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Impact Analysis of FDI on Insurance Sector in India

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Abstract

Parliament has passed Insurance Laws (Amendment) Bill, 2015. It was first passed in Lok Sabha on 4 March 2015 and later in Rajya Sabha on 12 March 2015, which will become an Act when the President signs it. The amendment bill aims to bring improvements and revisions in the existing laws relating to insurance business in India. The bill also seeks to remove archaic provisions in previous laws and incorporate modern day practices of insurance business that are emerging in a changing dynamic environment, which also includes private participation. It is expected that the foreign investment would bring about `20,000-`25,000 crore in short funds. The amendment bill hikes Foreign Direct Investment (FDI) cap in the insurance sector to 49 percent from present 26 percent. The foreign investment in insurance would be routed under foreign direct investment,foreign portfolio investment,foreign venture capital investment,depository receipts,and non resident indians. Insurance companies are permitted to raise capital through instruments other than equity shares. Instruments would be specified through separate regulations by the Insurance Regulatory and Development Authority of India (IRDA). However, the voting rights of shareholders are restricted only to equity shares. Sale of shares over 1% of the total equity share capital and purchase of shares resulting in total equity share capital of more than 5%, requires the prior approval of the IRDA.

It also adds provision for the establishment of Life Insurance Council and the General Insurance Council. These councils will act as self-regulating bodies for the insurance sector. The bill also grants permission to PSU general insurers to raise funds from the capital market and increases the penalty to deter multilevel marketing of insurance products. There is a strong relationship between foreign investment and economic growth. Larger inflows of foreign investments are needed for the country to achieve a sustainable high trajectory of economic growth. A major role played by the insurance sector is to mobilize national savings and channelize them into investments in different sectors of the economy. FDI in insurance would increase the penetration of insurance in India; FDI can meet India's long term capital requirements to fund the building of infrastructures. The present paper focuses on the overview of the Indian insurance sector along with the opportunities due to expansion of FDI in insurance in India and the major challenges that it faces.

Keywords: Insurance; FDI; Insurance Laws (Amendment) Bill

Introduction

The insurance industry of India consists of 52 insurance companies of which 24 are in life insurance business and 28 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims [1].

Out of 28 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

Insurance in India is a flourishing industry in India with both national and international players competing and growing at rapid rate. Together with banking and real estate it constitutes 12.9% of GDP in India. However the penetration of insurance coverage for both life and non life insurance is still very less and was 3.9% in 2013.

Indian insurance sector was liberalized in 2001. Liberalization has led to the entry of the largest insurance companies in the world, who have taken a strategic view on India being one of the top priority emerging markets. The Insurance industry in India has undergone transformational changes over the last 14 years. With raising the cap on FDI into Indian insurance companies to 49% from the 26% would allow global reinsurance companies to set up branches in India [2].

According to the insurance amendment bill (2015), the section 24 of the Pension Fund Regulatory and Development Authority (PFRDA) Act provides that the foreign investment limit in the pension sector will be linked with the ceiling in the insurance sector, which has gone up to 49% from 26%. Under the legislation, while up to 26 per cent foreign capital will be under the automatic route, the balance 23 per cent has to secure approval from the Foreign Investment Promotion Board (FIPB). According to the General Insurance Business (Nationalization) Act, 1972 (GIBNA, 1972) the four general insurance companies (GICs) had to be 100% government owned, however The Insurance Laws (Amendment) Bill, 2015 — passed by the Rajya Sabha on March 12 and by the Lok Sabha on March 4 — will change that. The GICs "are now allowed to raise capital, keeping in view the need for expansion of the business in the rural and social sectors, meeting the solvency margin for this purpose and achieving enhanced competitiveness subject to the government equity not being less than 51% at any point of time. The amendment also clearly defines health insurance business to include travel and personal accident cover. It is also expected that the proposed increase in the FDI limit will have a follow on impact on other sectors, including the pension industry creating further momentum [3].

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Objectives of the Study and Methodology

The present paper focuses on the overview of the Indian insurance sector along with the opportunities due to expansion of FDI in insurance in India and the major challenges that it faces.

Global Overview of Insurance Sector

The global insurance industry is facing increasing competition, which has put significant pressure on companies to become more efficient, enhance their technology-related processes and alter their business models. Globally, most insurance companies are trying to enhance the efficiency of their underwriting process, cut their overheads and reduce claims leakage since returns from investment are shrinking [4]. With high competition in the insurance industry, companies will need to strengthen their product lines, investment strategies and corporate infrastructure (Figure 1).

