Interview

with

MR. JOHN HOLDEN

Chief Executive Officer,
Canara HSBC Oriental Bank of Commerce Life Insurance Company

1. Please tell us about Canara HSBC Oriental Bank of Commerce Life Insurance Company and the shareholding pattern.

Canara HSBC Oriental Bank of Commerce Life Insurance Company was launched in June 2008 and is jointly owned by two of India's largest public sector banks - Canara Bank (holding 51%) and Oriental Bank of Commerce (23%) - and HSBC Insurance (Asia Pacific) Holdings Limited (26%), the Asian insurance arm of one of the world's largest banking and financial services groups - HSBC.

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The formidable distribution strength and in-depth local market knowledge of Canara Bank and Oriental Bank of Commerce coupled with the considerable insurance experience, product range and proven bancassurance capabilities of HSBC make this an unparalleled union of financial strength, expertise and most importantly, trust.

2. Please elaborate on your bancassurance model of distribution.

For us, bancassurance is not a distribution channel, it is a business model. Considering the distribution strength, backed by thorough research, the shareholders launched a pure bancassurance business model, a first in India, with each aspect of the business tailored to the specific needs of the distributing banks.

In the face of a volatile business environment, the bancassurance business model has proven to be robust and scalable. In its five years of operations, Canara HSBC Oriental Bank of Commerce Life Insurance Company has demonstrated the ability to harness the potential of private and public sector banks and has grown distribution when others are contracting.

The company invested heavily in understanding the motives, experience and environment of the staff in each of the three distributor banks. This has resulted in an empathetic understanding of the market on both the 'buy-side' and the 'sell-side', helping to create the fastest growing life insurance company in India.

3. How was your performance in FY 2012-13?

The Company reported its maiden profit of Rs 23.5 crore in FY 2012-13, its fifth year of operations; the Company is one of the fastest amongst private life insurers to have achieved this feat. This demonstrates the strength of our bancassurance business model in efficiently reaching both urban and rural customers through the reach of the banks' branch networks.

The Company garnered premium income of Rs 344 crore in March 2013 and closed the fiscal with Rs 1912 crore, issuing 390,974 policies since launch. The Company also exceeded its rural and social sector sales goals for FY 2012-13, as it has done in all previous years.

Strong focus on need-based selling, low opex and regular collection of renewal premiums have ensured that the business remains stable and sustainable. For FY 2012-13, our persistency (a measure of how many policies remain in-force) was amongst the highest in the industry - 13th-month persistency stood at 75% and 25th-month persistency stood at 88%, amongst the highest in the industry.

4. How do you view training as an important tool for development of any organisation and your efforts in this regard.

Training is the backbone for development as it equips the people with the necessary knowledge and skills. We consider it extremely important for both our employees and bank sales staff.

Employee development is through focused programmes including a General Management Programme in collaboration with Indian School of Business (ISB) which is supported by clearly defined Individual Development Action Plans based on employee performance and observed behaviour. This is followed by mentoring for senior management from executive coaches.

Our sales training approach is based on being customer driven, ensuring customer centric life insurance propositions aligned to identified customer needs and treating customers fairly. It follows an integrated approach in the development of the Company's sales staff and distributor banks' sales personnel, which is central to our growth strategy.

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This holistic approach of training and development ensures that frontline sales force is able to have meaningful conversation with customers. In FY 2012-13, the Company trained 1100 Specified Persons (licensed bank sales staff) and 2830 bank staff through customized modules.

The Company's training efforts were recently recognized by World HRD Congress and Asian Confederation of Businesses at the Asia Training & Development Excellence Awards 2013 when the Company was awarded the Best Training Initiative Award for Insurance Sector and the Best Sales Development Programme Award across industry verticals.

5. There has been lot of mis-selling in the insurance market particularly in life insurance sector which is earning a bad name for the sector. Please elaborate on your efforts in educating the customers and increasing transparency of sales.

For Canara HSBC Oriental Bank of Commerce Life Insurance, leads are generated through customer seminars, branch events, face-to-face meetings etc and sales-aids like 'conversation starters' that help in identifying prospects.

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As mentioned, we have a very focused

sales training programme which ensures customer centric life insurance propositions aligned to identified customer needs. A 'decision tree' created basis research of customer profiles and their life stage needs is referred to for solutions.

Sales staff have been equipped with a 'Benefit Illustrator', available on mobile phone, internet portal and the banks' intranet, to ensure that illustrations are available at the point of customer interaction.

