

Insurance broking to become more flexible with new norms

The insurance broking business will become more professional and flexible with the new norms coming into force, according to those in the sector.

A recent report by the Insurance Regulatory and Development Authority (Irda) committee on insurance broking, chaired by Suresh Mathur, suggested certain amendments to the broking regulations. While the ceiling on business from one client has been increased to 50 per cent, the period of re-application for licence by a broker has been set at after one year from the date of cancellation.

Interestingly, the report has said banks can become brokers as well. Sanjay Kedia, country head and chief executive officer (CEO), Marsh India Insurance Brokers, said the report had brought more clarity on the regulatory aspects of the broking business. On banks to be allowed to become brokers, he added it had plus and minus sides.

“On the one hand, we will have large corporates like banks in the space. But this would also increase competition,” Kedia said. The report said banks wishing to become insurance brokers may have to segregate a broking arm, which would be an independent accountable unit.

Among other instructions, the report has put a limit of placement of business with one insurance company to not more than 25 per cent of total business. According to Rishi Piparaiya, director-marketing and bancassurance, Aviva India, the restriction will ensure brokers offer multiple options to customers, based on their need analysis.

Voicing a similar opinion, G V Nageswara Rao, managing director and CEO of IDBI Federal Life Insurance, said this would enable brokers to sell the most appropriate product for a particular customer, according to his/her needs. “This is in the interest of the customer,” Rao said.

However, there is a concern that since re-application would be done only after one year, this could lead to increase in the number of orphaned policies. Rao explained while orphan policy servicing is being done, it should be ensured that the process of allotting such policies was easier. Others like Piparaiya feel servicing is smooth. “At Aviva, we have a robust process which ensures any orphaned policy is streamlined to the retention team for servicing,” Piparaiya said.

The brokers’ body is also satisfied with the regulations. But it has asked for certain other changes and is meeting Irda officials on Thursday to discuss these. Sohanlal Kadel, president, Insurance Brokers’ Association of India (IBAI), said

they wanted reduction in penalties and change in the 100-hour training for certain individuals in the broking community.

Another request to the authority is to consider a long-term licence in place of the present three-year one. Also, they have asked for premium and claim handling in direct broking by brokers, as this is the practice in other nations.

Further, the report said the annual fees would be reduced to 0.40 per cent of the preceding year revenue. The ceiling on business from a single client is proposed to be increased to a flat 50 per cent for any single group, while the business emanating from a government body or public sector company is excluded from this provision. Brokers' contribution in non-life insurance is 17.12 per cent in premium and 5.8 per cent in the number of policies. In life insurance, the ratio of business contributed by brokers is only 1.28 per cent.

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