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Corporate agents can now sell policies of up to 3 insurers

IRDAI's new norms to benefit banks, customers

The Insurance Regulatory and Development Authority of India (IRDAI) on Tuesday notified new norms for corporate agents allowing them to tie up with up to three insurers each in life, non-life and health insurance segments.

At present, corporate agents are allowed to sell policies of only one life insurance and one non-life insurance company.

According to the new norms, an applicant for corporate agency, who is engaged exclusively in insurance distribution, shall have a minimum net worth of ₹50 lakh.

Exclusive distribution

In the case of an applicant exclusively doing insurance distribution, the aggregate holdings of equity shares or contribution by foreign investors, including portfolio investors, shall be prescribed by the Central Government from time to time, the authority said.

If insurance sale is done as an ancillary business by an entity which is engaged in a different business (such as a bank), conflict of interest should be avoided.

All corporate agents will have to be registered with the regulator before entering into distribution agreements with the individual insurers.

Apart from insurers, the new norms are likely to impact customers and banks.

"Industry requirement is that it should be made mandatory for corporate agents to have tie-ups with more than one insurer. According to the new norms, this is only optional. It is still a positive development," Manoj Kumar Jain, CEO of Shriram Life Insurance Company, told BusinessLine .

Though there are about 250 corporate agents today, the new norms could trigger increased traction in marketing pacts between insurance companies and banks.

However, the CEO of a bank-promoted life insurance firm, who did not want to be named, said he does not see any major impact. "This might lead to mis-selling as selling insurance is not an easy task," he said. According to RM Vishaka, MD and CEO of IndiaFirst Life Insurance, these norms are "enabling provisions for more tie-ups". On customer choice, she said: "Choice has always been there for a customer post-liberalisation with 24 insurers."

Insurance penetration

It remains to be seen if these norms will improve insurance penetration in the country. Insurance penetration is currently at around 3.9 per cent of the gross domestic product.