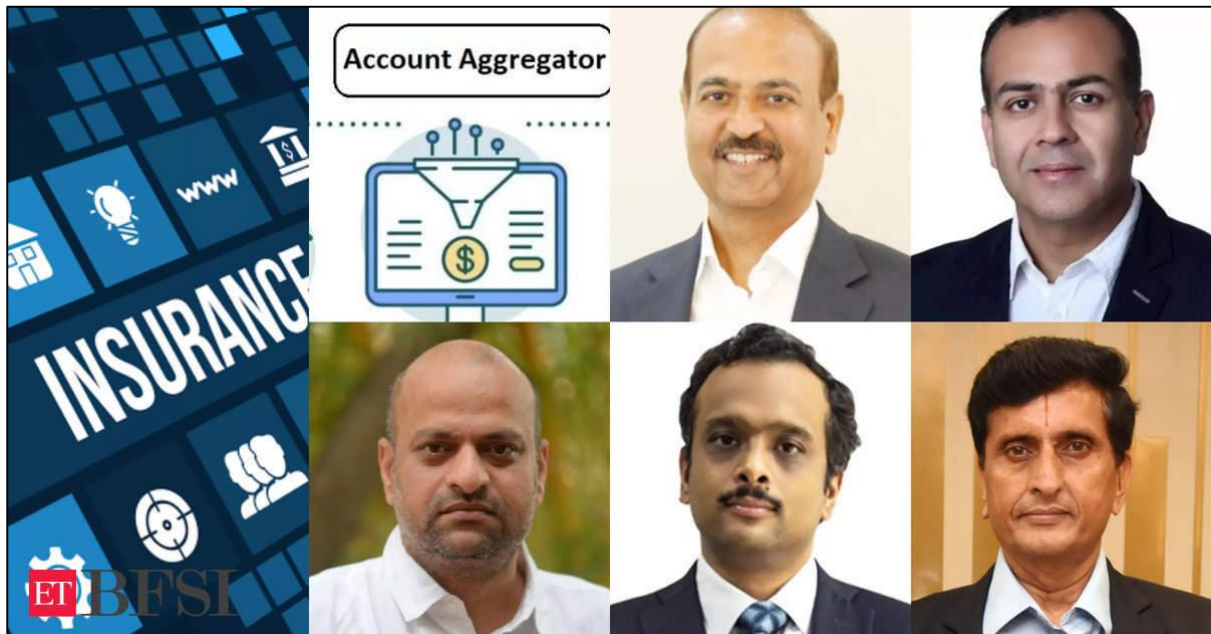


['Very progressive initiative': Insurance leaders hail RBI's Account Aggregator framework](#)



Insurance companies in India are now a part of RBI's Account Aggregator (AA) system and according to the leaders in this space, If done right, it has the potential to become another success story like the UPI framework. Here's what they said on the Impact, opportunity and challenges the AA framework presents for the Insurance sector.

The Insurance watchdog, IRDAI , in a recent move gave its go-ahead to insurance companies- life, non-life and health to be a part of Reserve Bank of India 's (RBI Account Aggregator framework. The regulator did this through a circular which includes a guideline on how they can share with account aggregators (AA).

An Account Aggregator (AA) is a RBI-approved NBFC that provides the digital service of retrieving or collecting financial information pertaining to a customer from financial entities [Financial Information Providers (FIP)] and consolidating, organizing, and presenting such information to any other financial institution [Financial Information User (FIU)], on the basis of explicit consent of the customer.

"This is a very progressive initiative taken by the Reserve Bank of India along with other sectoral regulators pursuant to the Digital India vision, empowering million

of customers to digitally access and share their financial data across institutions in a secure and efficient manner," said Tapan Singhel , MD & CEO, Bajaj Allianz General Insurance.

For Insurers, this is a totally new concept and the IRDAI vide its recent circular dated 14th November 2022 has clarified the requirement of an Insurer having to put in place necessary systems and safeguards for participating in the AA platform and adhering to the AA regulations and the applicable IRDAI norms, he highlighted.

According to Singhel , the impact of the AA platform would be on a highly positive note wherein the overall process of availing financial services would completely ease out for the consumers and mostly on a real-time basis.

Is the Account Aggregator system safe for customers

The USP of the said framework is the fact that the AA does not have any access to the customer data and they can merely take it from one financial institution to another based on an individual's direction and consent via a secured architecture, Singhel highlighted.

This would give immense confidence to the customers to opt for the digital AA framework in the days to come and completely avoid the need to submit extensive physical documents for availing any financial services

"With the right data safety guardrails and service commitment, this account aggregation presents a unique opportunity to the customers to understand their financial net worth across risk, investment, banking products and now insurance policies as well," said Sanjib Jha , CEO Coverstack.

"The only challenge I see now is that we need to ensure that data protection policies are created in a way to secure customers' privacy and data," he added.

Potential of the AA framework for Insurance sector

The AA system has the potential to transform the insurance industry by streamlining the process of secure, consented information-sharing between financial and non-financial ecosystem players, said Suhail Ghai , Chief Digital & Information Officer, Max Life Insurance.

"With the AA-framework, insurers have access to a mine of customer data that can be analyzed and leveraged to offer personalized insurance, simplify the purchase and servicing journey and improve customer risk assessment while eliminating the need for re-sharing documentation," he added

Though current use cases primarily center around reuse of financial data for simplifying customer onboarding, Ghai believes that the maturity of the ecosystem will lead to many more use cases around auto data underwriting and fraud detection

"If done right, this has the potential to become another success story like UPI framework," he said.

It is also envisaged that the AA framework in the future will expand beyond the entire financial sector and enable healthcare data also to be accessible, which again would help the insurers.

Phase-wise adoption of the AA system

The Account Aggregator framework has been promoted by RBI and regulators for sometime now and the IRDAI announcement is reinforcement of the same intent, as per Vikas Gupta , Chief Compliance Officer, Canara HSBC Life Insurance.

"Financial information provided entities are getting on to the AA platform phase-wise and announcement for the insurance sector to become FIP (Financial Information Provider) while ensuring information security is a logical extension of the requirement," he said.

IRDAI has been following up with the insurers through Life Council checking on the readiness for integration, he highlighted while adding that the Reserve Bank Information Technology (ReBIT) also has taken feedback recently from insurance companies on the format for providing information.

The RBI had already instituted the framework of AAs, registered with RBI, authorised to collect information on financial assets of Customers including Savings Bank account, Bank deposits, Mutual funds, Insurance Policies, Pension funds and sharing such financial information to end-users, highlighted According to Conjeevaram Baradhwaj, EVP (Legal & Compliance) & Company Secretary at Future Generali India Life Insurance

The end-users include Customers, Lenders including Banks, NBFCs for assessing loan repayment capacity as well as Insurance companies to assess the Sum assured limit and ability to pay premiums, he added.

"Participation of insurers in the above process not only enables them to share financial information, but also obtain information for financial underwriting, avoiding unnecessary paperwork," Baradhwaj said.

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