IndiaFirst
LIFE INSURANCE

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Don't go for life insurance products if you want returns in 2-3 years

Life insurance can be a good investment instrument over the long term — at least eight years. But one should not invest in it with a horizon of 2-3 years, says **RM Vishakha**, *managing director and chief executive officer, IndiaFirst Life Insurance, in an interview with* **Saikat Neogi**.

In the nine months of FY15, while the life insurance industry reported degrowth in first-year premium, private insurers grew 17%. How do you see the growth matrix moving?

The industry is in an interesting phase — on the one hand, the government is ensuring that people realise the importance of planning for the long term and, on the other, the industry is poised for the next step towards sustained growth, keeping the customer at the centre stage. The biggest challenge for the industry is walking the talk. Everyone is talking about need-based analysis, but the crux is: will insurers be able to convert this ability on the field?

I keep telling my team to make people understand why they are buying a policy. When one buys a financial product, one must be sure of the reason. Is it because one has disposable short-term money? Is it because there is an impending liability? Knowing why one wants to save helps one decide on the best product.

Till December FY15, IndiaFirst has reported 26% growth in the number of policies sold, but your first-year premium growth was 1.5%. In terms of adjusted premium equivalent, it was 6%. What kind of product mix are you looking at?

We look at the ideal product mix from a slightly different angle. The first step is to identify the customer and match them with a distribution channel of their choice. Once we have these two ends of the spectrum, we map our products to identify which one is best suited for a particular customer and a specific distribution channel.

While we have a healthy mix of products that cater to the diverse needs of different customer segments, we will, based on the above format, identify the existing gaps, if any, and the best way to fill them.

Your banking partners — Bank of Baroda and Andhra Bank — have a strong presence in urban and semi-urban areas. How are you tapping this channel to drive sales?

Both banks entered insurance as they wanted to provide a one-stop financial solution to their customers. We have continued with their tradition of providing customers with products that suit them. For instance, for rural customers, we look at pure term policies. We don't sell high-value unit-linked insurance products (Ulips) to someone who cannot afford or understand it. Between our partner banks and common service centres, we have over 7,000 touch-points across 1,000 cities/towns. Our focus this year will be to consolidate our existing channels and build on them.

In FY15, you are likely to post your first profit — quite some achievement for a five-year-old company in an industry known for burning cash. How did you devise this cost-effective model?

Yes, we should end this year with a single-digit profit and will be among the few companies to do so in such a short span. We are focused on both profits and growth — the combination of these two lead to profitable top line.

We believe our ability to adapt quickly to changes in the market and consumer behaviour, match diverse customer segments with the right product and through the right channel, and simplify the sales process have been, and will, continue to drive growth.

After losing the chunk of market share since 2011, Ulips have started generating some traction. How do you see their growth panning out?

The new cost structure has made Ulips better. Ulips give compounded returns, which are tax-free. Life insurance products are good if one invests in them for the long term — at least eight years. One should not invest in them if one want returns in 2-3 years. What went wrong with the earlier version of Ulips is that people did not honour their commitment, mainly due to lack of understanding how the policy worked.

Even if you buy a policy that states you have to pay the premium for the next 10 years, in case of an emergency you can stop paying the premium in the third year and resume it later. One cannot just stop paying premiums after three years and still expect a positive return after five years. People who paid premiums regularly and didn't take any knee-jerk steps did not lose their money in Ulips.

Has your foreign partner, Legal & General, drawn up plans to increase its stake in India to 49% following the Insurance Laws (Amendment) Act?

We have not yet discussed the matter with them and our shareholders are in no hurry to divest. We are all committed for the long term. There is no urgency to discuss this — our capital is adequate to run the business.

Would you participate in the Pradhan Mantri Jeevan Jyoti Bima Yojana announced in the Budget?

From a strategic intent, we will participate — we need to reach out to every customer segment with a suitable product. These customers need a term product, and the key is simplifying the process with the use of technology.