

**We plan to reduce the expense ratio to 26 percent by fiscal-end mint
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Chief executive of Reliance Life Insurance Co. Ltd P. Nandagopal plans to invest around Rs 700 crore and hire some 9,000 employees by the end of this fiscal year. Considering the slowdown, he discusses some concerns relating to asset-liability mismatches and high management costs of insurance firms.

Edited excerpts:

As pointed out by the regulator, do you see any asset-liability mis match for insurance companies in the period ahead?

Asset-liability mismatch can be a concern for companies with guaranteed products and traditional plans. Our company is essentially (getting) most of the business from unit-linked plans and we are happy about it. We don't have much of annuity business also. But we have good pension business. We don't have return guaranteed products. We have principal-guarantee products.

And capital-guaranteed products are much safer than return-guaranteed plans.

In most life insurance there is some sort of guarantee...like death benefit is a guarantee.

That way life insurance companies have mechanisms to handle risks. But... unless you have superior actuarial techniques and models where you offer return guarantee...(it) can be an issue because in this kind of market you can't be sure what can be returns on a long-term basis.

Can many companies get into trouble this way?

In case of single premium plans, you have guaranteed assets that matches liabilities.

Like you buy in corporate debt (of AAA rating) for five years and it gives you 8% and you issue policies for the same year. You lock in money and they match. Then there is no problem.

To the best of my knowledge, most of the companies are either offering capital guarantee on long term or they are offering a single premium guarantee where they have assets matching with liabilities.

How has slowdown impacted your investment portfolio?

Our investment portfolio caters to investment objectives of each fund. In that way we don't see any relationship of short term volatility to long-term.

How do you plan to expand?

We have been expanding very fast in the last three years.

Even in this financial year we are growing very fast.

Our expansion is...in two directions. One direction is expanding distribution reach...covering depth and width (are) the two dimensions of the expansion...depth means deep into the markets having more officers and advisers. We have 1,145 offices this year compared with 745 last year.

For width, we have just now launched an electronic channel. We did soft launch a couple of months back.

Another facet of expansion is product expansion. Health is definitely a focus area. Pension will be a focus area. And there is definite need for reading into rural micro-insurance.

Do you have overseas expansion plans?

We are looking at an appropriate time to do that. We are looking where the Indian population is high to start with such as South-east Asia, Middle East and Australia.

Do you plan to raise headcount?

We have recruited over 40,000 advisers in the current financial year and have added 8,000 employees in sales functions. We are planning to add close to another 90,000 advisers by the end of the year and 2,500 employees.

How much is the attrition rate?

It's in line with the industry.

At salesmen level it is around 12%. The industry standard is if you recruit 100 agents within three years, two-third will leave and one-third remain.