

Banks selling policies of multiple insurers will be counter-productive: SBI Life Insurance

Reliance Life official disagrees, says customers will have more to choose from

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Forcing banks to sell insurance policies of multiple insurers would actually turn counter-productive, with insurers facing the risk of huge penalties due to mis-selling, and bankers not selling the products, said a senior official of a private life insurer.

Against complication

Participating at a panel discussion on the amended insurance law here on Monday by MMA, Ravi Krishnamurthy, Executive Director of SBI Life Insurance, said, "Insurance distribution should be kept

simple." He said that forcing banks to sell products of multiple insurers would be counter-productive with bankers deciding not to sell the insurance products at all. "A banker earns his income mainly from banking activities; selling insurance is add-on revenue," he said.

With the insurance law making insurers liable for commissions and omissions of their agents as well as providing for penalty up to ₹1 crore, insurers have to worry a lot on this aspect, he added.

Batting for banks selling insurance policies of multiple insurers, Srinivasan Iyengar,

Chief Operating Officer, Reliance Life Insurance, said, "One should look at this from a customer's point of view." Iyengar said an open architecture bancassurance model would provide customers the much-needed choice in selecting a product that is suited to her.

'Not a business risk'

In India there are three types of insurers — those promoted by banks; those who have appointed banks as their corporate agents, and insurers not having any banks to distribute their policies.

Banks such as ICICI Bank, HDFC Bank, State Bank of India and others that have floated insurance companies sell only the products of the

group companies. Banks acting as a corporate agent can sell only the products of one insurer. There are insurers who have appointed multiple banks as their corporate agents. Early entrants in the Indian insurance sector have signed up with all the nationalised and private banks leaving none for the late entrants.

Iyengar did not agree that the non-availability of banks to act as their agents for an initial period was a business risk that late comers had to factor into their business plan. DD Singh, Member (distribution), Insurance Regulatory and Development Authority of India (IRDAI), told IANS that the matter is under deliberation and a final decision has not been taken.