

# Incentives needed to sell insurance

*CANARA HSBC Oriental Bank of Commerce Life Insurance, which started operations in the second half of 2008, has collected Rs 775 crore in premium till date. In an interview, Harpal Kalcut, chief executive officer, told Dipak Mondal and Sarbajeet K Sen that the company is now looking at increasing its group insurance and retail portfolios. Excerpts:*



**“THE bancassurance model works best when the number of products is small and products on offer are simple and transparent”**

Harpal Kalcut  
CEO, Canara HSBC OBC Life

**■ You are perhaps the only life insurer to work solely on the bancassurance model. Why is it so?**

People usually have greater trust on banks, which already offer a variety of services such as loans and credit cards. If these banks offer life insurance, all their customers need to know is that the insurance is coming from the bank. They can associate with their bank name and the comfort factor comes in automatically.

HSBC, which is a large global bank, is also one of the biggest insurance companies in the world and it has achieved such scale just through the bancassurance model. However, with just 50 branches in India, it lacks distribution network. The tie-up with Canara Bank and Oriental Bank of Commerce (OBC), which together have 48 million customers and 4,400 branches across the country, solved this problem. The distributor agency model is an expensive one.

**■ What is the scale of business you have achieved?**

We have so far collected more than Rs 775 crore premium from 105,000 policyholders.

**■ Which among the three banks (HSBC, Canara and OBC) is the biggest contributor in terms of sales of policies?**

Initially, Canara and OBC were slow to

start. In the first two months of our operations, HSBC contributed 98 per cent of the business. However, in 2009 both Canara and OBC picked up fast and now they have caught up with HSBC in terms of sales. They will clearly overtake HSBC because of the sheer size of their customer base.

**■ Your product portfolio is not very large. Is that a conscious decision?**

The bancassurance model works best when the number of products is small and the products on offer are simple and transparent.

The problem with having a large portfolio of products is that the person who is selling these products is himself not aware of the products or lacks the understandings of them all. This is why we want to keep our portfolio small.

**■ What are the new products you are planning to launch?**

At present we focus mainly on two categories – products for rural market and corporate group insurance products. Selling insurance products in rural areas continues to be challenging despite Canara Bank and OBC having branches in those areas.

We are looking at selling innovative products, recognising the need of rural people, offering simple products that are easy to sell and service. The main reason for our focus on rural market is that most other insurance companies find it difficult to reach the rural areas because of the cost of setting up branches.

We have that reach, but developing low-premium products for such markets and still making profit out of them is a challenge. However, we still believe the rural market remains a potential growth market for us.

Another area of opportunity is selling group insurance to companies. Being a bank-sponsored insurance company, we know we can leverage our shareholders' strong corporate relationships to sell group policies to large companies.

**■ But most life insurers say group policies are not profitable...**

Historically, there was strong emphasis on top line growth. There was no focus on margins. However, things have changed. Companies don't have enough capital and the regulator is asking them to cut costs. Now, companies are pulling back. I think pricing would come back to some level of normality soon.

**■ How is your term plan doing? Are there few takers of term plans?**

It is not selling particularly well and those who buy it are sophisticated, high net worth customers.

Most customers are not keen on buying such products because they don't get back any money at the end of the tenure. In other channels, where there is commission for agents, these products do sell better, but in case of bancassurance, especially with PSU banks, which do not offer any incentive to employees selling these products, sales have been poor.

**■ Are you looking for some structure where these banks could be incentivise their staff to sell your insurance products?**

Both the banks (Canara and OBC) have realised that some level of incentivisation is needed and they have moved to some level of incentivisation.

They have realised that insurance has to be sold and they need marketing-oriented, younger people who are more energetic and persuasive to sell these products.