

Item No. 12

Guidelines on Group Health Insurance Policies upon Merger of Public Sector Banks

1. The recent merger of public sector banks has resulted in a scenario where some of the merged banks may have to surrender their corporate agency tie-ups, as the acquiring bank is not allowed to work as a corporate agent with more than three insurance companies in each line of business. This is because, as per the extant IRDAI regulatory framework, a corporate agent is allowed to work with only three insurance companies in each line of business (that is life, general and health). The provisions of Regulation 3 of IRDAI (Registration of Corporate Agents) Regulations 2015 are reproduced hereunder.

3. Scope and applicability of these Regulations:

(1) These regulations shall cover Registration of Corporate Agents for the purpose of soliciting, procuring and servicing of Insurance business of life insurers, general insurers and health insurers during the validity of certificate of registration as follows.

(a) A Corporate Agent (Life) may have arrangements with a maximum of three life insurers to solicit, procure and service their insurance Products.

(b) A Corporate Agent (General) may have arrangements with a maximum of three general insurers to solicit, procure and service their insurance products. Further, the Corporate Agent (General) shall solicit, procure and service retail lines of general insurance products and commercial lines of such insurers having a total sum insured not exceeding rupees five crores per risk for all insurances combined.

(c) A Corporate Agent (Health) may have arrangements with a maximum of three health insurers to solicit, procure and service their insurance products.

2. It is observed that merged banks have been administering group health policies to their customers (account holders of the banks) in their capacity as Master Policyholders and these policies were issued by the insurance companies with whom the merged banks have corporate agency tie up.
3. Thus, it is considered very important that there is continuity of the coverage in respect of group health insurance policies of the customers of the merged banks.
4. In order to ensure smooth transition of the group insurance policies consequent to merger of Public Sector Banks, a circular was issued to all

General Insurance Companies, Health insurance companies and Public Sector banks on 28th January 2020. In the circular apart from reiterating that a bank in its capacity as a group organizer, can have group insurance arrangements with any number of insurance companies catering the insurance needs of its customers, it was specified that the insurers / banks; (i) continue servicing the existing group policies till the end of the policy period; (ii) may continue with the same group policy with the same insurance company for the customers of the merged bank.

5. Where the acquiring bank continues the same group insurance policy of the merged bank for their customers, it may want to continue the corporate agency tie up with the said insurance company as it allows receipt of commission income for procuring and servicing the group insurance policy.
6. In order to facilitate and encourage the acquiring banks continue with the insurance policies of the merged bank customers, a relaxation from the applicability of aforesaid provision of Regulation 3 of IRDAI (Registration of Corporate Agents) Regulations 2015 is given to the acquiring banks so as to enable them to continue the existing corporate agency tie-up of the merged banks with the respective insurance companies for a period of twelve months from the date of merger.
7. Copy of Guidelines dated 28th January, 2020 is attached to this note as **Annexure-1**.

Submitted for the ratification of the Authority.