

# HNB Assurance The Power Of Innovation

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In challenging times of the insurance industry, HNB Assurance has shown its metal recording considerable growth while continuing its track record as the fastest growing insurer in the country. Manjula de Silva, Managing Director of HNB Assurance speaks to Business Today about the strength behind HNB Assurance's many successes.

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**By Prasadini Nanayakkara | Photography by Menaka Aravinda**

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**Could you speak about the overall performance of HNB Assurance for this past year?**

The overall performance has been good and we have achieved a turnover growth of 19% for the period ending September 30, 2009 comprising of 22% in General and 15% in Life Insurance, both significantly higher than what the industry has experienced this year. The total turnover reached 1.63 billion for the first nine months of the year. The profit after tax has also grown by 15%, which is also very good considering the current environment where the industry appears to have gone through a dip.

**HNB Assurance is known to be the fastest growing insurer in the country. Can you talk about how this track record is maintained?**

HNB Assurance has a very strong record maintaining a high rate of growth above industry even from inception. We have been able to live up to this reputation as the fastest growing insurer even in a very challenging environment. The reason behind this success is innovation. We came up with new ideas especially in Life Insurance. For instance, we introduced a single premium investment policy, which offered a very high guaranteed return. Taking advantage of the high interest rates that we experienced in the early part of the year, we were able to offer a very attractive investment policy called Super Four where people could get a return of 20% per annum for a four-year period. This was very attractive as it came with an attractive life cover as well. Since it was a life insurance policy the proceeds were tax-free. There was a big demand for this and as a result we were able to mobilise funds in excess of Rs 200 million. Of course as interest rates came down during the latter part of the year, we were not able to continue offering this product.

We also realised that a large segment of the market comprised of the youth, which was virtually untapped as far as life insurance was concerned. A sizable 36% of the population falls into the age group of 18 - 40 and there was no product in the life insurance market specifically targeting this segment. In order to improve the life insurance penetration we came up with a very unique product called My Life designed to target the youth. Traditionally life policies deal with unfortunate occurrences like death, disability and critical illnesses but this product is very different. A young person is more prone to think about the positive aspects of life and to enjoy them to the fullest you need money. We came up with this product for four qualifying events; marriage, childbirth, sending a child to school and purchase of a vehicle. On each of these occasions, you can take out 15% of the policy value to meet the immediate financial needs arising out of that experience. The rest will remain till the end of the policy period and the policy is for 15 years. Yet it is basically an insurance policy and we have not taken away the elements of a traditional life policy. The advance payments are as an extra benefit.

This has been a major success. We introduced that policy in July of this year and in about four months sold approximately 2000 policies, which is quite good as life insurance is not something which sells very fast, especially a new product as it takes a long time to establish.

**Could you speak about the recent ratings HNB Assurance has received from Fitch Ratings Sri Lanka?**

Two years ago we got an 'A (lka)' rating for what is called the insurer financial strength, but the national long-term rating was an 'A- (lka)' initially. Recently they did a review and felt that while retaining the 'A (lka)' for the insurer financial strength at the same level the 'A- (lka)' could be upgraded to an 'A (lka)'. We consider this a major achievement because we find that during this period a lot of companies got downgraded or at best they were able to maintain their rating, so we were very fortunate that we got an upgrade in this current environment.

We Have Been Able To Live Up To This Reputation As The Fastest Growing Insurer Even In A Very Challenging Environment. The Reason Behind This Success Is Innovation.

**What are the successes that you have experienced during your time at HNB Assurance so far?**

The story of HNB Assurance has run parallel to my career. I came in 2004, at a time when the company was somewhat unknown. With the support of the great team that I've been fortunate to work with, we've been able to transform the company into a quite a significant, well recognised mid-sized company.

Now we are a significant player in the market. In terms of figures, about five years ago we had a turnover of about Rs 300 million. Since then we have grown to Rs 1.63 billion for the first 9 months of this year and very likely end up with Rs 2 billion. In terms of profit, at the time we took over, we had approximately Rs 30 million from which we achieved Rs 164 million last year and hoping to get as close as possible to Rs 200 million, this year.

In terms of market capitalisation, not so long ago our share price was about Rs 18 and had a share capital of 25 million shares. Around Rs 450 million would have been the total net worth of the company. Recently we surpassed Rs 2 billion and that's almost five times the

market worth within a 5-year period. So as a team I think we have accomplished a lot in the last 4-5 years.

Further, HNB Assurance also achieved its first international recognition recently by becoming the second runner-up in the Financial Sector-Non Banking category at the Best Presented Accounts and Corporate Governance Disclosure Awards – 2008 conducted by the South Asian Federation of Accountants (SAFA).

**Could you speak about the most successful products that HNB Assurance offers?**

Our Motor Insurance Policy, Motorguard has been the biggest contributor so far. It is very popular showing healthy growth from all parts of the country. This is due to several reasons. We give a very good service right across the country and we have also come up with some interesting features. For instance you get a very steep curve increase in your no claim bonus with each year as long as you don't make claims, at a much faster rate than in the industry. Then good drivers end up getting a much lower price.

Another interesting feature is that typically, if you meet with an accident the no claim bonus is usually withdrawn or at least it is reduced but we realised one fact of life in Sri Lanka, that is however careful you are at the wheel accidents can occur and not entirely due to your fault. Then it is unfair to penalise every time you meet with an accident and make a claim, after all you buy an insurance policy because you may experience an accident and you may need to make a claim. We gave allowance up to one claim for the year without penalising; we are accepting the fact that it may be unavoidable. That also has been a positive feature with our Motorguard policy.