According to the latest study performed by the global re-insurer Swiss Re on world insurance in 2013, India ranked 15th in terms of premium volume, from 14th in 2012. According to the swiss Re report the premiums written in the global insurance industry was 2.5 percent in 2012 and it grew by 1.4 percent in real terms to $4 641 billion in 2013 [5]. The reason behind the slowdown was mainly due to weakness in the life sector in the advanced markets. In Swiss Re's sigma study, India's life insurance penetration was 3.1 per cent, while in non-life insurance it was 0.8 per cent. A premium as a percentage of Gross Development Product is referred to as insurance penetration whereas insurance density refers to per capita premium or premium per person. The study also revealed that the insurance penetration in India fell to 3.9 percent in 2013 when compared to four percent in 2012. Also in terms of insurance density India stood at $52 when compared to $53 in 2012, thus in simple words both insurance penetration and density was low (Tables 1 and 2).

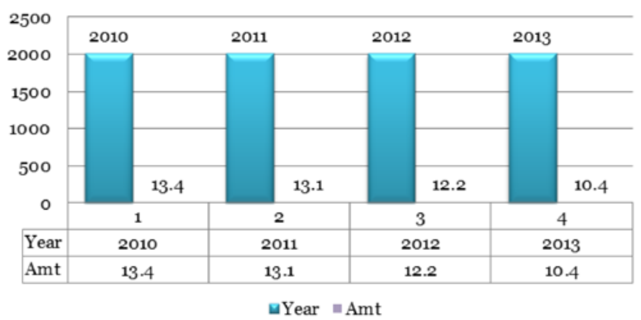
Indian insurance sector

Insurance in India is listed in the Constitution of India in the Seventh Schedule as a Union List subject, meaning it can only be legislated by the Central government. The history of insurance date backs to 1818, when Oriental Life Insurance Company was started. In 1870, Bombay Mutual Life Assurance Society became the first Indian insurer. In the year 1912, the Life Insurance Companies Act and the Provident Fund Act was passed to regulate the insurance business. This was the first statutory measure to regulate life insurance business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers. The Government of India issued an Ordinance on 19 January 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. In 1972 the parliament passed General Insurance Business (Nationalization) Act, and consequently, General Insurance business was nationalized with effect from 1 January 1973 [6]. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on 1 January 1973.

In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests [7].

The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation



Source: Swiss Re Research and Consulting

Figure 1: Global Life Insurance Premium Volume in millions (US$).

Regions/Countries	Life	Non-Life	Total
Advanced Countries	-0.2	1.1	0.3
Emerging Markets	6.4	8.3	7.4
Asia	-6.5	2.2	-4.1
India	-1.1	2.5	-0.4
World	0.7	2.3	1.4

Table 1: Total Real Premium Growth Rate in 2013(in percent).

Region/Countries	Life	Non-Life	Total
Advanced Countries	2200.25(57.1%)	1653.02(42.9)	3853.27(100)
Emerging Markets	407.84(51.8)	379.83(48.2)	787.67(100)
Asia	898.41(70.3)	380.37(29.7)	1278.78(100)
India	52.17(79.6)	13.40(20.4)	65.58(100)
World	2608.09(56.2)	2032.85(43.2)	4640.94(100)

Table 2: Region wise Life and Non-Life Insurance Premium (USD Billion).

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of India, LIC) and General Insurers (General Insurance Corporation of India, GIC). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited [8].

Registered Insurers in India

At the end of March 2014, there are 53 insurance companies operating in India, out of which 24 are in the life insurance business and 28 are in the non-life insurance business (Table 3).

Insurance Premium Underwriting

Life insurance

The Life insurance industry recorded a premium income of Rs.3,14,283 crore during 2013-14 as against Rs.2,87,202 crore in 2012-13 registering a growth of 9.43%. While private sector insurers posted 1.35% decline in their premium income,LIC recorded 13.48% growth (Figure 2 and Table 4).

