

`SBI`s network is a huge plus`

by Business-Standard

Q&A: S Krishnamurthy

SBI Life Insurance Company is the first among the 14 life insurance companies in the private sector to post a net profit in 2005-06. In a free-wheeling interview with Business Standard, the five-year old company's Managing Director and CEO S Krishnamurthy spoke on its future plans. Excerpts:

There are life insurance players much more aggressive than you and they have still not been able to break even....

Our success is largely on our channel strategy and product strategy. The aggressive players are largely focused on savings products, especially unit-linked products. They have recruited agents in massive numbers and naturally their initial customer acquisition expenses are very high. Unlike other insurance companies, we have taken advantage of our bancassurance set-up which is a very cost effective medium for SBI Life.

We have a ready distribution set-up of over 6,000 branches of State Bank of India (SBI) selling our insurance products. Had I duplicated this in a tied agency system, I would have been incurring losses. Secondly, 30-40 per cent of our business has come from protection products. These products have a small premium size but the profit element is in-built.

The third aspect that contributed to our success is the very high level of productivity of our sales force. We have less than one-third of the sales force compared to our competitors but have got equivalent business. Some of the bank sales persons have sold more than 500-800 policies a year. The fourth aspect is our superior investment performance. We have consistently, over the last two years, generated 11-12 per cent earnings from our investments.

When do you plan to get the firm listed?

Not immediately. As per the IRDA regulations, we have to go public by the 10th year of operations. So, we will probably do that in 2010.

Will you continue to concentrate on home loan insurance?

Home loan insurance (insurance for loan liabilities) admittedly is a very popular product of SBI Life. We have garnered 25 per cent of the total premium income under this product. But we do have a wide range of traditional individual savings products like Sudarshan, Money Back, Scholar II and Life Long Pensions. During the course of last year, our unit-linked products constituted about 25 per cent of the total premium.

Our experience suggests that 50 per cent of our premium would come from unit-linked policies this year. So right now while we are very strong in protection and creditor protection products, we also have a wide array of individual products – both of traditional and unit linked variety

What are your plans for distribution and agency force?

We have an agency force of 8,000 and will expand it to 20,000 by the year-end. Ramping up of agency force and positioning our company before the high-network individual segment is also one of the components of our business strategy. We plan to increase the strength of managerial personnel in SBI's agency set-up to almost 800 and also increase the number of SBI Life branches to 100 this year.

Will you continue to focus on bancassurance?

No company trying to be a leading player can afford to be one flag. One must have multi-distribution channels and multi products. It is not SBI Life's strategy to depend on credit line products though it is fetching us good returns and is the most profitable segment of our business. We will continue to do other businesses.

What is this year's target?

We are targeting Rs 2500 crore of premium income this year, a 150 per cent increase in business. All channels will grow. Our other strategy is to leverage on the strength of SBI's corporate relationships and offer fund management activities like gratuity, superannuation, etc.

We have traditional products and we hope to introduce unit linked variety of group corporate products, and unit-linked variety of pension products. We are in the process of filing these products with the Insurance Regulatory Development Authority. These products will not be radically different from those available in the market but our investment performance will be the key selling proposition in marketing these products. We are also instituting system-oriented underwriting at SBI Life branches so that our services can be done at point of sales. We want to create a strong SBI Life brand.

Considering the SBI distribution channel, shouldn't you have garnered bigger chunk of business?

I admit there is great potential but it takes time to work on the potential. There is a data base and a huge branch network of SBI and its associate banks. But there are several hindrances such as the mandatory training programmes which IRDA has in place. It's difficult to draw people from the bank branches for such exclusive training for 28 days. Besides, SBI is pre-occupied with its own technology and business processing initiatives and concerned about its own topline growth, credit pick-up, deposit mobilisation and so on.

Can so many life insurance players survive? Do you see consolidation?

There is immense scope for private life insurance companies to grow more than 100 per cent year on year for still some more years. I don't see consolidation taking place.

Given the chance will you look for inorganic growth?

I have a huge distribution network of the State Bank group which I need to leverage to its hilt. I can do 20 times the current business and if I do that, I am not at all looking at inorganic opportunities.

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