OUTLOOK MONEY
MAKE EVERY RUPEE ▸▸ COUNT

INTERVIEW
JOHN HOLDEN, CEO, CANARA HSBC OBC LIFE INSURANCE

'IF WE MESS UP INSURANCE, IT HURTS BANKING'

Photograph: BHUPINDER SINGH

John Holden, *who took over as the chief executive officer of Canara HSBC Oriental Bank of Commerce Life Insurance about three months ago, has experience of about 13 years in markets as diverse as South Korea, Taiwan, Malaysia and the Middle East. In a freewheeling interview with* **Sunil Dhawan** *and* **Teena Jain Kaushal**, *he talks about how the Indian insurance market is different from other markets, the recent regulatory changes and the problem of insurance mis-selling in banks.*

Can you give us a glimpse into the insurance markets of the countries where you have worked? Where do you think is the Indian market headed?

I have always been in bancassurance. It started in the UK by selling insurance products that go with the traditional line. For example, in the UK, it is compulsory for a mortgage to be supported by life insurance. This is because, there, banks don't want to force the possession and that's the right thing to do as far as the customer is concerned. And, then, you buy add-ons to protect your family, children's education and your own retirement.

If you come to Asia, the picture is quite different. Here, the industry had started more towards savings products. So, for the beginners, the insurance story in Asia was about buying savings plans. And, now, it's moving towards protection. Also, if you look at many Asian markets, they are underinsured. The next step would be towards more developed financial planning. Already, in India, the IRDA (Insurance Regulatory and Development Authority) is talking about need-based selling and know your customer (KYC) norms, among other things.

How are other markets adapting to market practices when it comes to selling insurance? What steps have you taken to ensure such practices are restricted in your company?

Across all markets, regulators have a common concern and that is market conduct. There have been a lot of reactions against commission-driven salaries and that's where commission disclosure comes in. In Australia, there have been talks about abolishing commission. It makes sense to keep the liability on insurance companies, as its their duty to ensure that agents are trained according to market standards. So, one of the things that we do (to curb mis-selling) is mystery shopping, that is, random inspections, because we take our reputation very seriously. Look at it from a bank's position... if you mess up with insurance, then, you mess up with all other banking relations as well.

What, according to you, are the major points that the regulator needs to address to bring the industry back on track?

One of the most important things that can be reconsidered is pension rules. This is because I think the requirement of a minimum 4.5 per cent return is tough to achieve. From the actuarial point of view, a lot of companies say that they can't do it. Some companies have managed to do it, but I don't know what their margins are. This has impacted the industry adversely. It's neither helping the industry, nor the customer. I would say that the regulator has actually done quite a few good things. One such thing is the IRDA's proposal to dematerialise policies, which reduces the cost in sending documents to far-off places.

There is a higher turnover among agents than bankers... Bank staff tend to stay on for a long time.

Tie-ups with banks provide a clear advantage in terms of reach. However, bancassurance in India has been the most susceptible to mis-selling as, unlike the agency system, the bank staff changes regularly. How do you ensure quality of your sales force?

Often, it is said that banks' clients are subject to mis-selling. I have a different argument—the bank has a greater stake in selling the product because of their customer relationship. A bank can't run away or vanish. We look for things such as how a customer let his policy lapse and started a new one. If we detect any suspicious behaviour, we challenge it. We have a lot of processes and controls to identify malpractices. When you know controls are in place, you are less inclined to do wrong. I also disagree with your contention that bank staff changes regularly: the fact is that they tend to stay on for a long time. I would say that there is a higher turnover among agents than bankers.

About 2,30,000 policies sold and an AUM of about ₹2,800 crore in almost three years. How does it compare with your peers?

The customer response has been great. It has almost been a fairy tale story in terms of growth.

Which is your largest selling product? Could you share with us some of its basic features?

Our largest selling product is the Dream Smart Plan, which helps you save for specific dreams such as children's education or marriage.

Do you think there should be change in guidelines for traditional plans?

I am satisfied with guidelines for traditional products. The recent tussle between Sebi (Securities and Exchanges Board of India) and IRDA resulted in change of guidelines. The outcome of that was insurance should be life insurance. But the traditional product are very much life insurance products. II

sunildhawan@outlookindia.com, teena.j@outlookindia.com

http://twitter.com/OutlookMoney; http://www.outlookmoney.com/Facebook/insurance