

A lot of unutilised space in insurance for FDI

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The stagnant share of foreign investment in insurance companies has prompted the government to defer raising the limit in the sector to 74 per cent from 49 per cent now.

As the table shows, there is headroom for foreign partners in both the life and non-life sectors within the current limits. This is the list shared by the sector regulator, the Insurance Regulatory Authority of India (IRDAI), with the finance ministry before the Budget.

Both the finance ministry and IRDAI had talks on this with the companies in the run up to Budget 2020-21.

"We did get representations to raise the limit, but the data does not support those," said a senior official of the sector. There have also been strong representations from US business interests supporting the move to raise the insurance foreign investment limit.

After the Budget made no mention of it, the influential



HEADROOM FOR FOREIGN PARTNERS

As on March 31 of respective years (₹ crore)

	Total equity of life insurers	Share of foreign investor	In per cent	Total equity of general, health and re-insurers	Share of foreign investor	In per cent
2015	26,239.55			11,504.31		
2016	26,691.46	7,498.63	28.09	12,064.77	2,462.99	19.54
2017	26,956.94	9,353.32	34.70	13,127.83	3,503.54	26.69
2018	27,164.38	9,565.95	35.09	14,970.69	3,805.30	25.42
2019	27,515.94	9,764.20	35.49	17,664.00	4,045.63	23.66

Source: IRDAI

US-India Strategic Partnership Forum expressed disappointment.

Speaking at a recent event

on the India-USA trade dialogue, Sanjay Chadha, additional secretary, ministry of commerce, said raising the

foreign investment limit was a key issue of difference between New Delhi and Washington DC.

As of March last year, in the life insurance sector, for instance, against the 49 per cent limit of permissible foreign investment, the aggregate foreign investment is 35.49 per cent.

It is almost unchanged from what it was a year ago. Of the 23 private sector companies in the sector, 12 have space for more investment in the sector. This includes leaders like Bajaj Allianz Life, HDFC Life, and ICICI Prudential.

In the case of general, reinsurance, and standalone health insurance companies the utilisation percentage of the space for foreign investment is worse. The aggregate space for foreign investment has been utilised to less than half the permissible limit. It has gone down from the level of March 2018, when it was 25.42 per cent, to 23.66 per cent.

Again, a perusal of the list of the 28 private-sector companies shows only six have used up their limit of 49 per cent. These are Max Bupa, Cigna, and Aditya Birla among health insurers and Bharti Axa, Iffco-Tokio and Raheja QBE.