

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:731
ANSWERED ON:01.03.2013
EQUITY EXPOSURE LIMIT FOR INSURANCE COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) whether the Insurance Regulatory Development Authority has hiked/proposes to hike the equity exposure limit for Insurance companies; and

(b) if so, the details thereof and the reasons therefor?

Answer

Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) and (b) : IRDA in its Authority meeting held on February 8, 2013 has carried out 5th Amendment to its IRDA (Investments) Regulations, 2000 in which the investment limits of insurance companies with exposure to individual investee company, group Company, Insurer's Promoter Company and Industry Sector limits have been amended.

1. The insurance companies with an Assets Under Management (AUM), both Shareholder and Policyholder funds taken together, under both Equity and Debt; upto Rs.50,000 crores have been allowed to invest in the investee company at 10 per cent. For Companies with an AUM of Rs.50,000 crores and upto Rs.2,50,000 crores , this limit has been enhanced to 12 per cent and further the companies of AUM beyond Rs.2,50,000 crores, the investee companies limits have been enhanced to 15 per cent, subject to the overall cap of not more than 10 per cent of all the fund size of the insurance company.

2. For group Companies, the exposure limits for insurance companies have been hiked to 15 per cent.

3. For Insurer's Promoter Companies, the investment limit in equity has been kept at 5 per cent as against the earlier limit of 12.5 per cent applicable to ULIP funds.

4. Industry Sector Exposure limit of insurance companies have also been hiked to 15 per cent.

In view of the growth of the insurance companies wherein the AUM has risen from Rs.8,22,248 crores in March 2008 to Rs.16,80,257 crores in March 2012, the insurance companies particularly life insurance companies have been representing to the Authority that the limits as amended in 2008 needs to be rationalized taking into consideration the growth of AUM. The Authority after due consultation with the Life Insurance Council, General Insurance Council and the Insurance Advisory Committee has carried out these amendments in order to meet the investment requirements of not only the insurance companies but also to enable the policyholders to get better returns on their long term investments in the capital markets.