

# Reliance Life expects to break even this year

**Remya Nair**

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Reliance Life Insurance, one of the first players to have evinced interest in going public, is eagerly awaiting the IPO guidelines to unlock its value. Among the top five private life insurance companies, Reliance is targeting to break even in the current year itself.

Mr Malay Ghosh, President and Executive Director, Reliance Life Insurance, says despite the recent regulatory changes exerting pressure on margins, the company may not seek more capital from its parent starting next fiscal. In an interview with *Business Line*, he spoke about the impact of the recent regulatory changes and the company's future growth plans.

Excerpts:

## **How has business been in September after the regulatory changes were introduced?**

Business has been a bit slow in September. But it was expected. ULIPs were withdrawn. New ULIPs were introduced. It takes about two weeks to train, explain the features and changes to the agents and distributors.

For us, even pre-September, there was not much spike. We grew at a normal pace only. We did not sell our policies to people saying that unit-linked policies will not be available before September. We have introduced two ULIPs post-September. Each of them has a regular premium and a single premium option.

## **Do you think the business will pick up now?**

We decided way back in last year much before the changes were announced, that we should not focus only on unit-linked plans. We will focus on both ULIPs and non-ULIPs. We brushed up our existing non-ULIP products. We came out with products in the universal life platform.

In December last year, our ULIP portfolio was 94 per cent. As on March, it came down to 80 per cent. Starting April, we brought it down to 50 per cent. We expect this to continue going forward.

We are targeting a growth of 25 per cent in our new business premium and a 50 per cent growth in renewal premiums. Looking forward, I think we are on track to meet our projection.

## **Many established players have cut down on costs by closing branches. Do you have similar plans?**

If we were also having a predominantly ULIP portfolio, we may have been in a similar situation. Since that is not the case, we do not have to do it.

We rationalised on many fronts last year. When the financial markets were collapsing, we thought let's not do the expansion now. This year, we have asked permission to add another 100 branches. Currently, we have around 1,247 branches.

## **Do you see pressure on margins and profitability post the regulatory changes? Will it delay your break even?**

No, it will not delay our break even. In fact, our offi-



**Mr Malay Ghosh**

cial plan is to break even in 2011-12. But the way we are going, we should break even this year itself.

There will be margin shrinkage as a percentage of the premium. But the average premium will grow due to the increase in the minimum premium. So the volumes should make up for the lower margins.

There are a number of positives from the regulatory changes. One of them is the higher minimum premium. We have increased our minimum premium to Rs 20,000. Risk premium collection will be higher as mortality premiums will increase.

Another positive is the lock-in period of policies which is an in-built dissuasion of surrender. In case a policy holder surrenders, he will not get money back immediately. The money will go to a fund and will get it back only after 5 years.

In the in-force policy, there is an option of switching between funds. You will lose this benefit if you do not pay this premium on time. This will encourage buying if you

are serious. This will improve persistency levels.

So the temporary margin shrinkage is far outweighed by all of this.

## **Will you need more capital?**

We are currently capitalised Rs 3,100 crore. We will need another Rs 138 crore this year. We hope to contain the capital requirement from then on. Globalising our operations is one of our long term aims but there are no immediate plans. We will need the approval of IRDA and the regulator of the country where we want to venture.

## **What about your cost ratio?**

Our cost ratio was at 29 per cent in 2008-09. We brought this down to 20 per cent last year. This year we should be below 20 per cent. We plan to bring it below 10 per cent in the next two years which will be around seven years from when we entered the business.

Growth in premium and our dependence on the technology right from the beginning will help us reduce costs.

## **When will you be listing?**

The day the regulators firm up the rules and come out with the guidelines, on that day the company will consider listing as a way of unlocking the value.

## **Have you zeroed in on any foreign partner for selling a minority stake?**

Quite a few companies have expressed interest. We had discussions with them but as of today, there is nothing to report.