

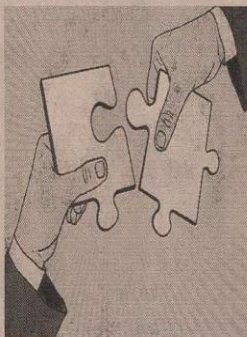
# Bandhan, UBI to be bancassurance partners of LIC

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Life Insurance Corporation of India (LIC) is planning to tie up with Bandhan and United Bank of India (UBI) as bancassurance partners.

Kolkata-based Bandhan is one of the two entities that were granted bank licences by the Reserve Bank of India (RBI) last year. It is also the country's largest micro lender. Diversified financial services firm IDFC, was also granted bank licences in April 2014.

A senior LIC official said they will tie up with these entities and would enhance their presence through the distribution networks of these banks. Bandhan, for instance, plans to open 600 branches at a go and is looking to transform into a bank by September.



Similarly, the UBI tie-up would mean that LIC's products are sold across its branches. The bank was earlier in a tie-up with Tata AIA Life.

LIC has bancassurance tie-ups with 11 public sector banks, and a total of 55 banks, including cooperatives and regional rural banks. The insurer derives about four per

cent of its premium from the bank channel.

While insurance agents are the biggest contributors to the new business collections of LIC, corporate agents-banks are the second largest with respect to the business generated.

For instance, for the April to December, 2014 period, LIC had ₹22,270.94 crore worth business in the individual segment coming from individual agents, while ₹683.06 crore was from banks as corporate agents. Here, corporate agent-banks comprised the second largest channel with respect to business acquisition, according to LIC's public disclosures for the period.

In the group segment, individual agents contributed ₹698.64 crore of the new business, while banks as corporate agents contributed ₹11.04 crore for the April to December period. Here, the bank channel was the third-largest, after direct

business (₹27,659.5 crore premium) and individual agents.

LIC has tie-ups with several public sector banks, such as Allahabad Bank, UCO Bank, Syndicate Bank, and Dena Bank. The insurer also had a tie-up with Bandhan Financial Services, which, according to LIC's website, was till February 7, 2015.

At present, banks can only tie up with one life, one general and one health insurance company, apart from the specialist insurers. However, in its recent exposure draft on corporate agents, the Insurance Regulatory and Development Authority of India (Irdai) has said no bank can get more than 90 per cent business from one insurer in the first year and that this should be progressively brought

down to 50 per cent by the fourth year.

On one hand while this would mean the public sector banks that have a bancassurance tie-up with LIC would have to offer products of other insurers too, on the other, this means LIC will also get a share of the private banks' pie in insurance.

"If private banks have to tie up with more than one insurer, many such banks would choose to tie up with LIC due to a large customer base that the insurer offers across different segments," said the chief executive of a bank-promoted

life insurer. The insurance regulator in its draft norms has now allowed banks to tie up with up to three insurers each from life, general and health segments.

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