

RBI/2006-2007/371

RPCD.CO.RRB.BC.No.86/03.05.33(G)/2006-07

May 3, 2007

**Chairmen,  
All Regional Rural Banks**

Dear Sir,

**Entry of Regional Rural Banks (RRBs) into insurance agency business**

It has been proposed in the Bank's Annual Policy Statement for the year 2007-08 (paragraph 153), announced on April 24, 2007, that as a measure of providing further business opportunities, RRBs would be allowed to take up corporate agency business, without risk participation, for distribution of all insurance products, including health insurance and animal insurance.

2. In the context of the above policy statement, the extant instructions issued to RRBs for undertaking insurance agency business, vide our circular RPCD.CO.RRB.BC.No.51/03.05.33(G)/2004-05 dated October 27, 2004, have been reviewed with a view to encouraging RRBs to undertake the said business. In modification of the aforesaid instructions, it has been decided that RRBs may take up corporate agency business, without risk participation, for distribution of all types of insurance products, including health and animal insurance, subject to the following conditions:

- i) The bank should comply with the Insurance Regulatory and Development Authority (IRDA) regulations for acting as 'composite corporate agent'.
- ii) The bank should not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of assets financed by the bank. The customers should be allowed to exercise their own choice,
- iii) The risks, if any, involved in insurance agency should not get transferred to the business of the bank.
- iv) 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 them in a prominent way. There should be no 'linkage' either direct or indirect between the provision of banking services offered by the bank to its customers and use of the insurance products.

3. The bank need not obtain prior approval of the Reserve Bank for taking up corporate agency business for distribution of insurance products without risk participation. However, a report may be sent to the concerned Regional Office of Reserve Bank (RPCD) within 15 days of commencing the insurance agency business.

4. Please acknowledge receipt of this circular to our respective Regional Office.

Yours faithfully,

(C.S.Murthy)  
Chief General Manager-in-Charge