

New corporate agency norms: insurers see lukewarm response

Standardisation of products, long procedure in forging new tie-ups seen as reasons

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The response to the new corporate agency norms in insurance has been lukewarm, according to some insurers.

The Insurance Regulatory and Development Authority of India (IRDAI) had notified the new framework for corporate agents in September this year.

It had allowed corporate agents, such as banks, to tie up with up to three insurers each in life, non-life and health insurance segments. Till then, they were allowed to sell policies of only one life insurance and one non-life insurance company.

It was expected that the new norms will drive up sales through tie-ups between banks and insurers.

“However, there has not been much traction. A possible reason could be standardisation of insurance products of various

companies and the long procedure involved in forging new tie-ups. We have to wait and see,” Chirag Jain, Chief Operating Officer, Canara HSBC Oriental Bank of Commerce Life Insurance Company, told *BusinessLine*.

Interestingly, even before the new norms were introduced, the insurance industry was virtually divided on the need for and impact of the increase in number of tie-ups. Almost all insurers promoted by banks and dependent on the bancassurance channel argued that there might not be much impact while non-bank-led insurers saw some sense in it.

It now seems that the divide continues as bank-led insurers are not jumping to sell insurance policies of companies other than those promoted by them.

Many banks, including State Bank of India, Bank of Baroda, ICICI Bank, HDFC Bank, Canara Bank, HSBC and Andhra Bank,

have stakes in insurance subsidiaries and are unlikely to expand their agencies to other insurers, according to a senior executive of SBI Life.

While accepting that the response has been slower than expected, Manoj Kumar Jain, Chief Executive Officer of Shriram Life Insurance, said the process for banks to take up new agencies is actually longer. “It has to be a board-approved policy and they will have to float an open tender/request for proposal. I expect that there will be some interest even though it may be delayed,” he said. Shriram Life is in discussions with three banks in this regard.

In addition to the procedure involved and the time it could take, banks today have their own challenges to immediately focus on non-core business like distribution of insurance, said RM Vishaka, MD and CEO, IndiaFirst Life Insurance Company.

Currently, there are about 250 corporate agents, including banks.