

‘We Will Raise Our Stake in Reliance AMC to 49%’

Hiroyuki Nishi, managing director of Nippon Life, the 125-year-old Japanese life insurance company managing assets worth \$513.8 billion, is looking to increase investment into India both through the joint venture partnership with Reliance and directly into fixed income and stocks. In an interview with **R Sriram** and **Shilpy Sinha**, he says that a higher foreign investment will set the life industry on a different growth trajectory with investment into productive areas like IT capabilities and distribution channels. Edited Excerpts:

Which of the countries outside Japan has the highest growth potential?

India is the highest growth potential market. We have some business in mainland China that has growth potential. Our income from overseas operations including India is limited and, in five years, we are planning to increase it to some extent.

The recently passed ordinance allows the foreign partner to increase stake in life insurance to 49%. How are you looking at the development?

We are very much supportive of that movement. The regulation bringing in additional capital will stimulate growth of the Indian life insurance. Also, attracting foreign insurers to come to the market will bring in new ideas and experience. We are looking at this as a huge business opportunity.

By increasing our stake in Reliance Life, we will be able to bring in global knowledge that we have acquired in Japan. We may be able to assist Reliance Life in growth with additional capital that we bring in which can be invested in key areas like distribution channels and IT capabilities.

Reliance Life will be able to capture the growth potential. We will discuss with Reliance Life on how we will increase our stake and it will depend on size, price and method. In any case, we are confident that we will come to the best solution that will be a win-win for both the partners.



MARKET POTENTIAL

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Are you going to wait for the Bill to be passed or hike stake under the ordinance?

We will take it when the next Parliament session approves it.

Endowment is a large part of the business done by Reliance Life. What is the future of endowment products?

We prefer selling more protection-type products which are real insurance products. Our strategy is selling more protection. Maybe, gradually, the market will change. The same thing is happening in mainland China where the main distribution channel is bancassurance and they are selling saving-type of products and CIRC – the Chinese regulator is recommending companies to sell protection-type products. This will be important to the Chinese people where social security is not expected from the government.

Nippon Life does around 17% of business through the bancassurance channel. How important is a bank partner for Reliance Life?

The Indian regulator is discussing making open architecture mandatory. I hope the regulator approves a mandatory open architecture model. Exclusive bancassurance partnership is not supportive to the clients. In Japan we have open architecture.

How much are you looking to invest in India?

We have invested \$700 million in asset management and life insurance. Further investment will depend on valuation of the life insurance business.

Are you happy with the performance of the two companies – Life insurance and asset management?

PROTECTION PRODUCTS

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Very much. We have a trustworthy partner in Reliance Group.

You can increase the stake in the asset management beyond 49%. Will you?

We respect our partner and Reliance is the local partner so they should have a majority stake. We have increased our share in mutual fund to 35% and will increase it further to up to 49% within a few years. This is the agreement.

What are your views on Indian stock market?

In general term, it is positive. In the long-term huge population and good leadership will be a positive.

How has monetary easing in Japan affected the life insurance business?

We are having a very difficult time. Interest rate is a critical issue for life insurance because 99% of life business portfolio in Japanese yen is a longer tenure. We need to invest in yen long-term fixed maturity paper to manage the asset liability mismatch. Last year, we were forced to stop some products because of the environment.

Are you increasing your stake in Indian fixed income? Do you have a separate investment fund apart from investment in Reliance Asset Management and Reliance Life?

Not only India but other countries are also depending on the risk-return balance. We have some investment in Indian equity and fixed income. This is a small amount of less than \$100 million. About 25%-30% dividend and interest income is coming from outside Japan.

Are you looking at acquisitions? Would you want to grow through acquisitions in India?

We are looking at good opportunities in other countries. That is one of the ideas. We would like to jointly acquire. Growth rate of a growing market like India is 20-30%.

What are your listing plans for both life insurance & asset management?

We may look to list in future.