



PSU bank amalgamation has proved beneficial, says Canara HSBC OBC Life CEO

The company has now launched a service called InstaPromise where the claim will be approved within one day of submitting the necessary documents



Private life insurer Canara HSBC OBC Life Insurance which posted a 7 percent year-on-year (YoY) increase in its individual new business premium in FY20 to Rs 975 crore has benefited from the state-owned bank consolidation.

In an interaction with Moneycontrol, Anuj Mathur, Managing Director & Chief Executive Officer, Canara HSBC Oriental Bank of Commerce Life Insurance said the company has seen advantages of the amalgamation.

Canara HSBC OBC Life sells primarily through its bancassurance channels. Mathur said after the public sector bank consolidation, the company has benefited. The insurer is a joint venture between Canara Bank, HSBC and Oriental Bank of Commerce (now merged with Punjab National Bank).

“We are a beneficiary of the PSU bank amalgamation. We have got access to 4,000 plus branches of Syndicate Bank (now merged with Canara Bank). We also continue to sell products through the 2,000 plus branches of Oriental Bank of Commerce,” he added.

In August 2019, Finance Minister Nirmala Sitharaman announced the merger of 10 public sector banks (PSBs) -- Punjab National Bank (PNB), Oriental Bank of Commerce (OBC) and United Bank of India; Union Bank, Andhra Bank and Corporation Bank; Canara Bank and Syndicate Bank; Indian Bank and Allahabad Bank; under four separate entities.

This merger process of the 10 banks came into effect from April 1, 2020. However, those banks holding stakes in multiple insurers in the same category (life, non-life or health) have a status quo right now. IRDAI rules state that a bank can only hold promoter stake in one company in each category of insurance.

Business growth

The company said that over the last five years, the company's individual new business premium (weighted premium income) has grown at a compounded annual rate of 24 percent as against industry growth of 12 percent.

Mathur said the company has seen an improvement in the premium collection, embedded value as well as claims settlement ratio.

He added that the company has now launched a service called InstaPromise where the claim will be approved within one day of submitting the necessary documents.

For this, the policy should have completed three years, with all due premiums paid. Further, the claim has to be intimated before 3 pm between Monday to Friday. Mathur said the claim amount per life is limited to Rs 1 crore.

The FY20 performance

Canara HSBC OBC Life's gross written premium increased by 13 percent YoY to Rs 3,943 crore in FY20. Mathur said the demand is high for guaranteed traditional products in the life insurance space.

The Indian embedded value rose by 13 percent YoY to Rs 2,907 crores at the end of March 2020. The embedded value represents the present value of shareholders' interests in the earnings distributable from the assets allocated to the business after sufficient allowance for the aggregate risks in the business.

The profit before tax of the company stood at Rs 105 crore versus Rs 165.19 crore in the year-ago period.

As far as the Coronavirus outbreak is concerned, Mathur said that the company has been able to leverage on the digital assets, platforms that it has created with bank partners. This, he said, helped curtail the impact.

Compared to the 30.7 percent degrowth in the new business collection of private life insurers in the April 1-May 31 periods of FY21, Canara HSBC OBC Life saw a 7.2 percent growth to Rs 263.86 crore.

Link:- <https://www.moneycontrol.com/news/business/companies/psu-bank-amalgamation-has-proved-beneficial-says-canara-hsbc-obc-life-ceo-5418781.html>