District level distribution of life insurance offices

As at 31st March, 2014, the sole public sector life insurer, LIC of India had its offices in 597 districts out of 640 districts (As per the Decennial Census -2011) in the country. As such, it covered 93.28 per cent of all districts in the country, whereas the private sector insurers had offices in 560 districts covering 87.50 per cent of all districts in the country. In total, both LIC and private insurers together covered 94.37 per cent of all districts in the country. The number of districts with no presence of life insurance offices stood at 36 in the country. Out of these, 23 districts belong to the six of the north eastern states namely Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Sikkim. In 21 states/union territories (out of a total of 35 states/union territories in the country), all their districts were covered through life insurance offices (Figure 3 and Table 5).

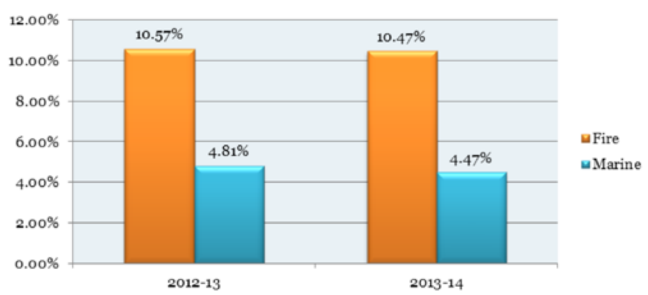
Non-life insurance

The non-life insurance industry had underwritten a total premium of Rs.70610 crore in India for the year 2013-14 as against Rs. 62973 crore in 2012-13, registering a growth of 12.13 per cent as against an increase of 19.10 per cent recorded in the previous year. The public sector insurers exhibited growth in 2013-14 at 10.21 per cent; over the previous year's growth rate of 14.60 per cent. The private general insurers registered growth of 14.52 per cent, which is lower than 25.26 per cent achieved during the previous year (Figure 4 and Table 6).

Type of business	Public Sector	Private Sector	Total
Life Insurance	1	23	24
Non-Life Insurance	6	22	28
Reinsurance	1	0	1
Total	8	45	53

Source: IDRA, 2014

Table 3: Life Insurance Premium Underwritten in Rs (Crore).



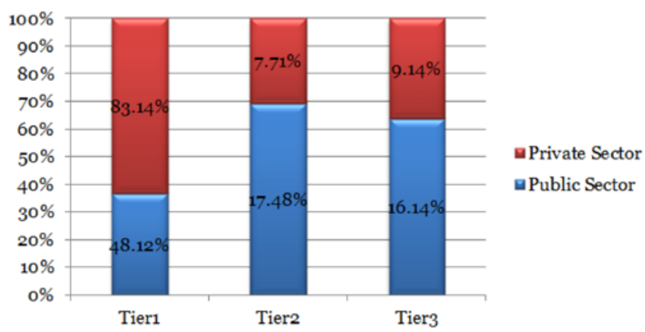
Source: IDRA 2014

Figure 2: Life Insurance Premium Underwritten.

Distribution of Offices of Life Insurers Number of Life Offices				
Insurer	Metro	Urban	Others	Total
Private	676	1926	3591	6193
LIC	372	617	3850	4839
Industry	1048	2543	7441	11032

Source: IDRA 2014

Table 4: Life Insurance Premium Underwritten in Rs(Crore).



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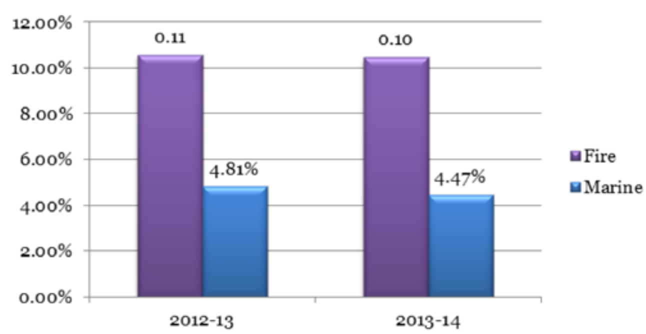

Figure 4: Non-Life Insurance Premium Underwritten in Rs(Crore).

Non-Life Insurance Premium Underwritten in Rs (Crore)		
Insurer	2012-13	2013-14
Public Sector	35022.12(14.60%)	38599.71(10.21%)
Private Sector	27950.53(25.25%)	32010.30(14.52%)
Total	62972.65(19.10%)	70610.02(12.13%)

Table 6: Non-Life Insurance Premium Underwritten in Rs (Crore).

