

# 'Budget proposals will help widen distribution reach'

**MUMBAI:** Welcoming Budget 2013, Insurance industry on Friday said the proposal to have bancassurance through the broking route would help widen the distribution reach.

"Insurance broking is a specialised business and may require banks to develop additional skills. This move by the government will allow insurers to take advantage of the banks' distribution network," Tata AIG General Insurance CFO and Senior Vice-president-Finance Miranjit Mukherjee said.

"Though banks promoting specific insurance companies may not be interested in this development, but by allowing banks to offer products from more than

one insurers will lead to customers making an informed choice based on variable factors, like premiums, exclusions among others," he said.

Echoing a similar sentiment, IndiaFirst Life Insurance Managing Director and CEO P Nandagopal said, "While there are no additional tax concessions as expected, the big announcement is the proposed open architecture for bancassurance through the broking route.

"In the long-term, this would deepen the distribution reach of the banks in offering a wide range of insurance products. We need to check the details and take steps to see the broking



model does not result in excess distribution costs for the insurance companies, which are already reeling under the pressure of thinning margins," he said.

ICICI Lombard General Insurance MD and CEO

Bhargav Dasgupta opined that the steps to allow banks to function as insurance brokers, automatic approval to open branches in smaller towns, common KYC norms across banks and insurance as well as facilitating pro-

motion of micro insurance products through banking correspondents augur well for the industry.

Insurance companies will be empowered to open branches in smaller cities without Irda's prior approval and the move will help accelerate the penetration of general insurers into smaller cities, Mukherjee added. "General insurers will be able to offer insurance cover to customers in tier II and III cities, whom we believe can gain much by protecting their home and assets from future unforeseen risks," Mukherjee said.

HDFC Life Managing Director and CEO Amitabh Chaudhry said that several positive measures proposed

by the Finance Minister would aid growth.

However, Bharti Axa Life Insurance MD and CEO Sandeep Ghosh said that despite the Finance Minister asking banks to act as insurance brokers, the move will not help the sector much.

"In spite of some welcome steps like allowing banks to act as insurance brokers... (it) is a lost opportunity from the life insurance industry perspective. Some visible incentives like separate deduction from taxable income for life insurance premium and reduction in service tax which were most expected could have helped the struggling industry to show some respectable growth in the coming fiscal," Ghosh said.

PTI