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CSC channel unlikely to gain traction as high costs dissuade insurers

The Common Service Centres (CSC) to sell insurance is unlikely to gain traction as regulatory norms don't support expenses associated with the channel.

The Insurance Regulatory and Development Authority of India (Irdai) had said that insurance companies could tie-up with common service centres (CSCs) to act as insurance brokers to sell life and general insurance policies. However, due to the expense management norms, insurers are not finding it cost effective to enter into these tie-ups.

Anoop Pabby, MD & CEO of DHFL Pramerica Life Insurance said that CSC requires huge scale for the product to be offered at such a cost.

“The collection and remittance of premium itself costs more money than allowable in product by the regulator," he added. However, he said that with new payment banks coming into play, there may be drastic reduction in transaction cost. He added that insurers would be looking to partner with some of these entities.

CSCs are a part of the National e-governance plan. The Centre plans to roll out over 100,000 CSCs across the country with a focus on rural areas. These CSCs are aimed at providing high quality and cost-effective video, voice and data content and services in the areas of e-governance, education, health, tele-medicine, entertainment and other private services.

The CSCs will offer web-enabled e-governance services in rural areas. They can offer application forms, certificates, and utility payments such as electricity, telephone and water bills.

Some insurers including IndiaFirst Life, SBI Life and HDFC Life have products to cater to this channel. IndiaFirst Life CSC Shubhlabh Plan is a non-linked, non-participating, variable insurance plan with a low annualised premium.

Similarly, SBI Life-CSC Saral Sanchay is an individual, non-linked, non-participating, variable insurance product. This plan can be purchased by any individual aged between 18-60 years from an authorised Common Service Centre under the National e-Governance Plan (NeGP).

On the other hand, HDFC Life CSC Suraksha is a non-participating term insurance plan with annual premium as low as Rs 112. The life cover/sum assured that the policyholder can opt for in this plan will range from Rs 30,000 to Rs 2 lakh.

Irdai had asked insurers to develop products to be marketed exclusively through CSCs and file these products with the regulator for approval. In its guidelines on the CSC model, Irda had said these products shouldn't have a sum assured exceeding Rs 2 lakh (except motor insurance), per life or risk.

Kshitij Jain, MD & CEO of Exide Life Insurance explained that the cost of tying up with CSCs for an insurer would cross the expense limits stipulated by Irdai.

Though insurers agree that CSCs would be able to aid in deeper penetration of rural markets, they would only be selling simple products. A senior executive of a large private general insurance company said that the insurance companies will have to devise specialised products for this channel.

At a time when the insurance regulator has placed huge emphasis over anti-money laundering (AML) norms, insurers are also concerned about using this channel, as CSCs would deal with cash.

In its regulations, Irdai said for solicitation of insurance business, CSCs would have a rural authorised person (RAP), who would have to complete 20 hours of theoretical training from a recognised institution and, subsequently, undergo an examination.

The CSC public-private partnership model envisages a three-tier structure — the CSC operator, the service centre agency (responsible for a division of 500-1,000 CSCs) and a state-government designated agency responsible for managing implementation across the state.

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