

India Post: Low-cost Distribution and Establishment of Multiple Agencies

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Under Indian insurance rules and regulations, only licensed insurance agents or intermediaries can receive commission or remuneration for the solicitation and procurement of insurance business in India. Corporate agents are recognised as legitimate insurance distribution channels that are bound by the rules and regulations applicable to insurance agents. To operate validly as a corporate agent, the entity must be licensed to act for an insurer under the delegated authority of the Insurance Regulatory and Development Authority (IRDA) under the IRDA (Licensing of Corporate Agents) Regulations 2002 and the Guidelines on Licensing of Corporate Agents of July 14 2005.

A corporate agent is licensed to represent one life insurer, one general insurer or one of each. No corporate agent can represent more than one life insurer or one general insurer.

For several years the industry has lobbied the IRDA to approve a multiple agency system. In September 2007 the IRDA even set up a committee to consider, among other things, multiple agencies for banks, although thus far no general permission has been granted by the IRDA.

However, on September 13 2010 the IRDA took a concrete step in the right direction when it released an exposure draft in which it proposed to accord special status to the Department of Posts (more commonly referred to as 'India Post') and allow it to create corporate agency tie-ups with more than one insurer.

On October 18 2010 the IRDA established the framework for granting special corporate agency status to India Post under Sections 14(1) and 14(2)(c) of the IRDA Act 1999. It provided that, except for the exemptions provided under the framework, the Insurance Act 1938 and the regulations and guidelines applicable to corporate agents thereunder shall also apply to India Post. The key features of the framework are as follows:

- For the purpose of registration as a corporate agent, each 'postal circle' of India Post will be considered as a separate person and be able to hold separate independent corporate agency licences.
- Each postal circle will be allowed to hold corporate agency licences with up to two general insurers, two life insurers, one agricultural insurer and one standalone health insurer.
- All employees of India Post who have basic high-school qualifications will be considered eligible to distribute insurance. India Post will take steps to train these employees within one year of the regulations entering into force.
- All postal circles and the head office will be barred from selling or sharing their customer database with any insurer.

- India Post's head office will be barred from obtaining a corporate agency licence or engaging in the distribution of insurance in any other way. Only the postal circles under the head office will be eligible to become corporate agents.

Although this move by the IRDA is primarily aimed at providing a low-cost distribution platform and increasing the penetration of insurance in semi-urban and rural areas, it is also a significant step towards establishing multiple agency tie-ups for the distribution of insurance in India.

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