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Lloyd's all set to cover the India story

Changes In Insurance Act May Allow Society To Open Branches Here

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NORTH Block is preparing a red carpet welcome to London-based Lloyd's, the world's largest society of underwriters. The finance ministry has proposed to suitably amend the Insurance Act to facilitate Lloyd's entry into the Indian insurance market. Currently, the Act only allows the entry of foreign companies, and not societies.

"The ministry of finance has proposed to amend Section 2(7A) of the Insurance Act, 1938, to facilitate the entry of Lloyd's into the Indian insurance sector. It would be allowed to open branches for re-insurance business in India," an official source said. The Act permits only domestic insurance companies or their joint ventures with foreign firms to operate in India. Lloyd's, not being a company, is not permitted to join hands with any Indian insurance player.

Lloyd's is the world's largest insurance market, providing specialist insurance services to businesses across more than 200 countries. According to Lloyd's, it expects to notch up capacity to write approximately £14.8 billion of business in 2007. The market occupies sixth place in terms of global reinsurance premium income, and is the second-largest surplus lines insurer in the US.

The government, however, is cautious in opening the insurance sector. The finance ministry has brushed aside IRDA's suggestion to tweak the FDI norms – raising foreign equity component from 26% to 49% – through a government notification. The ministry's contention is the Insurance Laws (Amendment) Bill 2006, which is expected to be introduced in Parliament soon, should take care of that, allowing 49% foreign direct investment in the sector. It's, however, in favour of letting overseas reinsurance companies open branch offices in India. Since the opening up of the insurance sector, no re-insurance company barring General Insurance Corporation could be established.

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