GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2521
ANSWERED ON:10.03.2000
ENTRY OF BANKS AND FIS IN INSURANCE SECTOR
MANJAY LAL;RAOSAHEB PATIL DANVE;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI have issued guidelines on the entry of banks and financial institutions into the insurance sector;

(b) if so, the details thereof;

(c) whether the Government have permitted foreign companies to enter in the insurance business and restricted the entry of banks and other financial institutions;

(d) if so, the details thereof and the justification thereof; and

(e) the terms and conditions on which foreign companies are being given permission for investment in insurance sector?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL) :

(a) and (b) With a view to assessing the scope, desirability and eligibility of institutions to take up insurance business, Reserve Bank of India (RBI) have issued draftguidelines for entry of banks/financial institutions, keeping in view the provisions of Insurance Regulatory and Development Authority (IRDA) Act, 1999 and in order to ascertain the views of Banks and financial institutions (FIs).

(c) to (e) The entry of entities into insurance business is to be governed by the provisions of IRDA Act, 1999. it lays down the categories of the participants, the extent up to which they can participate in the equity of business and also the terms and conditions for carrying on the business. Foreign companies are permitted under the Act to have the aggregate holdings of equity shares either by itseif or through its subsidiary companies or its nominees not exceeding 26% of the paid up equity capital of an Indian Insurance Company. The provisions of the Act, the Rules and Regulations framed thereunder woulddetermine in what manner banks can undertake the activity. Banks can undertake any business as permitted by Government in terms of Section 6 of the Banking Regulation Act,1949.