

**In the News**

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**'Investing in people real cost of turnaround'**

**ASHISH VOHRA**, executive director and chief executive officer, Reliance Nippon Life Insurance, tells **Advait Rao Palepu** about the issues he faced over the past 18 months in trying to turn around the company. Edited excerpts:

**What changes have you brought about on products in the past year?**

Sales is an important driver for growth; in insurance, you need profitable growth. The first task in the turnaround strategy was on margin expansion. So, we worked on the ticket-size(s) of our products. Two years earlier, when we used to sell a policy, this was around ₹25,000 per customer. It is now 71 per cent higher, at ₹41,000. So, the sum-assured is much larger. Being a mass market company, it is difficult to drive ticket-size(s) up, as we are also moving the target market upward.

The other part of the strategy was to increase the tenure of policies, which drives profitability and margins. As a life insurance company, we are not here to sell a five-year policy. We are here to sell 15-year or 20-year policies. Our longest tenure product is for 24 years; for customers, this is a policy with guaranteed returns and

also value, especially when markets are volatile.

We also put our sales drive behind these changes, and worked on better communication and training to our field force. Today, we are seeing growth from all our distribution channels.

**The biggest challenges in this endeavour?**

In my view, the real cost in a turnaround is investment in people. You need to build a like-minded team. It takes time and conviction to convince the team about what to do next. Building conviction at the leadership level is difficult and requires a lot of time and effort. The second challenge is of mindsets and existing processes. A company runs in a particular manner and it is hard to change. Doing so needs a significantly high amount of communication from the leadership, to guide all employees.



**ASHISH VOHRA**  
Executive Officer,  
Reliance Nippon Life  
Insurance

Particularly the sales force - they are the people who bring in collections or bring customers, and service and ultimately implement your processes, which you are changing at the same time. We also had to bring in fresh talent to drive the strategy; today, more than half the management is new.

**From reporting losses, the company's premium income grew substantially in the past year. How did you go about improving the existing practices?**

We slipped into losses in 2015 and 2016. Our top-line (revenue) fell, too. We were declining in sales by 30 per cent for three years in a row,

in a market growing at 10-12 per cent annually. Clearly, we had to do something drastic to come out of the woods and make a turnaround.

Today, new business premiums (NBP) are by 29 per cent and our renewal premiums are at four per cent. In terms of NBP, we are one of the fastest growing companies, compared to the sector average of 11 per cent - growth in the first half of 2018-19. Today, we do not lose money on underwriting losses.

We began to understand the areas of fraud and assign probabilities to fraud and segmented investigation. Thus, we manage the risks better and with whatever processes and controls we have put in place, we are covering our mortality expenses with what we collect from customers. We are able to put together data and use dynamic models, to pinpoint directly where fraud could be taking place, and we do physical verification. If we then find fraud, we will reject the policy. We have improved front-end processes by leveraging facts and history.

**There is a clear trend wherein life insurers are focusing more on growing their term plan portfolio. How do you**

**view this shift?**

Over three years, term plans have become larger and the fastest growing category. However, the base was very low. Therefore, the bread and butter for growth still lies on the savings side. The urban young are looking at term (insurance) today in a different manner. They are buying it online, they like to compare, they prefer doing so at their own time line. A new behaviour pattern is emerging and the market is moving in that direction. Though not the largest segment in the market, companies are standing up and trying to address the urban young market. We have filed a product called Digi-Term, which we hope to launch in the next few months.

**The regulator came out with new product guidelines for life insurance policies. Your thoughts on the latest one?**

These are broadly pro-customer, bringing more flexibility. For instance, on how long they want to remain locked-in. Progressively, regulation has brought in more customer friendliness and flexibility. The regulation has also brought about competition to the National Pension System.