Segment wise premium of non life insurance

The Motor insurance business continued to be the largest non-life insurance segment with a share of 47.90 per cent (47.05 per cent in 2012-13). It reported growth rate of 14.15 per cent (22.24 per cent in 2012-13). The premium collection in health segment continued to surge ahead at 15663 crore in 2013-14 from `13,975 crore of 2012-13, registering a growth of 12.08 per cent. However, the market share of health segment which is 22.18 has remained more or less at the same levels of previous year which was 22.19 per cent in the year. The premium collection from Fire and Marine segments increased by 11.01 per cent and 4.13 per cent respectively in 2013-14 whereas for the previous year the growth rate in the Fire and Marine segments were 22.63 and 5.36 respectively (Table 7, Figures 5 and 6).

Number of non life insurance offices-tier wise

When compared to life insurance, the proportion of districts covered by non-life insurers is less. While the four public sector non-life insurer has offices at 601 districts out of 640 districts in the country (94 per cent), the private sector insurers cover only 45 per cent of the districts in the country by having offices in 286 districts. There are 39 districts (6 per cent of districts) in the country, which do not have any non-life insurance office. Private sector insurance offices have not yet opened any offices in 354 districts. Further only 19 States/ Union Territories (out of 35 States/ UnionTerritories) have non-life insurance offices in all of their districts. This lower level of coverage of districts by non-life insurers might also have led to the low non-life insurance penetration in the country, as compared to penetration of life insurance (Table 8 and Figure 7).

Insurance penetration and density in India

The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium) (Table 9).

FDI in India

A foreign direct investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in another country. Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of cheaper wages, special investment privileges like tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generation of employment.

Forms in which Business Can Conducted by Foreign Company in India

A foreign company planning to set up business operations in India may: Incorporate a company under the Companies Act, 1956, as a Joint Venture or a Wholly Owned Subsidiary. Set up a Liaison Office / Representative Office or a Project Office or a Branch Office of the foreign company which can undertake activities permitted under the Foreign Exchange Management (Establishment in India of Branch Office or Other Place of Business) Regulations, 2000.

Procedure for receiving Foreign Direct Investment in an Indian company

Automatic route

FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/ sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time.

Segment Wise Premium of Non-Life Insurance(Within India in crore)		
Department	2012-13	2013-14
Fire	6659(10.57%)	7392(10.47%)
Marine	3029(4.81%)	3154(4.47%)
Motor	29630 (47.05%)	33824 (47.90%)
Health	13975 (22.19%)	15663 (22.18%)
Others	9680 (15.37%)	10577 (14.98%)
Total Premium	62973	70610

Table 7: Segment Wise Premium of Non-Life Insurance (Within India in crore).

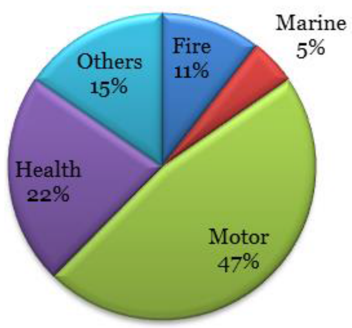

Figure 5: Segment Wise Premium of Non-Life Insurance (Within India in crore) for Year 2012-13.

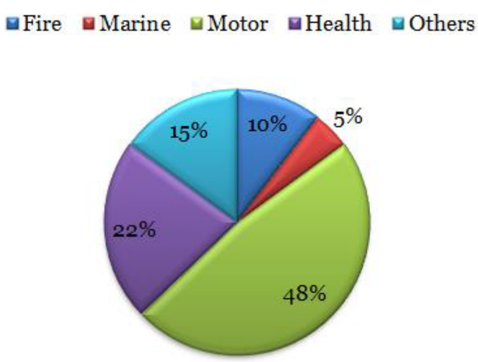

Figure 6: Segment Wise Premium of Non-Life Insurance (Within India in crore) for Year 2013-14.

