INTERVIEW

"The first thing people should ask is, can I afford to die?"

John Holden,

CEO, Canara HSBC OBC Life Insurance

*The partnership between HSBC and two PSU banks took off four years ago. Its CEO John Holden tells **Babar Zaidi** what the hike in FDI limit means for his company, how the new regulation impacts the sector and why it is important to dejargonise policy documents.*

Are you disappointed that the insurance bill hasn't been passed? Specifically, are you unhappy that the FDI limit hasn't been hiked?
We are not disappointed at all. It doesn't matter to us because we don't need a change in the FDI limit to make our business work or succeed in our strategy.

What keeps the underinsured Indians from buying adequate protection?
People are very return-oriented. A lot of them still see insurance as a tax-saving instrument. They don't stop to think about the value of their life and not enough people discuss this matter. The first question that everyone needs to answer is, can you afford to die? If other people are dependent on your income, life insurance is the first priority. A lot is written about products that can get you good returns, but not enough about what your family would do if you died.

Studies also show that while Indians want to buy protection, they choose the wrong products. What's the reason for this?
It is interesting to note that more and more Indians are buying term insurance, but whether they are buying enough is debatable. Also, are they getting the right advice? Are they being directed by the salesperson to the right product? Recently, the life cover has been mandated to be 10 times the premium to avail of tax benefits. So there is a clear nudge by the regulator in the right direction—it wants insurance policies to give a higher protection.

The DTC has proposed a cover of 20 times the premium. What do you say to that?
I think this is too much. A life cover that is 20 times the premium may be inappropriate, especially for older people, who want to buy life insurance in their 50s.

There have been lots of regulatory changes in the past few years. Is it frustrating for a company to operate in an environment where the goalpost keeps changing so often?
It's normal and India is not unusual. The trajectory in a certain direction is clear, but the desire to change regulation quickly is faster than the industry's physical ability to respond to it. Some rules were changed (by the budget) in the middle of March for enactment from 1 April. We can't change our systems so fast; no company can. Computer systems have to be changed, people have to be retrained, product literature has to be reprinted—all this takes time. There should be an acknowledgement of the time it takes for conceptual ideas in a new regulation to be codified into a company's operating procedure.

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Instead of the piecemeal changes in rules, would you have preferred a one-time overhaul of the insurance regulation?
It is important to have a regulatory roadmap, not only for the industry but also from the customers' point of view. They have the opportunity to know what they are buying and can be confident that the regulation won't change. In the UK, if there is a change in rules, the new regulation comes into effect from the next year. So, there is almost one year for the industry to implement the change and for the customers to understand its implications and plan accordingly.

The Irda wants agents to conduct a suitability test before selling. How will this help?
This is an appropriate proposal. The regulator wants insurance companies to assess whether a product being sold to a customer suits his profile. Given his income, expenses and liabilities, does he need and can he afford the policy he is being offered? This assessment will help the insurer offer the customer an appropriate product.

The challenge here is how this fact-finding form can be made simple and easy to fill. If it is too bureaucratic or lengthy, it will either be left blank or be filled inappropriately. The first draft of this proposed form required the customer to state his expenses over the next 10 years, but it is very difficult for anyone to project his expenses over the next 10 years.

Will it also be a challenge to ensure that the form is filled by the customer, not the agent?
Absolutely. To ensure this, it is important to keep it relatively simple. Also, one needs to look at this from the customer's point of view. He should not feel as if he is being interrogated. Customers generally resent filling up forms. If it's a loan application form, a customer might resent the process but he'll play along because he needs the money, but if he is asked to fill up a complicated form for buying an insurance policy, he might find the process too cumbersome and intrusive. So, he might just decide to do something else with his money.

Insurance policies use terms and language that common investors don't understand. Should something be done about this?
We have what is called the 'key information document', which explains all the key features of the policy in a very simple language. In one page, it tells the customer exactly what he has bought, the tenure of the plan, the premium payable, the charges and the benefits he is entitled to.

We have tried to make the language of our policy documents very simple and comprehensible to the common investor. In the process, we have reduced the size of our policy document by a third. Of course, this was not meant to be a cost-cutting exercise but an attempt to make the customer understand his policy better.

Is there a case for the Irda to step in and make a standard policy document across insurers?
The Irda chairman is encouraging the use of simple language and some companies are doing it too. However, the question is the extent to which the regulator should define everything and leave no room for innovation. Or, perhaps, the regulator should define a broad framework and leave room for companies to innovate within this framework. For innovation to take place, one needs to not follow the rules. They should not break the rules, but be able to not follow what others are doing.

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