

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:172

ANSWERED ON:31.07.2015

Capital Flow in Insurance

Maragatham Smt. K.;Misra Shri Ajay (Teni)

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has allowed the promoters of insurance companies to raise \$12 billion through sale of 23% stake to their foreign partners;
- (b) if so, the details thereof;
- (c) whether the hike in foreign shareholding is likely to help insurance industry to mobilise risk capital with private life insurance companies and private non-life insurance companies; and
- (d) if so, the details thereof along with the steps taken by the Government in this regard?

**Answer**

THE FINANCE MINISTER  
(SHRI ARUN JAITLEY)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) to (d) OF LOK SABHA STARRED QUESTION NO. \*172 FOR 31st JULY, 2015 REGARDING "CAPITAL FLOW IN INSURANCE" TABLED BY SHRIMATI K. MARAGATHAM AND SHRI AJAY MISRA TENI, M.Ps.

(a) & (b): The Government of India has notified the Insurance laws (Amendment) Act, 2015 on 23rd March, 2015 which is deemed to have come into force on the 26th day of December, 2014. Sub-section (7A) (b) of Section 2 of the Insurance Act 1938 as amended by the above Amendment Act provides that aggregate holdings of equity shares by foreign investors, including portfolio investors, in an Indian insurance company shall not exceed 49 percent of the paid up equity capital of such Indian insurance company, which is Indian owned and controlled, in such manner as may be prescribed. Thus, the Insurance Laws (Amendment) Act, 2015 has increased the limit of foreign equity holding in an insurance company from 26 percent to 49 percent. By implication, an Indian insurance company which is already having foreign equity investment of 26 percent can increase the stake of foreign investors by 23 percent, as provided in Sub-section (7A) (b) of Section 2 of The Insurance Act 1938.

(c) & (d): The hike in the foreign equity investment cap provides an avenue to Indian insurance companies to mobilize flows of risk capital in the insurance companies.

To administer these matters, the Government in exercise of the powers conferred by clause (aaa) of sub-section (2) of section 114 of the Insurance Act, 1938 read with clause (b) of sub-section (7A) of section 2 of the Insurance Act, 1938 and section 24 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) has notified The Indian Insurance Companies (Foreign Investment) Rules, 2015.

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