



IIB/BUL/HPP/08/12

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FOREIGN DIRECT INVESTMENT IN INSURANCE IN INDIA

After a four-year delay, the Union Cabinet of Government of India approved a Bill for comprehensive amendment of insurance laws, including a proposal to raise the foreign investment ceiling from 26 per cent to 49 per cent.

Apart from raising the foreign investment ceiling, another key amendment proposed is to give room to Indian promoters to continue to hold majority stakes in insurance companies. At present, the law requires Indian promoters to lower their stake to 26 per cent after the tenth year of operation.

To enable state run companies to raise more capital, the government will amend the General Insurance Business (Nationalisation) Act to allow them to raise capital from market.

With the general elections due in first half of 2009, it is unlikely that the bill will be cleared by the current parliament. However, since the bill will be introduced in the Rajya Sabha (Upper House), it will not lapse when the Lok Sabha (Lower House) is dissolved.

We will keep you updated as and when further information is available.

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Source:

Business Standard, Mumbai (Daily News Paper)

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