



भारतीय रिज़र्व बैंक

**RESERVE BANK OF INDIA**

www.rbi.org.in

DBOD.No.FSD. /24.01.018/2013-14

November 29, 2013

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir/ Madam,

**Entry of Banks into Insurance Business –Insurance Broking Business**

Consequent to the announcement by the Finance Minister in the budget speech 2013-14 that banks will be permitted to act as insurance brokers, IRDA has formulated and notified the *IRDA (Licensing of Banks as Insurance Brokers) Regulations, 2013* to enable banks to take up the business of insurance broking departmentally.

2. In order to enable banks to leverage their branch network for increasing insurance penetration, it has been decided to permit banks to undertake insurance broking business departmentally, subject to the requirements, including the minimum eligibility criteria, specified in the **Annex**. Banks desirous of offering insurance broking services should seek specific prior approval of Reserve Bank of India. Approvals would factor in the regulatory and supervisory comfort on various aspects of banks' functioning such as corporate governance, risk management and the arrangements proposed for undertaking insurance brokerage etc.

3. Banks offering insurance broking services shall not enter into any arrangement for corporate agency or insurance referral business.

4. The guidelines on insurance broking business will be reviewed after three years.

Yours faithfully

(Chandan Sinha)  
Principal Chief General Manager

Encl: As above

**Requirements for undertaking insurance broking business by banks**

Banks may offer insurance broking business subject to the following stipulations:

1. A comprehensive Board approved policy regarding insurance broking should be formulated and services should be offered to customers in accordance with this policy.
2. The eligibility criteria as per published accounts as on March 31 of the previous year will be as under:
  - The networth of the bank should not be less than ₹ 500 crores.
  - The CRAR of the bank should not be less than 10%.
  - The level of net non-performing assets should not be more than 3 percent.
  - The bank should have made profits for the last three consecutive years.
  - The track record of the performance of the subsidiaries/JVs, if any, of the bank should be satisfactory.
3. In order to avoid any conflict of interest, banks undertaking insurance broking business cannot enter into agreements either for corporate agency or for referral arrangements for insurance either departmentally or through subsidiaries/group companies.
4. The IRDA (Licensing of Banks as Insurance Brokers) Regulations, 2013 and the code of conduct prescribed by IRDA, as amended from time to time should be complied with.
5. It should be ensured that all employees dealing with insurance broking business possess the requisite qualification prescribed by IRDA as insurance broking is a knowledge intensive activity involving specialized skills. The persons involved in insurance broking services should not be entrusted with any other approval/transactional process at bank branches.
6. The instructions/ guidelines on KYC/AML/ CFT applicable to banks, issued by RBI from time to time, may be adhered to, in respect of customers (both existing and walk-in) to whom the services of insurance broking are being provided.

7. There should be a standardized system of assessing the needs of the customer across all branches offering insurance broking services.
8. A robust internal grievance redressal mechanism should be put in place along with a board approved customer compensation policy for resolving issues related to services offered.
9. There should be no violation of Section 10(1)(ii) of the BR Act, 1949 in payment of commissions/brokerage/incentives as well as the guidelines issued by IRDA. Further, no incentive (cash or non-cash) linked directly or indirectly to the income received from broking business should be paid to the staff engaged in insurance broking services. The staff of the bank is also not permitted to receive any incentive (Cash or non-cash) directly from the insurance company. The above must be ensured while formulating the incentive structure of staff.
10. As the participation by a bank's customer in insurance products is purely on a voluntary basis, it should be stated in all publicity material distributed by the bank in a prominent way.
11. In order to ensure transparency, banks should disclose to the customers, details of remuneration (in any form) received from various insurance companies for the broking business. The details of fees/ brokerage received in respect of insurance broking business undertaken by them should also be disclosed in the 'Notes to Accounts' to their Balance Sheet,.
12. The deposit to be maintained by an insurance broker as per the IRDA (Licensing of Banks as Insurance Brokers) Regulations, 2013, as amended from time to time, should be maintained with a scheduled commercial bank other than itself.
13. The approval is subject to all other instructions issued by RBI from time to time.
14. Violation of the instructions regarding undertaking of insurance broking business by banks will be viewed seriously and will invite deterrent action against the banks. Apart from prohibition from undertaking insurance broking activity, it may include raising of reserve requirements, withdrawal of facility of refinance from the RBI and denial of access to money markets.