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agent and broker

An insurance agent is a person or an entity who represents the interest of the insurer

Deepti Bhaskaran 

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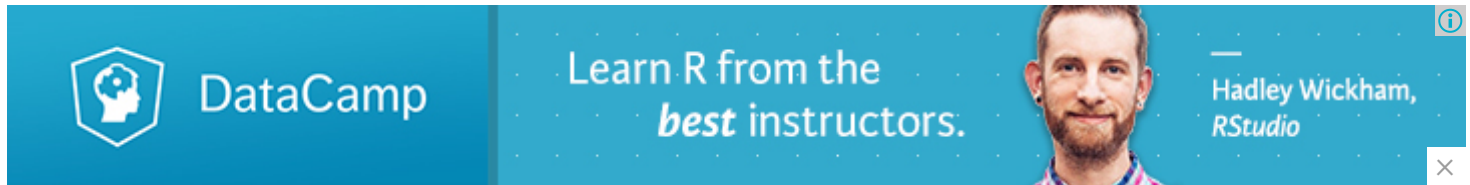
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Earlier this month, finance minister P. Chidambaram came up with an idea to bolster insurance distribution. Instead of allowing an open architecture wherein a single bank can become an agent of multiple insurers, he suggested banks become brokers. As

brokers, not only can the banks sell insurance policies of multiple insurers but they will also have to be careful about what they sell and how they sell. As brokers they will have a fiduciary responsibility towards the customer. But in order to understand how the distribution landscape will become better, you need to understand the difference between an insurance agent and a broker.



represent more than one insurance company.

Since the insurer, also called the principal, can't reach out to all customers individually, he hires agents to do this job. Agents are trained and licenced entities, so it's expected they understand financial needs of customers and sell products that best suits customer interest. Often that's not the case. And one of the main factors contributing to this misguided advice is the lack of accountability. As agents they are not accountable for the advice they give you, but the principal or the insurance company is. So you can take the insurance company to court or to Insurance Regulatory and Development Authority (Irda) for wrong advice but not the agent. The insurer in turn can reprimand the agent by cancelling his licence.

Insurance broker

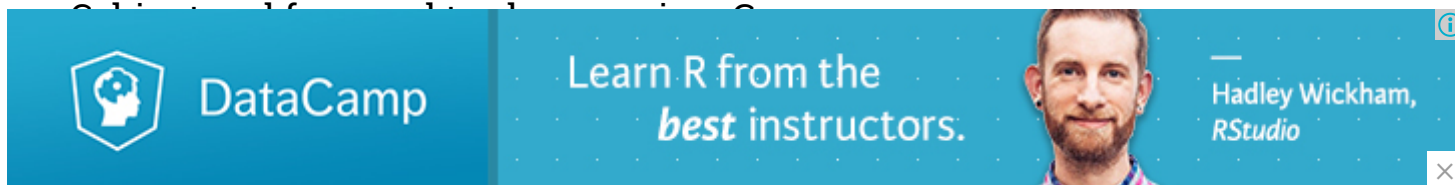
But you can drag an insurance broker to court. That's because a broker is the customer's agent. A broker is also a licenced and trained entity but with a different mandate. The job of the broker is not to represent the insurer but customers. Brokers have a fiduciary responsibility towards the customer. A fiduciary responsibility is a legal relationship of trust and confidence between two parties. Brokers as fiduciary legally promise you to keep your interest paramount. So as brokers they understand your needs and browse through several insurers to get you the best-fit product.

You can take your broker to the court in case he fails to do his duties. You can also approach Irda who can cancel the broker's licence if found guilty. The idea behind making banks insurance brokers is to enforce accountability. As brokers they will have a fiduciary responsibility towards you and will also be able to offer products from multiple insurers at the same time.



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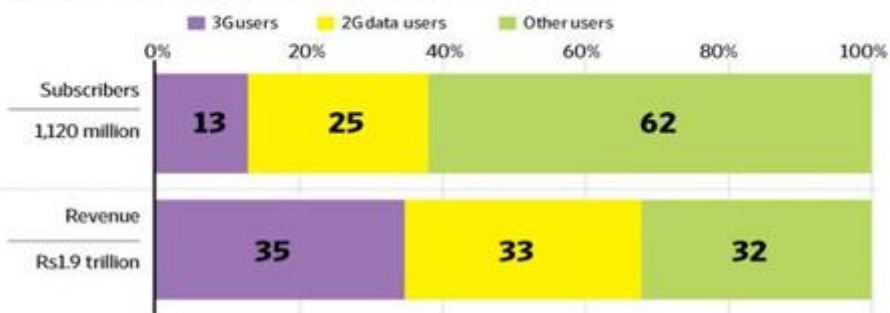


India posts current account deficit of 0.1% of GDP in April-June

JIO'S TARGET

Existing 3G users account for only 13% of the subscriber base, but 35% of revenues; most of Jio's offers are aimed at weaning away these subscribers. With its entry-level Rs149 plan offering unlimited voice, it is targetting the mid-tier, where the current Arpu (average revenue per user) is between Rs125 and Rs225, according to Bernstein's calculations. Arpus in the lower end of the market are too low to fit into Jio's plans; in any case, handset prices make 4G services out of reach for this segment.

India mobile subscribers for May 2016 and service revenue for CY2015



Source: Telecom Regulatory Authority of India, department of telecommunications, company reports, Bernstein India market survey (2014), Bernstein analysis

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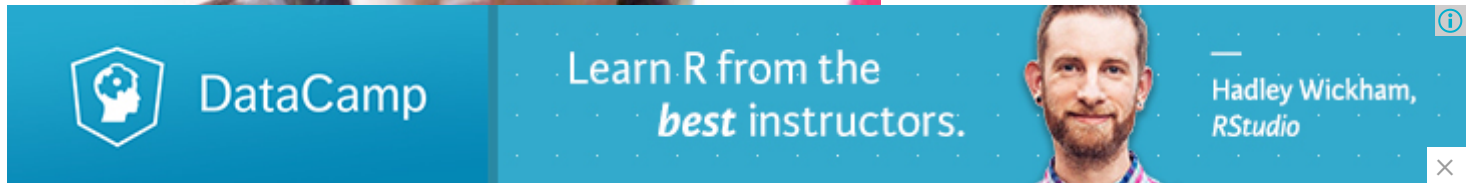


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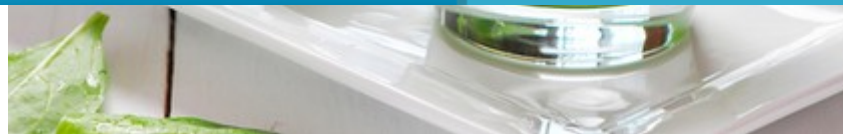
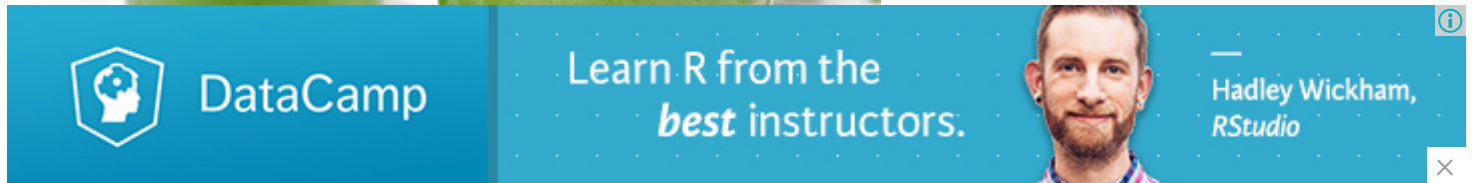
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