

RBI/2006-2007/376

UBD.PCB.Cir.No. 42 /09.11.200/06-07

May 7, 2007.

The Chief Executive Officer of All
Primary (Urban) Co-operatives Banks.

Dear Sir/Madam

Annual Policy Statement for the Year 2007-08 -
Undertaking Insurance business-UCBs.

Please refer to para 211 of the Annual Policy Statement 2007-08 (copy enclosed).

2. In terms of our circular UBD.BPD.PCB.Cir.No 35/09.112.00/04-05 dated January 24, 2005, all scheduled UCBs having a minimum net worth of Rs.50 crore were permitted to undertake insurance business as corporate agents. All other UCBs could undertake insurance business on a referral basis, without any risk participation, through their network of branches.

3. It has now been decided to permit UCBs registered in States that have entered into MoUs with the Reserve Bank or registered under the Multi State Co-operative Societies Act, 2002 to undertake insurance agency business as corporate agents without risk participation, subject to compliance with the following eligibility norms:

- a) UCB should have a minimum network of Rs 10 crore,
- b) It should not have been classified as Grade III or IV bank.

4. In case of UCBs registered in States which have not signed MoUs with the Reserve Bank existing norms shall continue.

5. All other instructions issued in this regard remain unchanged.

6. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager-in-Charge

Annual Policy Statement for the Year 2007-08 -

d) Undertaking Insurance Business

211. At present, Scheduled UCBs in Grade I with a net worth of not less than Rs.50 crore are permitted to undertake insurance business as corporate agents, without risk participation. Further, all UCBs are allowed to undertake insurance business on referral basis. With a view to providing avenues for fee-based income for a larger number of banks, it is proposed:

- To allow all UCBs in Grade I and II with a net worth of Rs.10 crore and registered in a State that has signed the MoU with the Reserve Bank or under the Multi-State Co-operative Societies Act, to undertake insurance business as corporate agents, without risk participation.