

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:683
ANSWERED ON:03.12.2004
FOREIGN PARTNER IN INSURANCE SECTOR
Adhalrao Patil Shri Shivaji

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that in terms of Section 6 of the Insurance Act, 1938, the foreign partner in the Indian Insurance Company is prevented from holding more than 26% of the paid up equity capital at any point of time;
- (b) if so, whether the Government now proposed hike in the FDI from 26% to 49% by amending the Insurance Act, 1938,
- (c) if so, whether this is being done on the pressure of external agencies like IMF, World Bank and MNCs;
- (d) if not, the reasons for opening the insurance sector for private concerns;
- (e) whether the Government have received representations from intellectuals experts insurance field, knowledgeable persons in the economic activities and employees' union and Agents of LIC from every corner of the country; and
- (f) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE SHRI S. S. PALANIMANICKAM

- (a) & (b) : Yes, Sir. The Hon'ble Finance Minister has made an announcement in the Budget Speech 2004-05 for hike in the Foreign Direct Investment (FDI) from 26% to 49% in the insurance sector.
- (c) & (d) : No, Sir. The insurance companies continuously require additional capital for growth of business. However, Indian promoters, at times, due to financial constraints are not in a position to contribute additional capital proportionate to their share-holding. There is, therefore, demand for increase in foreign equity in an insurance company.
- (e) & (f) : Yes, Sir, Views expressed in these representations would be taken into consideration.