

## WIDER REACH

# Insurance gets a new distribution avenue

**Non-life and health insurers as well as intermediaries can use point of sale persons to sell simple products**

BY DEEPTI BHASKARAN  
deepi.bh@livemint.com

To increase the distribution footprint of the insurance industry, the Insurance Regulatory and Development Authority of India (Irdai) has allowed a new type of distributor, called the point of sale (PoS) person. According to Irdai, this step is a part of its developmental agenda and it hopes that this will facilitate the growth of the insurance business.

PoS will be distributors who will be allowed to sell simple insurance products in the non-life and health insurance space that don't require a lot of underwriting. "Bulk of products in motor insurance, travel insurance, personal accident insurance, etc., require very little underwriting. These happen to be largely pre-underwritten products, wherein, based on the information provided by the prospect, the insurance policy is automatically generated by the system," stated the Irdai circular. "The intervention required for such a product is minimal and the training and examination for such persons could be of a lesser degree," it added.

Accordingly, Irdai has issued guidelines on PoS persons who will be allowed to solicit customers for specified products that Irdai feels are simple and standard.

## Who is a PoS person?

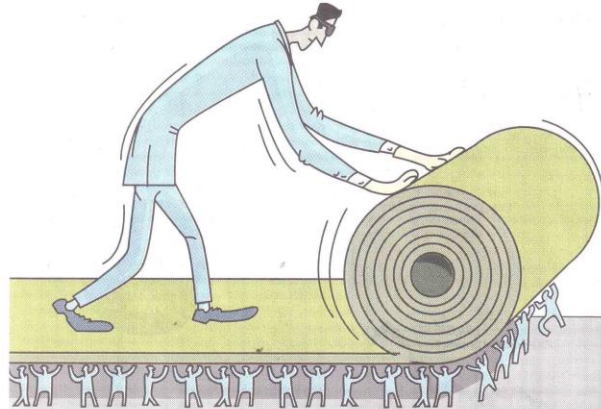
The minimum qualification of such a person has been set as having cleared Class 10. They can be engaged either by an

insurer directly or by an intermediary such as insurance agents, corporate agents and insurance brokers.

In term of certification, PoS persons will be sponsored by either the insurer or the intermediary planning to hire her for the examination conducted by National Institute of Electronics and Information Technology, NIEIT. PoS persons will be recognised through their Aadhaar card or permanent account number (PAN) card, and the same will be mentioned in all the policies sold by them.

Currently, insurance agents or specified representatives of corporate agents or insurance brokers, and insurance sales persons of insurance marketing firms are authorised to solicit and market insurance policies. "Insurance agents need at least 50 hours of training. Plus, the course material is intensive as it prepares an agent to understand and sell all types of insurance policies. For insurance brokers, the training and examination process is even tougher as they have many more responsibilities," said K.G. Krishnamoorthy Rao, managing director and chief executive officer, Future Generali India Insurance Co. Ltd. "PoS persons, on the other hand, will sell standard products whose basics even the customers know. Therefore, they don't have to undergo the same amount of training," added Rao.

This also means distribution at lower cost. "Hiring PoS persons will not be very capital intensive. Therefore, the industry will be able to increase insurance penetration in a cost effective manner," said Sanjay Datta, chief, underwriting and claims, ICICI Lombard General Insurance Co. Ltd. However, the guidelines are silent on remuneration. Insurers want clarification on how these PoS persons



ILLUSTRATIONS BY JAYACHANDRAN/MINT

will be remunerated.

The guidelines, however, state clearly that insurers or intermediaries hiring the PoS will be liable for their conduct, and for any misconduct by the PoS person, the insurer or the intermediary will be penalised.

## What can they sell?

For now, Irdai has allowed them to solicit and market policies mostly offered by the non-life industry, which includes covers for personal accident, travel, home and vehicles. A personal accident cover offers financial compensation if you meet with an accident that leaves you permanently or temporarily crippled. A personal accident policy has four covers: death, permanent disability, permanent partial disability and temporary total disability. For death or permanent disability, it pays you lump sum compensation, which is typically 100% of

the sum insured. For permanent partial disability, it pays a portion of the sum insured, and for temporary disability, it pays a weekly compensation, usually up to 104 weeks.

A travel insurance policy covers emergency hospitalisation and pays compensation against accidental injuries. It also packs in insurance against baggage loss, trip delays and a third party insurance cover.

A home insurance policy covers financial loss due to damage to your house and its contents on account of fire and other allied perils such as lightning, storm, and floods. A comprehensive householder's package policy offers covers that insure contents of the house against burglary, damage, mechanical or electrical breakdown. A comprehensive motor insurance policy covers not only your liability towards a third party (which is mandatory to have), but also

pays for damages to your car, and insures passengers' lives.

Irdai reserves the right to add other products that PoS persons will be allowed to sell.

## How will PoS help?

Irdai has acted on the demands of the industry to simplify the distribution network so that simple products can reach maximum people. "The basic issue is that insurance distribution is weak. And plain vanilla products don't require complex distributors. The guidelines allow us to hire PoS persons for products that are fairly simple so that it doesn't lead to mis-selling. In fact, this will lead to a multiplier effect as the industry will be able to hire more people to reach out to customers. The good news is that now even intermediaries can appoint PoS persons. This means the industry will be able to increase its distribution network with mini-

mum investment," said Tapan Singhel, managing director and chief executive officer, Bajaj Allianz General Insurance Co. Ltd.

"By allowing more people to become distributors, penetration will increase, and insurance can be sold bundled with other products. For instance, a travel agent who sells tickets can also become an insurance PoS. This means that along with customising your travel, she will also be able to provide travel insurance policies directly," said Datta.

But not all are convinced of the method. "Motor insurance policies are the simplest products that need little intervention. But there is oversupply in the segment. Owing to the mandatory nature of third-party insurance, motor insurance is sold by dealers at the time of sale itself. So, it's not clear how PoS persons will increase penetration of this product," said Kapil Mehta, executive director, SecureNow Insurance Broker Pvt. Ltd.

Also, not all the products that Irdai has mentioned may be simple. "Motor and travel policies are simple to understand, but home insurance is not. It may not be easy for intermediaries with very basic knowledge to sell complicated products," added Mehta.

It may also be difficult to put restrictions on what they sell. "A PoS person may also end up selling or soliciting clients for, say, health insurance products as customers may want to buy all their insurance needs from one intermediary. It will be difficult to monitor and make sure they sell only authorised products," said Mehta.

Insurers see such salespersons emerging in tier-2 and -3 cities. However, some feel that increasing distribution footprint by allowing more types of intermediaries could make monitoring difficult.