In terms of the fastest impact, within the shortest period of time My Life policy has been the one, which has created the biggest impact. Motorguard has been around for a fairly long time. My Life cannot be measured only in terms of the number of policies. Because of My Life HNB Assurance received visibility and recognition and people started approaching us, even inquiring about other products we offer.

**Aside from the success of My Life, how is HNB Assurance reaching out to other untapped markets?**

At the moment insurance industry of Sri Lanka is still not fully developed to the maximum potential, specially compared with other countries. Looking at the penetration it is only about 10.4 %, for life insurance policy. As a proportion of GDP it is still about 1.5%, which is very low compared to the rest of the world.

There are so many players in the market today in the insurance industry and there are altogether 16 companies. To continue growing faster than the rest we feel we need to come up with something different. Another new product we have introduced is called 'Ran Aswenu' which is offered to people who are earning a seasonal income, especially those who are engaged in cultivation, fisheries and other similar occupations. This product allows you to pay premiums as and when you wish, there is no due date. After you pay the first premium the policy is active and it won't lapse.

HNB Assurance Having Done Well Even In The Last Seven Years Will Try To Accelerate Even More To Make The Most Of The New Era.

Even if you don't pay any other premium the policy will be in force and you can pay as and when you have the capacity. Of course every time you pay your benefits will enhance but without a penalty. This is a product that we are taking to the outstation market, targeting the farmers, fishermen, and other seasonal income earners. That is again something very unique in this market and the response has also been good and we have positioned the product through our sales force, concentrating on certain areas, where seasonal income generating activities are taking place.

On general insurance, we saw an important niche in travel insurance. We found that most of the travel policies didn't accommodate people above the age of 70. There were only a couple of policies that went up to 80 but not beyond. There is a market there as a lot of people start traveling only after they cross that age. With children studying or settled down abroad, which is very typical today, a lot of parents fit enough to travel wish to visit their children but the embassies were insisting on a travel insurance even to acquire the visa. We found that we had a lot of inquiries and no product. Now we have managed to develop a product with international support where there is no age limit. Technically even if you are hundred plus, you can take a policy from us and travel, so, once again filling a gap that existed in the market.

**Could you speak about the benefits that HNB Assurance offers to the Microfinance sector?**

This is another area that we have engaged in along with a number of partner organisations; one is Hatton National Bank, which has its own microfinance programme, Gemi Pubuduwa and also SEEDS, which is part of the Sarvodaya group. With both these partners, we have been offering Micro Insurance policies, in the case of SEEDS to their members and HNB, to their customers, who are taking microfinance loans. When someone takes a microfinance loan we have been offering insurance to the same customer and it has also been successful to some extent but a lot more needs to be done considering the potential that is available.

### **Could you talk about the CSR programmes carried out by HNB Assurance?**

We have been supporting schools, which did not have basic access to water. There are such schools with no water on tap or is only available for only one hour a day or so. We began providing water to selected schools with different methods required from school to school. In some cases, we had to build overhead tanks and put new pipes and we have provided water for about eight schools so far.

Apart from that, we have also come forward as a promoter of arts, in a number of areas. There is a lot of support for sports in this country but arts have not got the same level of support. We have come forward especially in areas like children's theatre. We have worked very closely with Somalatha Subasinghe, a well-known children's play writer and producer. Every year, we have been sponsoring a children's drama festival and this year, because of My Life, we thought to focus on a youth drama festival. Other high quality arts we have supported include a concert by famous sitarist, Pradeep Rathnayake. We have also sponsored concerts of Bathiya and Santhush, our brand ambassadors. I think we are now seen as a major sponsor of musical events and cultural activities.

We have also worked with the Railway department to improve the railways infrastructure. We renovated the Bambalapitiya railway station completely and also came up with a novel concept to minimise accidents at unprotected level crossings. We came up with a low-cost method of reducing incidents by fixing four strategically placed mirrors around the crossing. We have done that in two places, on an experimental basis with the department and they are very satisfied. We are now trying to take this further to other places.

### **With the end of war, how does HNB Assurance look to the future?**

As a result of the war ending, there are tremendous opportunities available especially in the North and East as there will be a lot more economic activity with a lot of construction already taking place. There will be supermarkets, banks and with improved tourism, hotels opening up. There definitely will be a lot of potential for the insurance companies especially in General Insurance. When the people become more prosperous, naturally there'll be a big market opening for Life as well.

However we have always been present in the North and East, even during the height of the war - Jaffna, Vavuniya, Trincomalee, Batticaloa and even Mannar. Now we want to expand our presence. On the East Coast, Oluwil. There's a new port coming up and we managed to get the entire insurance of that construction project which is being done by a Danish contractor. That was one of the largest insurance policies we have handled in our entire history. There was another power plant close to Jaffna, which we insured, so in the next couple of years, definitely there will be a lot of activity. Next year we are planning to open more branches across the country, out of which two will be in the North and East where we will be giving a lot of attention.

We are entering a new era. The conflict, which was holding back the growth of the country to a great extent, is over. Now I feel the country can move ahead at a much faster pace. The private sector to which we belong should also align ourselves to that goal. I think all of us need to think a little more positively and more broadly. HNB Assurance having done well even in the last seven years will try to accelerate even more to make the most of the new era taking advantage of the opportunities presented by the emerging environment.