

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3120

ANSWERED ON:15.03.2013

INVESTMENT IN LIC

Shetkar Shri Suresh Kumar;Sugumar Shri K.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is considering to hike the investment ceiling for State owned Life Insurance Corporation of India Limited (LIC);

(b) if so, the details thereof;

(c) whether the Insurance Regulatory Development Authority (IRDA) has ruled out this proposal; and

(d) if so, the details thereof?

Answer

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

(a) & (b) : The Government has the power under Section 43(2) of the Life Insurance Corporation Act, 1956 for extending certain sections, including Section 27 A of the Insurance Act, 1938, which contains investment norms, to Life Insurance Corporation of India (LIC) with such conditions and modifications as specified. Accordingly, Government had issued Notification (GSR No. 734 dated 23.8.1958) extending Section 27A and other sections of Insurance Act with certain modifications to LIC. The said Notification has been amended from time to time. After opening up of the insurance industry to private players, the regulator, Insurance Regulatory and Development Authority (IRDA) has issued (Investment) Regulations, 2000, amended from time to time, which contains investment norms for all insurance companies. As the fund size of LIC has been increasing substantially, having increased from a level of Rs. One and half lakh crore in 2000 to nearly Rs. Thirteen lakh crore in 2012, representing more than 80% of the entire fund size of the life insurance industry in the country, it is felt that there is a need for specific limits for LIC in the investment ceiling. In order to ensure better returns on investment of policyholders and shareholders' fund, the Government is re-examining GSR No. 734 dated 23-8-1958 in tune with the policy holders' protection and to provide better investment opportunities to LIC.

(c) & (d): The proposal has been under examination of IRDA and it has been requested to re-consider the proposal afresh keeping in mind the problems being faced by LIC and policyholders protection.