

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:259
ANSWERED ON:23.11.2012
HIKE IN INSURANCE FDI
Rao Shri Sambasiva Rayapati

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any proposal of hike in insurance FDI;
- (b) if so, the details thereof and the objectives thereof; and
- (c) the manner in which the Government proposes to protect the poor people's money who have invested in insurance sector?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Yes, Madam. Government had introduced the Insurance Laws (Amendment) Bill, 2008 in the Rajya Sabha on 22.12.2008. The Bill, inter-alia, provides raising the aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees in Indian Insurance Companies from twenty-six per cent to forty-nine per cent (26% to 49%), have already been approved by the Cabinet and the official amendments to the Bill is likely to be introduced in the current session of Parliament. The foreign equity cap is being raised in order to meet the growing capital requirement of the insurance companies.

(c): Insurance Regulatory and Development Authority (IRDA) has been mandated to protect the interests of policyholders by the Insurance Act, 1938 and IRDA Act, 1999. Such protection is ensured broadly by way of examination and approval of the products of the Insurers, mandating the Insurers to follow the prescribed pattern of investments and redressal of grievances of the policyholders. IRDA mandates the Insurers to seek its approval before launching of new products through its File & Use Guidelines. The procedure ensures that the insurance products should be of need-based and reasonably priced. Once a new product is approved, the Insurer cannot make changes without the Authorities clearance.

IRDA has prescribed the IRDA (Investment) Regulations, 2000 and the policyholders' money invested is protected as insurance companies are duty bound to invest the funds as envisaged in Regulations.

Insurance companies are mandated, by way of IRDA Protection of Policyholders' Interests Regulations 2002, to have an inexpensive, effective and speedy mechanism for disposal of policyholders' grievances. IRDA has created central repository of grievances and implemented the Integrated Grievance Management System (IGMS). IRDA had also introduced the IRDA Grievance Call Centre (IGCC) that provides for a toll free number 155255.