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"The challenge is to win trust of the customers"

Anuj Mathur

CEO, Canara HSBC Oriental Bank of Commerce Life Insurance

Though too few Indians have life insurance cover, the best way to increase penetration in small cities and towns is through bancassurance, Anuj Mathur tells ***Neha Pandey Deoras.***

A survey by Canara HSBC Oriental Bank of Commerce Life Insurance and FICCI last month showed only 10% of the Indian population had life insurance cover. You have said the way to increase penetration is through bancassurance. Why do you think so?

All distribution channels have equal roles to play. However, when it comes to smaller cities, I believe bancassurance can help better than other distribution channels. And it's the tier II and tier III cities that hold a lot of potential for the industry. Also to control cost, bancassurance is the way forward. If a life insurer has to open a branch in a small city or town, it is not feasible for the company to start operations there with a branch, people, connectivity and so on. Here, a banking partner can be of great help. People of smaller towns place a lot of trust in banks. Banks and their customers know each other well in such places and hence, banks can give right advice to the people.

Many banks blindly push insurance products to customers. Even the insurance regulator has taken notice of this and said banks and their employees would be held liable for policies sold by them. What have you done to curb mis-selling from your side?

The regulator has put many checks and balances in place to curb mis-selling like need assessment before selling insurance products. Banks are in the process of implementing these checks and balances. Also, banks are regulated entities and thus safe when it comes to selling products to customers. Other distribution channels are not regulated. Mis-selling through banks has come down. Soon, we will not hear of mis-selling. With awareness about insurance on the rise, potential customers are looking for banks or insurers to assess their requirements and then suggest products. As more people join the bandwagon and ask for need analysis, there can't be mis-selling.

Your company relies solely on bancassurance for sales. Are you planning to tweak this strategy?

We will continue with bancassurance as our main offline distribution channel. This is so because our market penetration is low. Across 8,500 branches of our three banking partners, our penetration stands at 1%. There is plenty of room to increase this number. We are also focussing on expanding our digital distribution channel. We have made our e-term plan available online for all customers. Our company is now on social media too.

With the insurance regulator allowing multiple insurance tie-ups, is there a threat to your model?

No, there is no threat to our reliance on the bancassurance model. Our bank shareholders are committed to help grow our business. Though they have not formally committed to selling products of only our company, I have a strong feeling they will stay only with us.

You have a large number of unit-linked products. With volatility in the equity market, are you seeing customer preference and your product mix change?

Our product mix has been 75% unit-linked plans and 25% traditional plans. But, yes, with market volatility we are seeing customer preference shift from market-linked products to traditional products.

Customers of HSBC, who are mainly metro and mini-metro residents, still prefer unit-linked policies. Customers of Canara Bank and Oriental Bank of Commerce, who have a bigger presence in smaller towns and cities, are shifting to traditional policies. Today, 40% of the customers, in terms of number of policy sold, of these banks look for traditional plans as compared to 20-25% last year.

What kind of products are you looking to roll out this year?

We will file four products with the regulator soon and these will be launched by February. There will be one traditional endowment plan, another online term plan, an annuity product and an income plan.

How do you plan to go about achieving your goals? What is your strategy for this year?

Higher penetration and better activation is the strategy for this year. And this will help the company grow by about 35% over last year. We want to activate more bank branches especially of Canara Bank and Oriental Bank of Commerce. We plan to increase our sales support team from 350 six months ago to 800-850 by the end of this year.

What is your outlook for the industry over the next couple of years?

The industry has been growing by 20-25% and I believe this growth should continue over the next 2-3 years. Insurance awareness has increased due to regulatory help and the launch of Pradhan Mantri Jeevan Jyoti Bima Yojana. The scheme was bought by 12 crore customers this year. The industry needs more of such no-frill traditional products that can be sold easily and do not require much explanation. Such products will also help penetration in smaller markets. Our company is working on one such product and will launch it by early next year.

What are the challenges that you foresee?

The industry went through a painful time between 2010 and 2013. Now, it has come out of many challenges. The biggest challenge the industry faces today is to build a trustworthy relationship with its customers. There is a huge gap to be covered on this front.

The other possible challenge for the industry would come if the economy does not pick up and income growth of individuals is impacted. Then product sale will not happen.

SEBI may open up the e-commerce route to mutual funds. Do you think life insurance can also be sold through these sites?

Yes, it is possible to sell life insurance off the shelf. But for that we need no-frills products like the Pradhan Mantri Jeevan Jyoti Bima Yojana, which can be bought by filling in a small form and does not require any explanation. Not all products can be sold online. But first let's see how mutual fund sales through e-commerce plays out.

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