

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5170
ANSWERED ON:26.04.2013
AMENDMENT IN INSURANCE ACT
Agarwal Shri Jai Prakash

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to bring amendment in Insurance Act, 1938;
- (b) if so, the details thereof;
- (c) whether the Government has received any representations from the Life Insurance Agents Federation in regard to proposed amendments in the said Act;
- (d) if so, the details thereof; and
- (e) the action taken/proposed to be taken by the Government thereon?

Answer

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

(a) & (b): Government had introduced the Insurance Laws (Amendment) Bill, 2008 in the Rajya Sabha on 22.12.2008. The Bill, inter-alia, provides for enhancement of holdings of equity shares by a foreign company from twenty-six per cent to forty-nine per cent (26% to 49%), lower minimum paid-up capital requirement of Rs. 50 crores for setting up of a health insurance company, making underwriting of third party motor insurance obligatory on the part of the insurance company, permitting foreign re-insurers to open branches for re-insurance business, removal of restriction on divestment by Indian promoters of insurance companies and deletion of redundant provisions of the Insurance Act, 1938 etc.

(c) to (e): A representation has been received from the Life Insurance Agents Federation of India (LIAFI) in regard to the Insurance Laws (Amendment) Bill, 2008 on 12.02.2013. LIAFI has mainly suggested for dropping of the amendments pertaining to the commission of agents. As per the Insurance Laws (Amendment) Bill, 2008, the provision relating to the commission of agents will be taken out from the Insurance Act, 1938 and Insurance Regulatory and Development Authority (IRDA) will be empowered to issue regulations on this.

The existing sections pertaining to commission to agents are being recast so that there is greater flexibility on part of the IRDA to specify commission rates which could vary depending on product, the line and sophistication of the market. The power to regulate commission could contribute to stability in the cost of management across industry. The other issues raised by LIAFI pertain to repudiation of policy on mis-statement or fraud and agents examination system. These two issues have already been addressed. The Bill is yet to be passed by the Parliament.