

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: 022 21029898/9820035553 • E-mail: directorgeneral@fidcindia.org.in



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18th April 2025

The Chief General Manager,
Department of Regulation (DoR),
Reserve Bank of India (RBI)
Central Office Building
Shahid Bhagat Singh Road
Mumbai-400 001

Respected Sir,

SUB: PAYMENT OF INSURANCE PREMIUM IN CASH BY THE POLICYHOLDERS TO CORPORATE AGENTS -NBFCs

Respected Sir,

Non-Banking Financial Companies (NBFCs) play a vital role in expanding formal credit access, bridging the credit gap for underserved segments, and complementing traditional banks with specialized financial products and services. To further enhance their offerings, some NBFCs have obtained corporate agency licenses from IRDAI, enabling them to provide life, general and health insurance solutions to their customers. This aligns with Government of India's goal of "Insurance for All by 2047," which aims to ensure every Indian citizen has access to suitable insurance coverage, and positions Insurance intermediaries i.e. agents, corporate agents, brokers etc. as key contributors to achieving this objective.

However, in many places, policyholders face challenges in continuing their insurance policies due to their sheer inability to timely remit premiums in cash directly to insurance companies in areas wherever they are not physically present. Per contra, NBFCs have their physical presence in these locations, due to their wide network. It may not be out of place to mention that the Policyholders wish to continue their policies by paying premiums in cash to

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agents/corporate agents, who would then deposit the premiums with insurers within 24 hours, as permitted for agents under the Insurance Act, 1938.

Unfortunately, as per the Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023, while NBFCs are allowed to undertake insurance agency business on a fee basis without risk participation, the condition at paragraph 1(iv) of the Guidelines for Entry of NBFCs into Insurance (Annexure XIV) states that "The premium shall be paid by the insured directly to the insurance company without routing through the NBFC" creates an unintended practical restriction which effectively prohibits NBFCs (unlike non-financial entities) from collecting premiums from customers, although they are acting as corporate agents and such a clause adversely affects the customers' interest who prefer to pay premiums directly through corporate agents, leading to policy discontinuation and lapsation and resulting in not only the unintended loss of business to insurers but also the desired risk cover for the customers.

As outlined in the enclosed extract of the IRDAI (Registration of Corporate Agents) Regulations, 2025, Section 24, corporate agents have a duty to service policyholders, including assisting with premium payments. Furthermore, Section 64VB of the Insurance Act, 1938, permits insurance agents to collect premiums on behalf of insurers and remit them within 24 hours.

By permitting NBFCs to collect premiums through their books within the regulations permitted by IRDAI, we can ensure that the Government of India's objectives are met, and the ambitious goal of "Insurance for All by 2047" becomes a reality. This would not only increase insurance penetration and drastically reduce the unintended discontinuation / lapsation of policies but also provide a significant boost to financial inclusion, customer satisfaction and overall economic growth. Furthermore, it would enable millions of policyholders to continue their insurance coverage, securing their financial well-being and providing peace of mind.

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We request RBI to kindly consider permitting NBFCs with insurance agency licenses to collect cash premiums from customers and remit them to insurers. This move would also enhance financial inclusion and customer convenience, and ensure that their risk cover continues.

We are of the bonafide belief that our suggestion will be favourably considered.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
DIRECTOR GENERAL

Annexures:

1. IRDAI (Registration of Corporate Agents) Regulations, 2025

24. Servicing of policyholders-

(1) A corporate agent registered under these regulations shall have the duty to service its policyholders during the entire period of contract. Servicing includes assisting in payment of premium required under section 64VB of the Act, providing necessary assistance and guidance in the event of a claim, providing all other services and guidance on issues which arise during the course of an insurance contract.

2. The Insurance Act, 1938

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64VB. (4). Where an insurance agent collects a premium on a policy of insurance on behalf of an insurer, he shall deposit with, or dispatch by post to, the insurer, the premium so collected in full without deduction of his commission within twenty-four hours of the collection excluding bank and postal holidays.
