhry explains. "I don't think we are still doing enough of that."

Meanwhile, the other measures were rolled out. The first was to ex-

## CLAP BOARD

### THE CATEGORY

#### Leveraging unique activities

An organisation that renders its activities effectively across the value chain to create competitive advantage

### THE CONTENDERS

HDFC Life  
Yum!  
Cinopolis

pand distribution to new markets, even as HDFC Life rationalised its existing branch network, weeding out oversized and poorly located offices in a bid to become the least-cost service provider. From 568 in FY10, its network came down to 483 in end FY12, even as it moved to new locations like Nagaland. "These were not easy decisions, but they had to be done," says Chaudhry pragmatically.

Then came a variety of products aimed at differentiating the insurer in the market, including unit-linked plans and a children's plan, which Chaudhry says, is an attempt to reach out to a new segment. The company's recent products and ad campaign aimed at women customers is part of the same plan but also fit in with the insurer's desired positioning as a long-term insurance player. The emphasis on customer experience was also upped and the ₹100 crore tech budget is aimed at ensuring more focused selling and follow-up.

The revised strategy has worked. HDFC Life was in the black for the first time in FY12 with a profit of ₹270 crore on a total weighted received premium of ₹3,084 crore (weighted received premium is the total premium received with 10% weightage to total single premium). New business WRP market-share among private players, too, increased from 8.7% in FY10 to 15.5% in FY11. The expense ratio, which was as high as 20.9% is down to 11.5%. The impact also shows in HDFC Life's ambitions — in five years, it wants to be India's largest private insurer. Easier said than done: insurance remains one of the toughest industries, with intense competition coupled with a lack of volumes. That doesn't worry Chaudhry, though. "Ideally, we want to be spoken of in the same breath as Life Insurance Corporation," he says. Looks like he is really charged up to dream that big. 