

INTERVIEW: JOHN HOLDEN

CEO, CANARA HSBC OBC LIFE INSURANCE

We're looking at 50:50 mix of traditional, unit-linked products

Though a number of insurers moved quickly towards increasing their traditional offerings compared to unit-linked insurance products after a change in regulations in September 2010, Canara HSBC OBC Life Insurance believes that the process should be governed by customer interest rather than agency commissions. John Holden, chief executive officer of the company, explains to Vishwanath Nair why they plan to only tap their partner bank branches for expanding business, growth plans and expansion into rural India. Excerpts:

The life insurance sector has finally seen some positive growth in the last few months. What has your performance been like? What is the outlook for the rest of the year?

As for all insurance companies, the last 9-12 months have seen great changes, and a lot of them on the product front. That is all completed now. We are probably among the first companies to be ready with a revised product offering on Octo-

ber 1. Looking forward to the next 3-4 months, we have high hopes and there are some additional products coming into the market, which will add to our portfolio. We remain optimistic about a good finish to the year. What will guide growth though is not product, but capacity. Same time last year, we had about 1,800 licenced staff at the branches of our partner banks; right now, we have over 3,500 and it will soon be 4,500. So, what will drive growth is the number of people we have in each bank branch.

What part of your business depends on the bank channel? What about the other modes of distribution?

Our business is quite simple. We are a bank insurer. Our banks have 5 crore customers and we have about 4.5 lakh policies. So, we have no interest in going outside our banks. I am not going to even think about it till we get past, like, 20 lakh policies. I've got no idea how much time it will take to reach that level of business. Even if we



reach 20 lakh customers, we would not have scratched the surface of the kind of customer strength available from our banks. So, this will continue to be our strategy for the foreseeable future.

With a growing agency force, what are the concerns? How do you plan to counter these issues?

If I was the regulator, I'd be advocating an improvement in the standards of training and compe-

tence among the people who sell insurance. If you look at other markets, there are minimum levels of training and competence for such people and the global trend is that level is going up, rather than down. I suggest that we have the right curriculum for India, rather than import one. Something that we have been considering is that rather than licensing someone to sell all the products at one go, you make them go through the prod-

uct range, where entry level people handle entry level products. Most customers have straightforward and simple needs, which can be taken care of by straightforward and simple products. Then, with more experience and training, you move to selling more complex products to customers who have specialised needs.

While most other insurers have rushed to offer more traditional products after change in regulations in 2010, you have stuck to selling a higher number of unit-linked products. What is the philosophy behind this?

Right now, it (concentration of unit-linked products) is probably in the range of 70% for the year. We did not make a wholesale swing from Ulip to traditional products after the 2010 change in guidelines. We have some traditional products available for the customers and two more will be launched in about two weeks. I see the mix comfortably in the range of 50-50 between traditional and unit-linked prod-

ucts soon. That is where we want to be. Our customer needs did not change overnight. So, my observation is that if you move from a 90-10 arrangement to about 10-90, in favour of traditional products, overnight, that doesn't suggest to me that it is a customer-initiated need.

At least two of your partner banks have a strong branch network in rural India. How do you plan on using this to your benefit in growing rural business?

We go where the bank goes. Pretty much all of the new branches being opened by the partner banks this year have been outside the big metros, in smaller towns and villages. With the public sector banks following the government's directive to improve financial inclusion in the country, by default we go too. We need to understand that we will be dealing with people who have less disposable income and more needs for protection; hence, the traditional product offerings will be more appropriate.