



‘There will be cyclical upturn in life insurance industry’

Birla Sun Life to focus on building a strong distribution network and brand, says MD

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At a time when the life insurance industry is struggling with new business premium collection, Pankaj Razdan, MD & Chief Executive Officer, Birla Sun Life Insurance, is optimistic about growth returning to the sector.

Razdan, who is also the Deputy Chief Executive of Aditya Birla Financial Services, feels that cyclical upturn and growth in the economy will translate into growth in the life insurance sector this fiscal.

Excerpts from an interview:

What impact do you see if foreign direct investment is raised to 49 per cent?

Materially, it does not change much for us, but the shareholding of the foreign partner can go up.

For us, both partners (Aditya Birla Group and Canada-based Sun Life Financial Inc) take equal interest in the business. The Birla

Group is a very strong group financially. So, capital is not a constraint for us if it (FDI) does not happen.

Do you see growth and inflows coming back to the industry?

I am very optimistic about growth during this fiscal. The financial services industry typically grows around two-and-a-half times the GDP growth and some players may grow even faster. So, we expect cyclical upturn happening and also because of the strong government in place, there will be policy measures which will help drive growth.

Overall optimism is very high across financial services. There is a huge shift in the broking business, participation and trading have improved.

After a very long time, there has been a very significant flow into the mutual fund industry. We received flows upwards of

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MD & Chief Executive Officer,
Birla Sun Life Insurance

₹100 crore as net flows in the month or so. In insurance, we have not seen significant inflows as insurance products typically take longer to pick up as they are long-term products. So, in July we expect to see inflows in the insurance industry.

What is your distribution mix? Are you looking at any changes?

For us, agency is the primary model of distribution and more than 75 per cent of our distribution comes from the agency channel. What we are trying to do differently from the industry is that we have devised a model where we support them to garner more customers. Today, agents complain of low commis-



sions because commissions have been halved. So, unless they get double the number of customers they don't make money. That is why agents are leaving the industry.

What are your views on banks distributing multiple insurers' products as brokers or corporate agents?

Bancassurance is an important

channel because banks have a large base of customers, so there is no customer acquisition cost.

Insurance is a product that has to be sold. But today, we don't have enough distributors. I am very much in favour of banks opening up because at the end of the day they will be able to offer more insurance products. Whether banks distribute insurance products in the corpo-

rate agency form or broking form, I can't really say.

Birla Sun Life Insurance has seen a big drop in profitability during the year from ₹541 crore in FY13 to ₹370 crore in FY14. What are the reasons for this?

We faced short-term challenges because of the product changes and the reserves that we have to maintain. It is also partly because of more traditional products being sold. But I think for an insurance business, if profit in a year goes up or down, it is completely immaterial as long as long-term growth is there and costs are intact.

Are you looking at acquisitions and inorganic ways to boost growth? There are reports that you are looking to acquire

Aviva Life Insurance. It is just speculation. Our focus is on building a strong distribution network and brand.

We have built our business organically, but if something strategically fits very well, then we will look into it.

