

Banks can take a call on insurance biz: IBA

TIMES NEWS NETWORK

Mumbai: The Indian Banks Association (IBA) has taken a more liberal view of the finance ministry's diktat asking banks to become insurance brokers. IBA feels that finance ministry's letter leaves it to banks to choose to become brokers and sell policies of multiple insurers or continue as corporate agents for one insurance company.

The association, in its recent managing committee meeting, discussed a directive from the finance ministry to public sector banks (PSBs). The finance ministry had asked PSBs to implement the spirit of the Budget announcement (of banks becoming insurance brokers) within the framework of guidelines issued by IRDA and RBI. The letter also said that PSBs may join the insurance broking business in order to increase insurance penetration and avoid mis-selling of insurance products.

Briefing newspersons about developments at IBA, the association's CEO M V Tanksale said, "Since every bank is in a different position with respect to insurance distribution, we felt that the IBA cannot take a single view on this and it is the individual banks which will have to take a view on this at their board level."

He also said that the association has sought clarification on the ceiling of 25% on the extent of business that a bank can do with one insur-

ance company. It has also asked whether the current cap of 50% on the extent of business a broker can generate from a single customer will continue. According to Tanksale, banks that choose to become brokers would also require some leeway in transiting from a corporate agent to an insurance broker and would have to put arrangements in place to service existing customers.

panies have invested crores in training tens of thousands of bank employees to sell insurance as a corporate agent.

The third issue raised by banks is operational. Banks say that they have invested in technology to embed insurance service platforms in their core banking solutions. These have been done for products of the group company. This would have to be undone as broking licence

CHANGING ACCOUNTS

➤ Bank boards have to decide whether they can take up **insurance broking**

➤ Banks are also seeking clarity on broking norms which place **25% cap** on one insurer's business

➤ Employees have been offered **5%** hike in take-home pay under wage negotiations

➤ Those who retired before 1986 will get a **₹ 500** hike per month in ex-gratia pension



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Privately, PSBs have expressed concern over the finance ministry diktat. Their biggest worry is the exclusive distribution agreements they have entered into with their joint venture partners against which they have received upfront payments running into hundreds of crores.

The second concern is that the investment made in training employees to sell insurance plans would go to waste as the training syllabus for those engaged in broking is completely different from the training for a tied agent. Since the industry was opened up, insurance compa-

requires banks to make available products of all insurance companies.

Most of the public sector banks have an insurance company in the group, many in the form of a three-way joint venture. These include SBI (SBI Life), Bank of India and Union Bank (Star Union Dai-ichi), Bank of Baroda and Andhra Bank (India First Life Insurance), Punjab National Bank (PNB Met-life), Canara and Oriental Bank (Canara HSBC OBC Life), IDBI Bank and Federal Bank (IDBI Federal Life) and Allahabad Bank, Indian Overseas Bank & Karnataka Bank (Universal Sompo).



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