

# Banks' exclusive sales tie-ups with insurers set to end

## BS REPORTER

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Exclusive tie-ups between banks and insurance companies to sell their products are set to be history, with the regulator putting a cap on the business a bank can get from a single insurer.

While the move will benefit insurance companies such as Reliance Life, which does not have tie-ups with banks for selling its products, banks will be disappointed. Earlier, when the Department of Financial Services had brought out a circular asking public sector banks to become insurance brokers, there was stiff opposition from banks, as their shareholder agreements had prescribed they would only sell products of their subsidiaries. In cases such as Canara HSBC Oriental Bank of Commerce Life Insurance, the insurer follows a model of 100 per cent business from its bancassurance channel.

In its exposure draft on licensing of corporate agents, the Insurance Regulatory and Development Authority of India (Irdai) has said no corporate agent (such as banks and non-banking financial companies) can collect more than 90 per cent of the premium from a single insurer in each category — life, general and health insurance. But this is only for the first year. For the second and third years, the cap has been fixed at 75 per cent and 60 per cent, respectively. From the fourth year, no corporate agent can collect more

## IRDAI DIRECTIVES

- Each corporate agent can tie up with up to three insurers, in the life, general and healthcare categories
- Fresh applications to be sent for licensing as corporate agents in life, general, health or composite category
- Corporate agents cannot get more than 90% business from one insurer in each category in the first year; to be brought down to 75% in the second year and 60% in the third year
- Cannot procure more than 50% from each insurer from the fourth year



than 50 per cent of the premium from a single insurer.

This means, banks will have no option but to tie up with more than one insurer in each category. According to current norms, corporate agents such as banks are allowed to represent only one life insurer, one non-life insurer and one stand-alone health insurer. The insurance regulator has now allowed banks to tie up with up to three insurers from each of the three segments.

The regulator has said for corporate agents failing to comply with these norms, registration will be suspended.

Turn to Page 18 ▶