

Insurance FDI cap hike sees inflow in JVs; \$1 b likely in 2016

KUMAR DIPANKAR
Pres Trust of India

THE long pending demand of insurance players for raising the FDI cap to 49 per cent was fulfilled this year leading to greater flow of foreign funds into India's private JVs and the move is expected to further attract over Rs 6,000 crore into the sector during 2016.

Insurance Laws (amendment) Bill was passed by Parliament in March clearing decks for foreign entities to increase their stake in private sector insurance companies to 49 per cent from earlier ceiling of 26 per cent. Soon after the law took ef-

fect, foreign investors started ploughing capital into their Indian joint ventures, raising their equity holdings.

Companies including AXA of France, Bupa of Britain, Nippon Life Insurance of Japan announced raising stake in their respective joint venture.

AXA raised stake in both life and non-life insurance ventures with Bharti Enterprises, leading to foreign capital inflow of about Rs 1,300 crore.

Japans Nippon Life Insurance too announced the acquisition of another 23 per cent stake in Reliance Life Insurance for

about Rs 2,265 crore. At the same time, Bupa also announced to raise its stake to 49 per cent stake in Max Bupa Health Insurance for Rs 191 crore.

The Netherlands based Ageon has also increased its stake in life insurance venture Aegon Life Insurance Company to 49 per cent.

Going forward, more than a dozen foreign companies including BNP Paribas Cardif, Insurance Australia Group, Aviva Plc, Standard Life Plc, AIA, QBE Insurance Group and Fairfax Financial Holdings of Canada are expected to raise stakes in their ventures. Mitsui Sumitomo Insurance Company Ltd of



AFTER EFFECT: Soon after the Insurance Laws Bill took effect, foreign investors started ploughing capital into their Indian joint ventures

Japan also proposed to increase stake to 40 per cent from 26 per cent in Cholamandalam MS General Insurance Company Ltd for

consideration of about Rs 883 crore.

As many as 10 insurance companies have applied for regulatory clear-

ances to bring in foreign investment of Rs 6,192 crore. They have applied to insurance regulator IRDAI and Foreign Investment Promotion Board (FIPB).

According to Insurance Regulatory and Development Authority of India, the total FDI in insurance sector as on March 31, 2015, was about Rs 8,031 crore. As per an estimate, increase in foreign investment cap in the insurance sector to 49 per cent will eventually result in capital inflow of \$6-8 billion (up to Rs 50,000 crore).

There are 52 insurance companies operating in India, of which 24 are in the life insurance business

and 28 in general insurance. State-owned GIC, in addition, is the sole national reinsurer.

In order to deepen the re-insurance market, IRDAI permitted UK-based Lloyds to set up business in India.

Lloyds India will ensure that the market and the constituents are housed in one location for the conduct of reinsurance business. Among other developments was on distribution front as corporate agents were given option of tying up with multiple insurers in each line of business.

"This may possibly change the third party distribution landscape in the

industry. New formats of distribution such as Insurance Marketing Firms may provide new business models," Max Life Insurance Managing Director Rajesh Sud said.

According to Tapan Singhel, managing director Bajaj Allianz General Insurance, the *Pradhan Mantri Suraksha Bima Yojana* (PMSBY) and *Pradhan Mantri Jeevan Jyoti Bima Yojana* (PMJJBY) initiatives launched this year by the Prime Minister Narendra Modi are great examples of how simplicity of a product, a robust distribution network and use of mobile technology can transform the entire industry.