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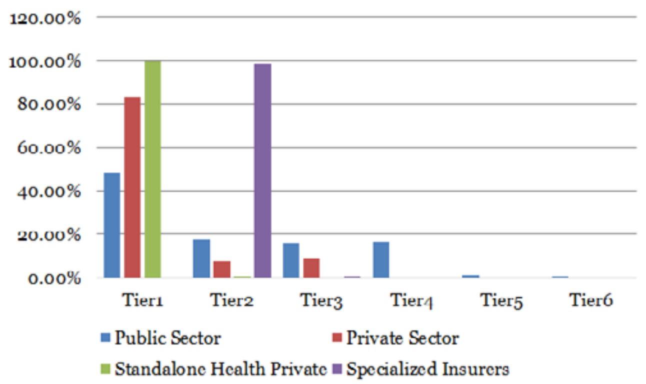
Number of Non-Life Insurance Offices-Tier Wise							
Non-Life	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Total
Public Sector	3747	1361	1257	1298	80	43	7786
Private Sector	1337	124	147	0	0	0	1608
Standalone Health Private	394	1	0	0	0	0	395
Specialized Insurers	82	1	0	0	0	0	83
Total	5560	1487	1404	1298	80	43	9872

Source IDRA 2014

Table 8: Number of Non-Life Insurance Offices-Tier Wise.



Source: IDRA 2014

Figure 7: Number of Non-Life Insurance Offices-Tier Wise.

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.1	5.2	0.6	38.4	4.8
2007	40.4	4	6.2	0.6	46.6	4.7
2008	41.2	4	6.2	0.6	47.4	4.6
2009	47.7	4.6	6.7	0.6	54.3	5.2
2010	55.7	4.4	8.7	0.71	64.4	5.1
2011	49	3.4	10	0.7	59	4.1
2012	42.7	3.17	10.5	0.78	53.2	3.96
2013	41	3.1	11	0.8	52	3.9

Source: IDRA 2014

Table 9: Insurance penetration and density in India.

Government route

FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance.

Opportunities due to Expansion of FDI

Increase insurance penetration

With the population of more than 100 crores, India requires Insurance more than any other nation. However, the insurance penetration in the country is only around 3 percent of our gross domestic product with respect to over-all premiums underwritten annually. This is far less as compared to Japan which has an insurance penetration of more than 10 percent. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover. More companies would enter the insurance sector, which would lead to higher competition and cheaper insurance premium for the customers

Level playing field

With the increase in foreign direct investment to 49 percent, the insurance companies will get the level playing field. So far the state owned Life Corporation of India controls around 70 percent of the life insurance market.

Increased capital flow

Most of the private sector insurance companies have been making considerable losses. The increased FDI limit has brought some much needed relief to these firms as the inflow of more than `20,000-`25,000 crore is expected in the near term. This could go up to `40,000-`60,000 crore in the medium to long term, depending on how things pan out.

Job creation

With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.

Consumer friendly

The end beneficiary of this amendment will be common men. With more players in this sector, there is bound to be stringent competition leading to competitive quotes, improved services and better claim settlement ratio.

Challenges

Foreign investment of up to 26% of the total paid up equity of the insurer would be allowed through the automatic route and the increase of FDI from 26% to 49% (i.e.23%) would be allowed through Foreign Investment Promotion Board, and not through automatic route, which means that FIPB would issue guidelines regarding the management control,which would lie with the Indian counterpart,also there are concerns about the voting rights of the foreign shareholders,which should not go beyond 26%. FIPB guidelines would also decide on the appointments of CEO's and CFO's of the insurance joint ventures. Another issue is the stability of Indian financial markets as there is a possibility of insurance companies bringing in contagion risk such as risky derivatives and contaminated balance sheet. The government is looking primarily on how much funds the insurance companies can bring with them, and not on the amount of business which these companies could generate as it is expected that their rural penetration would be low. To get listed on bourse to raise FIIs may not be attractive for all insurance companies. According to Insurance Regulatory and Development Authority (Irda) norms, companies whose embedded value is two times their paid-up capital can list on the bourses. Embedded value is a common valuation measure in the insurance industry calculated by adding the adjusted net asset value and the present value of future profits of a firm. The present value of future profits considers the potential profits that shareholders will receive in the future, while adjusted net asset value considers the funds belonging to shareholders that have been accumulated in the past. Another issue could arise when insurers list their shares on stock exchanges. Indian law requires 25 per cent of a listed company to be owned by public.

So if an insurer launches an initial public offering and the foreign partner increase its stake, then the Indian company would end up with a smaller holding in the joint venture..

