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■ INTERVIEW

“WE NEED TO MAKE LIFE INSURANCE SIMPLER”

Tarun Chugh, managing director and chief executive officer, PNB MetLife Insurance, tells Outlook Money's **Sunil Dhawan** on how a 49% hike in FDI for insurance will reboot the sector and open up competition



VISHAL KOUL

➔ **The Cabinet has cleared a 49 per cent FDI hike in insurance. What does this percentage mean to the industry and customers? What technological and product variants can we see in the future?**

First of all it's phenomenal that FDI will see the light of the day, which is good. I think a lot more expertise would start coming into the sector. It will make India count in the global balance sheet because the industry would start contributing more. And because of that, I see a lot of technology coming in. The insurance sector today is technologically deprived. All our technology is at the back end and kicks in once the customer is on board. Mostly, it's all legacy systems. But the front end, which takes the bulk of the costs, needs more technology advancement. Some firms have made some progress but I think it's just the tip of the iceberg. There is lot to be learnt from the West. We, at PNB MetLife, are very keen on the digital platform. Products need to get simpler, propositions have to be simpler and getting the customer on board has to become simpler.

'Products need to get simpler, propositions have to be simpler and getting the customer on board has to become simpler'

➔ **Is the digital platform apt for selling financial products?**

India is not just one India. There are six or seven Indias within. There is an India that wants self service. There is another that will understand, compare and then take a decision. Then there is one that will take decisions based on the Internet. Another set would compare by itself, talk to a few referees before making a call. There is also a section that will talk to an agent. Some buy it because you are pushing it.

The point is do I, as an insurer, have a presence in each one of these Indias? India between the ages of 20 and 35 is turning to the Web for information. The Internet is always going to surprise us. Insurance products have to become simpler. The good thing is that the regulator is also pushing for simpler processes. We are bullish on this. We don't have an online term plan yet, but will be filing soon. Globally, MetLife has a strong online presence. So, it will be a key for us.

➔ **Has there been clarity on the condition of 'Indian management control' with regard to the FDI hike? Will it impact foreign inflow?**

This is being discussed and there would be proper clarity soon. On the funding part, if it's FDI or FII, it's a corporate decision. FDI is relatively longer term money and is usually preferable. But different companies are in different stages. Some can list and so, FII works for them. Some have been thinking to invest in India

through the strategic route. They would prefer FDI. The matter is with a select committee and I think our leaders would come back with the right things.

➔ **With stock markets delivering high returns, Ulip funds too have shown high growth. Are customers opening up to the new Ulips? Are regulatory guidelines robust enough to stop misselling?**

The new Ulips are far better in terms of costing. Typically, after five years, some of the Ulips work out to be cheaper than some other financial products and give one a life cover as well. They are also more simplified now. The choice of buying Ulips depends on the risk appetite of a customer; many are now looking for guarantees. In its earlier avatar, ulips were unfortunately mis-sold and the reason largely for that was the short-term approach. For example, if a long-term option is being sold as a one-year product then the charges that were front-loaded appeared high and make the product look bad. When Ulips were first introduced, the charges were not transparent and because the market was doing well and people made decent returns, there was no issue. But when the markets started flattening out, these charges, along with the short-term approach, became an issue.

The charges have come down drastically, even lesser than half than what it used to be. I would urge customers to remember that insurance should be taken based on a need analysis and with a long-term horizon.

➔ **You have tie-ups with three banks. Bancassurance draft norms on selling products for more than one insurer is still under review. What's your take?**

I am happy that the guidelines are being reconsidered as it looked more like a diktat earlier. Now people are asking the right questions. A lot, in my sense, depends on the bank's maturity and outlook. A banker at a branch is already selling 20 different products and it should not be that five more insurance companies are added to it. Now if five companies are going to train him on their individual portfolios, it will be very difficult. Insurance products are not as easy to understand as banking products. So, it should be left to the maturity of the banks. There can be some private sector banks where through the wealth manager some choice can be given to the customer by offering Ulips and other products. In the new architecture, the option should be with the banker whether to sell for more than one insurer or not. ☐

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