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100% FDI in insurance intermediaries evokes mixed reactions

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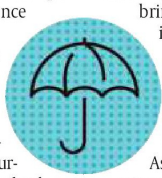
Finance Minister Nirmala Sitharaman's announcement to allow 100 per cent foreign direct investment (FDI) in insurance intermediaries has evoked mixed reactions from insurers.

Sitharaman said the government will examine suggestions of further opening up of FDI in sectors, including insurance, and will also permit 100 per cent FDI for insurance intermediaries.



FDI in the sector is now capped at 49 per cent under the automatic route, which includes insurance broking, insurance companies, third party administrators, surveyors and loss assessors.

"The government has taken a view on increasing FDI in the sector from a macro perspective. The move will have both pros and cons," noted G Srinivasan, Director, National Insurance Academy, and former Chairman, New India Assurance.

For & Against

However, Supriya Rathi, Promoter Director, Anand Rathi Insurance Brokers, said, "This move will likely benefit just the top two to three global insurance brokers already present in the country and will increase foreign dominance in the insurance intermediary space," she said, adding that it may also increase outflows from the country as foreign players tend to repatriate their profits."

Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance, also seemed cautious and said, "We will have to wait and watch on how this develops further."

However, others believe, it could spur industry. "It will bring in cost-effective capital for several insurers that are investing in technology and digital solutions, and wanting to expand (their) network," said Ashish Vohra, Executive Director and CEO, Reliance Nippon Life Insurance.

Shailaja Lall, Partner, Shardul Amarchand Mangaldas, said under current norms such entities are Indian-owned and controlled by resident Indian citizens.

Public sector left out

Meanwhile, analysts also noted the lack of capital support to public sector general insurers.

"ICRA also notes the absence of any capital infusion plan for public sector general insurance companies, most of which require capital to avoid breaching regulatory solvency ratio," it noted.