



"We don't think the management control clause would be any reason to discourage foreign players"

John Holden, CEO, Canara HSBC Oriental Bank of Commerce Life insurance explains how new rules and regulations as enshrined in the Insurance Ordinance will make the industry more efficient

How do you see the development where an Ordinance has been promulgated after the government failed to pass the Insurance Amendment in Parliament after the Select Committee submitted its report? Do you think government is determined and it is a matter of time that Ordinance will be converted in law and how soon you think Ordinance will be made in to law?

It is definitely a step in the right direction. We at Canara HSBC Oriental Bank of Commerce Life insurance are optimistic that this would contribute towards the overall growth in the insurance industry and the economy. With regards the time, it would be speculative to comment on the same.

Do you think investors- foreign partners in Indian JV- will take decision on the basis of Ordinance?

This is a matter for the shareholders of the respective insurance companies to decide. We have already seen many companies begin to evaluate their options and the significance of the Ordinance requiring ratification by Parliament.

How do you see new provisions and changes that have been part of the Ordinance? What according to you are some of the most important one?

The provisions and changes that have been outlined in the ordinance are a reflection of maturing and growing Indian market, which has a favorable

demography. The ordinance lays down a path and provides for a positive environment for the market to grow. The important ones according to us are:

1. The limit on foreign equity (FDI or FII) in Indian insurance companies is to be raised from 26% to 49%. This will bring in more capital into the country and would be used to expand the insurance business.
2. No claim can be repudiated after 3 years which would add further consumer protection.. This may lead to insurance companies tightening their front end processes at the underwriting stage.
3. Caps on the level of management expenses and commission are to be determined by the IRDA rather than specifying the same in the Act. This to our mind would lead to an overall efficient system with value being generated for all stake holders, leading to greater

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How it will change or transform the Indian insurance industry?

The macro-economic environment (mid term to long term) looks positive. The ordinance in this scenario is a step in the right direction. Although it early to comment on the changes or the transformation that it would bring about, the road ahead for the Indian Insurance industry looks bright.

Do you think the provision 'management control with Indian promoter' will discourage the foreign players to play the necessary role in the Indian insurance industry?

It has been one and a half decade since the Indian insurance industry opened up. Over this period, the industry has evolved and matured. Even with 49% foreign ownership, 51% remains under Indian ownership, with the CEO and other key management positions requiring IRDAI approval.

Under the new Companies Act 2013, CEO direct reports and key management positions require approval of the Board Nomination and Remuneration Committee. Therefore we do not think the management control clause would be any reason to discourage foreign players .

Do you think the life insurance industry will now grow faster that it

has been possible so far?

Legislation enables, but does not create market demand. The growth of any industry is a function of the market conditions, the economic environment and government policies. What we are seeing today in India is a positive reinforcement of all of the above. Given this scenario the future of the life insurance industry in India looks bright.

Now that IRDA has been empowered to rework the management expenses limit, should the regulator raise or reduce the existing limit? Also should IRDA reduce or raise the commission rates to further incentivize the agents?
To alter the management expenses limit would be something for the IRDA to decide. The objective must be to strike a fair balance between making the business sustainable for the insurer, while delivering good value for money to the policyholder.

As regards the commission, it is likewise critical to realize that there has to be a degree of balance between customer value and remuneration to the distributor. This has to be kept in context while deciding any policy, the objective for which being a win - win for all.

Can the dwindling agency force can be revived as the insurers are now allowed

appoint agents?

We are a pure bancassurer and sell to only customers of our partner banks. Bancassurance is our business model and a way of life for us. We do not operate through an agency force and hence it would be inappropriate for us to comment on this.

The Ordinance says the insurers will be responsible for the conduct of the agents and the insurers can be fined up to Rs 1 crore in case of violation. How difficult or easy it will to comply this norm?

A thorough need analysis is the foundation of a good insurance sale. The clause on the penalty brings into focus the need for each insurer to tighten their sales process end to end (identification to prospecting to sale). It is a step in the right direction and will lead to positive customer outcomes

Do you think more players including foreign players will enter the Indian insurance market?

The Indian market presents favorable demographics and a large section of this is either not insured or under insured. This is a great opportunity for the existing players and also for new players to enter the market as there is sufficient space for everyone.

How your company will benefit post Ordinance-Insurance Amendment

law? Will you redraw your growth and expansion plans now? How soon you are planning to list your company?

We have a well defined laid out strategy which focuses on serving the customer base of our partner banks. We believe that there is enough scope for us to grow our business and we are on the path to achieve our goals. We have the complete support of our shareholders in this. As regards listing it is for the shareholders to decide at an appropriate time.

How do see the development that the insurance regulator, IRDA has been enormously empowered to supervise and develop the industry? What are your suggestions to on how IRDA and industry can work together for this?

This is a positive development and enhances the role that regulator can now play in developing the industry. We foresee a closer interaction between the industry and the IRDA to further develop the insurance business in India.

Do you think insurers will make use of SAT window to address their grievances?

This has just been announced in the ordinance and we believe it is too early for us to comment. However, it is a healthy development to bring appropriate checks and balances to a properly regulated market.

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