# People are comfortable dealing with a public sector bank

Life insurance agents have quit the industry in large numbers as a result of the recent product regulations. Bancassurance, banks distributing insurance policies as agents, has since then become a significant distribution channel. So when Punjab National Bank tied up with Met Life Insurance in India for distribution and subsequently bought 30% stake in it in FY13, the insurer not only got a new name as PNB MetLife India Insurance Co. Ltd but also found a bancassurance partner. PNB has about 6,000 branches, of which around 2,500 are equipped to sell insurance. Tarun Chugh, managing director and chief executive officer, PNB MetLife, explains how beneficial the tie-up with PNB has been and what lies ahead.


**TARUN CHUGH**
Managing director and chief executive officer
PNB MetLife India Insurance

**Profits for the company have gone up by 79%. In FY13, you made a net profit of ₹108 crore and in FY14 you made ₹192 crore. Is this because of Punjab National Bank (PNB) being on board?**

Improved efficiency is one factor. We are able to sell more with the same sales force, primarily due to our partnership with PNB. It's also important to note that we are selling only long-term products—90% of our portfolio is beyond 10 years. We have a parameter called annualized new business premium that we use to measure ourselves in terms of the long-term nature of our business. So, if a distributor sells a single-premium plan, only 10% weightage is given; if it's a 10-year product, 100% weightage is given.

**MetLife in India was largely driven by the agents, but now with PNB on board, bancassurance has become significant. Is it difficult for banks to sell insurance?**

Our bancassurance relationship with Karnataka Bank Ltd has been since 2002, and this is the only non-promoter relationship with a bank that's lasted so long. Our three bancassurance partners—Karnataka Bank, J&K Bank Ltd and PNB—have strong customer relationships because these are primary banks for many. PNB has a strong foothold in the Gangetic plains, Karnataka Bank in and around Mangalore, and J&K Bank, of course, in that region.

Banks are traditionally accustomed to selling single-premium plans because they are comfortable with one-time pay, guaranteed products such as the fixed deposits. That's the only place where we are not aligned, and that's where our team comes in. Our bank partners like traditional plans because these have guarantees built into them, which their customers demand.

We also look a lot at monthly premium plans. Our non-annual mode is about 20%; that's good because it means we are tapping the salaried class. Monthly mode goes well with the bank as well.

If you allow the monthly mode, banks like selling regular premium plans as well. We get around 60% from bancassurance now, but we are very clear that we want to be a multi-distribution company. We want to grow our agency force as well.

**At a time when agents are jumping off the boat due to recent product regulations, what do you think will be a driving force?**

The driving force is our brand change. Plus, we are not focusing on the entire country; only the Gangetic plains, J&K, Karnataka, Kerala, and the top cities. We are not spreading thin; we are focusing on places where there is either a brand recall or a very good distribution relationship. Customers take great comfort in dealing with a public sector bank and even agents like the PSU brand.

**J&K Bank is selling its 5% PNB MetLife stake. How will this impact distribution?**

J&K is an important state for us and the chairman of J&K Bank has reiterated his commitment to the distribution relationship, which is business as usual.

**Online term plans have become popular and insurers are coming out with interesting versions of term plans. Is the term plan becoming a pull product? When will you start selling online?**

When the sector opened to private insurance, the stock market (Sensex) used to be at 2,000 levels; then it rose to 20,000. Insurers got swept by the wave just like customers. So, unit-linked insurance plans (Ulips) overshadowed everything. Now, there is more sanity.

I believe that there isn't just one India, but six or seven Indias, a couple of which are now moving up the value chain.

We don't have an online term plan yet, but we will be filing soon. Offline, we have a family income (term plan) plan that pays monthly income to the beneficiary instead of paying a lump sum.

Globally, MetLife has a strong online presence. So, it will be key for us as well.

**Insurers are also using new age gadgets such as tablets for sales. Will MetLife also do so given that most of your clients are concentrated in smaller cities?**

For us the largest city is Delhi. Then comes J&K because of our partnership with J&K Bank. It has 600-plus branches. So, after Life Insurance Corp. of India, we are the biggest insurers there.

We can use technology in sales even in smaller towns. In (South) Korea, everything happens on the tablet, including the signature. We are going to replicate that here, and call it e-branch.

What also helps is that we already have a module, MetSmart, for servicing insurance policies in a bank branch. This means the bank can access the policy details; other insurance-bank relationships don't offer this. This de-bottlenecks the service, because eventually, what the Insurance Regulatory and Development Authority wants is banks being able to service customers.

**The budget has proposed to increase the composite cap in the Insurance sector from 26% to 49% and has also proposed to take up the pending Insurance Laws (Amendment) Bill. This should bring in more capital.**

Currently, the foreign direct investment is close to ₹8,700 crore. With 49%, the sector stands to gain an additional ₹7,800 crore as FDI. At this stage, the industry does need long-term capital for growth and expansion, which only FDI can bring in. FDI also enables companies to invest further in managerial ability, technical knowledge, administrative organization, and innovations in products and production techniques. The FDI cap of 26% in India is one of the lowest in the world. In China, it is 50%; Japan, South Korea, Vietnam, Hong Kong and Taiwan allow 100%; Indonesia has a limit of 80% and Malaysia 51%.

*Deepti Bhaskaran*
*deepti.bh@livemint.com*