ADITYA BIRLA CAPITAL
LIFE INSURANCE

Publication: ET BFSI	**Edition:** Online
Date: Feb 26, 2026	**Page:** NA

High-ticket savings cycle won't repeat; growth will be more measured: ABSLI CEO Kamlesh Rao

In an interview with ET BFSI, Kamlesh Rao, MD and CEO of Aditya Birla Sun Life Insurance, said revised surrender norms and product-mix shifts are reshaping the industry's growth model. He indicated the era of high-ticket, savings-led expansion is giving way to margin discipline, persistency focus and protection execution challenges.

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Published On Feb 26, 2026 at 06:42 AM IST • Read by 863 Professionals

Kamlesh Rao, MD & CEO, Aditya Birla Sun Life Insurance

India's life insurance industry is undergoing a structural reset as regulatory tightening and product-mix changes alter the economics of growth, according to Kamlesh Rao, MD and CEO of Aditya Birla Sun Life Insurance.

In an interview with ET BFSI, Rao said companies can no longer depend on high-ticket savings products to drive first-year premium expansion. With revised surrender value norms changing profitability assumptions and customers becoming more selective, growth strategies are being recalibrated.

Q) ABSLI has reported 19% individual premium growth in 9MFY26, which is lower compared to its competitors. How has Q3 been for the company, and how do you see the growth trajectory from here?

Kamlesh Rao: Broadly, what we have told analysts is that our stated objective is to double the business every three years. That translates into a CAGR of about 25–26%. We articulated this strategy in FY23-24. In FY24-25, we delivered about 35% growth, and this year we expect to close at roughly 25–26%.

So while 9MFY26 growth stands at around 19% in individual premiums, the full-year trajectory should be closer to our long-term target range. Short-term growth differentials versus peers can reflect product mix, base effect and timing factors.

Our focus is not on chasing quarter-on-quarter spikes but on sustaining a compounding growth path. If we continue delivering 25–26% CAGR over a three-year cycle, we will remain on track to double the book as planned. At the same time, growth must be aligned with margin expansion, that is critical for long-term value creation.

Q) ABSLI's VNB margin is around 18%, compared with 23-24% for some larger peers. How much of this gap is due to credit life, and how do you plan to narrow it?

Kamlesh Rao: If you break down the 23–24% VNB margin reported by larger players, it is driven by two components, individual life insurance and credit life, which is the loan cover business.

We entered the credit life segment only about four years ago, so our scale there is still small. This year, our credit life book will reach around Rs 1,000–1,100 crore. By comparison, the largest player in the segment is at Rs 7,000–8,000 crore.

When we report VNB margins of around 18–18.5%, the contribution from credit life is only about 0.5–0.6 percentage points. The remaining ~18% comes from our individual life insurance business. On a like-to-like basis in individual life, the gap versus larger players is much narrower than the headline numbers suggest.

That said, we have been scaling credit life aggressively, the segment has grown at about 100% annually over the past few years, moving from Rs 200 crore to Rs 500 crore and now to over Rs 1,000 crore. As this portfolio scales up, it should support margin expansion. So, the strategy remains clear: double the business every three years while steadily improving margins. Growth and profitability have to move together.

Q) Distribution costs remain high. Are you doing anything differently versus peers?

Kamlesh Rao: In ULIPs, about one-third of our business now comes from AUM-based commission. Instead of paying largely upfront, we pay based on assets under management, similar to the mutual fund model. As AUM grows, the distributor earns more. It is good for the customer, good for us, and good for the distributor.

In protection products, we now offer a variant where we pay commission spread across the contract period. For example, instead of paying Rs 100 largely upfront, we may pay Rs 10 every year for 10 years. Earlier, most of it was upfront.

Distributors have a choice. Some are adopting this annuity-style commission because it builds steady income. If commission is spread over five years, it reduces upfront cost pressure and encourages better selling. If they want to earn over five years, they must ensure persistency.

We have suggested such models to the regulator as well.

Q) The industry saw strong traction in high-ticket savings products over the last few years. Has that cycle tapered, and how does that impact growth going ahead?

Kamlesh Rao: The earlier growth phase was clearly supported by high-ticket savings products, particularly in a favourable interest rate and liquidity environment. That provided strong first-year premium momentum across the industry.

That cycle is now normalising. With revised surrender value norms and changes in product economics, insurers have to be more measured in how they design and price savings products. The room for aggressive structuring is narrower than before.

Going forward, growth cannot rely disproportionately on high-ticket savings alone. The mix will need to be more balanced, with protection and other segments contributing more meaningfully over time. We believe sustainable growth will come from steady compounding rather than sharp spikes driven by one product category. The focus is on maintaining margin discipline while expanding the overall book.

Q) Few industry leaders suggest premiums may rise in the next six months. Do you see that happening?

Kamlesh Rao: Premium increases can happen primarily in the protection segment. There, premiums could go up by about 5–8%.

For savings products, there is no concept of premium increase. You would have to reduce benefits or lower IRRs. Given where G-sec yields are today and how the long end of the curve has steepened compared to six months ago, it may not be the right time to reduce customer returns. So while protection pricing may go up, I do not see savings product returns being reduced in a hurry.

Q) Q3 numbers show good premium growth but slightly flat profitability. What is holding back margin expansion?

Kamlesh Rao: In Q3, the GST impact kicked in. We have not been able to fully pass on the GST cost to distribution, and that has created an impact.

Under Indian GAAP, costs are accounted for upfront, while income comes over time. I believe this will get corrected under IFRS, where costs will be amortised. The true performance of a life insurer will be more evident under IFRS than under Indian GAAP.

Since GST came in, we were not allowed to increase prices immediately because we wanted customers to experience the full benefit. So prices have not gone up materially, and the GST cost has impacted us. Some portions have been passed on in select products, but not fully.

Q) What is your solvency ratio? Are you planning to raise capital?

Kamlesh Rao: Our solvency ratio was last at around 210%. The regulatory requirement is 150%, and our internal benchmark is 175%. We do not need capital at least until the second half of next financial year. Even then, the requirement will be very small. We also have the opportunity to raise sub-debt depending on the company's financial strength.

Q) Persistency remains an industry-wide issue. Where do you stand and how are you improving it?

Kamlesh Rao: Three to four years ago, our 13th-month persistency was about 76–77%. Today it is 86–87%. Our 61st-month persistency is above 60%. We would be in the top quartile, even top decile, on persistency.

It is a continuous process. We use data and analytics extensively. At the selling stage itself, we use models to predict which customers have a higher propensity to pay the second premium.

Closer to the ninth month, we segment customers into eight cohorts and customise communication for each. Interestingly, about 50% of customers do not require reminders, data shows they have a high propensity to pay and understand what they bought.

Persistency is about selling right, engaging right and segmenting right. That is the focus for long-term value creation.

Q) How do you view 100% FDI in insurance? Do you plan to raise foreign capital?

Kamlesh Rao: For us at Aditya Birla Sun Life, there is no change. Both partners value the business we have built. I was part of a delegation with the IRDAI chairman about 1.5–2 years ago, engaging overseas investors. In markets like the US, the 100% FDI cap was seen as a hurdle. So this move can encourage more entrants.

We have seen announcements such as Mahindra with Manulife. If more global players come, it is positive. However, 100% FDI alone may not be enough. Composite licences may be needed. A 100% FDI player will need bancassurance partnerships. It is difficult to scale purely on agency, LIC is an exception. More structural steps may be required over time.