To ensure the customer has understood the product features, disclosures and charges, a 'Key Information Document' is shared at the point-of-sale. The sales process culminates with a 'pre-validation call' that works

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To make insurance more transparent and understandable, in 2012, the Company simplified its policy terms and conditions, reducing the number of pages in the policy document.

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A consumer education campaign, 'Manager Sahab' was conceptualized around the trusted bank manager. It was launched in the print media in English and regional languages to educate the customer about the basics of life insurance.

The campaign simplifies and addresses questions on suitability, safety, return and liquidity of products to help people take correct and informed decisions about their life insurance.

6. Tell us about your claims management process and initiatives.

We look at the claims service as our opportunity to fulfill the promise made to the customer at the time of sale. Our guiding principle is 'Where Commitments are Delivered' for which the delivery mechanism is being 'Fair, Quick and Caring'.

✔ **Several customer centric initiatives facilitate smooth and speedy claim settlement:**

- Online claims information with detailed process and forms available online (Company website); Multiple touch points for claim intimation include email, telephone, local company hub offices, Relationship Manager, Company website etc
- Pro-active Investigation - As a company, we trigger the claim investigation without waiting for formal intimation (on receipt of any information of death of Life Assured)
- A simple form along with identification is all that is required to register a death claim and for payment of fund value
- A dedicated 'case manager' handholds the claimant for the entire process; There is continuous support extended from the respective Hub/Bank Branch/ Claim Examiner during the evaluation
- As per the Company's 'Principles of Claim Evaluation', benefit of doubt is always given to the customer
- The claim is delivered personally to the deceased's family

The Company made 200 Fund Value Payments immediately upon claim intimation, under an industry first initiative launched a few years ago. The Outstanding Claim Ratio was brought down from 3.7% last FY to 1.7% in FY 2012-13 for both individual and group business.

The Company's reinsurer Swiss Re recently conducted an audit for technical aspects of claim handling and agreed to 100% claims decisions taken. Accordingly, the reinsurer increased the claims authority limit (amount of claim on which the Company can take a decision without referring the case to it).

7. What is the percentage of ULIPs in your portfolio? How do you see your product mix in the next few years? Will it be more of ULIPs or traditional products?

Currently ULIPs constitute 70% of our portfolio. In the future, we are looking at a 50-50 mix.

8. Are you looking at agency in the near future? What will be your growth strategy?

As I said earlier, for us, bancassurance is not a distribution channel, it is a business model. Agency is not in our plan. Instead, we are significantly growing the number of licenced bank managers and staff to sell insurance as part of their customer offering.

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All customers have insurance needs and in that sense, our vision is that every bank customer should buy life insurance from their bank. We are focusing on growing capacity by increasing the number of licenced bank managers and staff who, in turn, will reach out to more bank customers. Last December, we had 1800 licensed bank staff. At end of July, this year, the number was 3500 and there are around 800 more in the pipeline.

Also, we are not in the race of who has the biggest top-line growth but are looking at a balanced growth in new business and renewal of existing policies to ensure that our in-force book does not shrink and there is sustained, profitable growth. So, we don't need to re-think our strategy of bancassurance at this point.

We will also continue to focus on customer service through automating, integrating and simplifying operational processes and adhere to the highest standards of ethics and professional excellence.

9. How do you view the insurance market in India five years down the line?

We have seen a tremendous amount of change over the last five years - reinventing both unit-linked and traditional products - so it's a big question to consider the next five years! Perhaps we should be prepared for the unpredictable! However, when looking at the experience of other markets, we might anticipate the following:

1) A continued emphasis from the regulator for better customer service, higher standards of sales behaviour and swifter handling of customer grievances. This is going to require greater investment in people and processes from the companies to deliver an industry that maintains the confidence of the policyholders.

2) Margins are on a one-way trip, downwards. So efficiency and effective management of costs will be a priority for insurance companies. As products offer better value for customers, there will be less money available to cover distribution commissions and operating expenses, so the more efficient and productive competitors will emerge as winners.

3) A trend of growing bancassurance sales that will help to take insurance outside the major metros.

4) A trend of fewer part-time agents and more full-time agents that will help to drive higher standards with greater expertise. I expect that the absolute number of agents will reduce.

5) We will see increasing online selling and buying, probably supported by enabling regulation that allows electronic (demat) policies.

6) We may see some changes in the ownership structure of some companies. Maybe we'll have some IPOs, or changes in FDI. There may even be some consolidation and new entrants over the next five years.

These predictions may sound daunting however, when you look at the experience of other markets, the predictions should not be surprising. It's unlikely that we'll see the opposite - poorer customer service, increasing margins, less bancassurance or less online sales! So the direction looks inevitable - it's going to be a test for who can adapt the best.