'Bancassurance partnerships which are non-equity based will be completely realigned'

With more entities set to start banks, this opens fresh opportunities for insurance companies and for transforming the bancassurance structure, says **RAJESH RELAN**, managing director and country manager, PNB MetLife India, in an interview to Manojit Saha. Edited excerpts:

Q&A

RAJESH RELAN

MD & country manager, PNB MetLife India

What will be the impact of the entry of new banks on the insurance sector?

Overall, a positive development; it will also help in increasing the penetration. There could be multiple consequences of this. Since a part of the business will shift from existing banks to new banks, the former will need to look at boosting their non-fund based fee income to make up for the loss in interest income. This would lead to a retail wealth management model in public sector banks. Since banks have to increase fee income, this would come from wealth management activities.

Within wealth management, the share of life insurance, general insurance and health insurance will increase. A large proportion of income of the wealth management business of foreign and private banks already comes from life insurance products, I am sure banks will focus more on insurance.

One important consequence on new banks coming into the play is a realignment of bancassurance partnerships.

If a group with an insurance business and a distribution tie-up with a bank gets into banking, then they might prefer to shift the insurance business or explore the broking model.

On the other hand, a bank might not want to partner with a particular group's insurance company, if that group enters into banking. Non-equity-based bancassurance partnerships will be completely realigned.

The insurance regulator has allowed banks to become brokers. What are your views on open architecture regarding the bancassurance channel?

We believe the customer should have the final choice to buy from wherever he wants and what he wants. He should certainly not be forced into buying, since the policies are not going to live their life (read term), though the customer will.

At the same time, companies will have to be guided by their own agreements, arrangements, business models and strategy. The banks which want to choose multiple partnerships have already been allowed by the regulator through the broker route, a welcome step.

Punjab National Bank has acquired 30 per cent in the company. What has been the impact of PNB's partnership on the business?

PNB has about 6,000 branches and 78 million customers. They have a fair mix of branches in metro, urban, semi-urban and rural areas. To that extent, PNB offers us a vast distribution network, being leveraged by Metlife to build its business. We expect to grow faster than the market and improve our market share. PNB gives us a platform to achieve our vision of becoming a top-tier life insurance company. While we continue on that journey, we are also focusing on expense management, to be one of the most profitable companies.

How has the other bancasurance partner, J&K Bank, fared over recent years?

J&K Bank has been a shareholder, as well as our strategic distribution partner, since we started operations. It has contributed a little more than 100,000 policies in the past 12 years of its partnership with us; a little over 10 per cent of our business comes from J&K Bank. While the business from the bank is growing on a month-on-month basis for the past seven years, there has been an impact due to the political disturbances in the valley. In Jammu & Kashmir, we are the largest employer in the private sector.

What are your growth projections?

Our business plan for 2014-16 is getting firmed up and we are looking at a healthy growth for PNB MetLife and gain in market share. In the previous year, when the market was down about 15 per cent (premium income), excluding group business, we grew by 15 per cent.

We are currently not focused on the group business, since the irrational pricing in the market compromises the shareholder value.

We are focused on growing our embedded value through the long-term regular premium business.

In this segment, we expect to grow above the previous year.