Some of the Major Highlights of the Insurance Law (Amendment) Bill 2015 are

Capital availability

In addition to the provisions for enhanced foreign equity, the amended law will enable capital raising through new and innovative instruments under the regulatory supervision of IRDAI. The four public sector general insurance companies, presently required as per the General Insurance Business (Nationalization) Act, 1972 (GIBNA, 1972) to be 100% government owned, are now allowed to raise capital, keeping in view the need for expansion of the business in the rural and social sectors, meeting the solvency margin for this purpose and achieving enhanced competitiveness subject to the Government equity not being less than 51% at any point of time.

Consumer welfare

Laws will enable the interests of consumers to be better served through provisions like those enabling penalties on intermediaries / insurance companies for misconduct and disallowing multilevel marketing of insurance products in order to curtail the practice of mis-selling. The amended Law has several provisions for levying higher penalties ranging from up to `1 Crore to ` 25 Crore for various violations including mis-selling and misrepresentation by agents / insurance companies. With a view to serve the interest of the policy holders better, the period during which a policy can be repudiated on any ground, including mis-statement of facts etc., will be confined to three years from the commencement of the policy and no policy would be called in question on any ground after three years. The amendments provide for an easier process for paymentto the nominee of the policy holder, as the insurer would be discharged of its legal liabilities once the payment is made to the nominee. It is now obligatory in the law for insurance companies to underwrite third party motor vehicle insurance as per IRDAI regulations.

Empowerment of IRDAI

The Act will entrust responsibility of appointing insurance agents to insurers and provides for IRDAI to regulate their eligibility, qualifications and other aspects. It enables agents to work more broadly across companies in various business categories; with the safeguard that conflict of interest would not be allowed by IRDAI through suitable regulations. IRDAI is empowered to regulate key aspects of Insurance Company operations in areas like solvency, investments, expenses and commissions and to formulate regulations for payment of commission and control of management expenses. It empowers the Authority to regulate the functions, code of conduct, etc., of surveyors and loss assessors. The onus to prove that a wrong statement was not made at the time of taking the policy would lie with the policyholder and not the insurance company, i.e. if a person dies and his widow and children will have to prove why the husband or father made a wrong statement, i.e. if a person dies and his widow and children will have to prove why the husband or father made a wrong statement. An insurance policy cannot be challenged on any ground after three years. This means if a fraud is detected three years after the policy has been in force, insurance companies will have to pay the policy holder. It also expands the scope of insurance intermediaries to include insurance brokers, re- insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors and such other entities, as may be notified by the Authority from time to time. Further, properties in India can now be insured with a foreign insurer with prior permission of IRDAI; which was earlier to be done with the approval of the Central Government.

Health insurance

It empowers the Authority to regulate the functions, code of conduct, etc., of surveyors and loss assessors. It also expands the scope of insurance intermediaries to include insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors and such other entities, as may be notified by the Authority from time to time. Further, properties in India can now be insured with a foreign insurer with prior permission of IRDAI; which was earlier to be done with the approval of the Central Government.

Promoting reinsurance business in india

The amended law enables foreign reinsurers to set up branches in India and defines're-insurance' to mean "the insurance of part of one insurer's risk by another insurer who accepts the risk for a mutually acceptable premium", and thereby excludes the possibility of 100% ceding of risk to a re-insurer, which could lead to companies acting as front companies for other insurers. Further, it enables Lloyds and its members to operate in India through setting up of branches for the purpose of reinsurance business or as investors in an Indian Insurance Company within the 49% cap.

Strengthening of industry councils

The Life Insurance Council and General Insurance Council have now been made self-regulating bodies by empowering them to frame bye-laws for elections, meetings and levy and collect fees etc. from its members. Inclusion of representatives of self-help groups and insurance cooperative societies in insurance councils has also been enabled to broad base the representation on these Councils.

Robust appellate process

Appeals against the orders of IRDAI are to be preferred to SAT as the amended Law provides for any insurer or insurance intermediary aggrieved by any order made by IRDAI to prefer an appeal to the Securities Appellate Tribunal (SAT).

Conclusion

The fundamental regulatory changes in the insurance sector would be significant for the future growth and would have huge impact on various sectors of economy. Active foreign participation is crucial for the sector as it would bring the best know how and implementing the best practices. India is one of the fastest growing insurance market and it is expected that Indian insurance industry can grow up to 125% in the next decade. However there is also a risk that unless given the management control the foreign insurers would be reluctant to invest in India.

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