



To: Prime Minister Manmohan Singh

cc: The Honorable Union Minister of Finance P. Chidambaram, The Honorable Union Minister of Commerce Anand Sharma, The Honorable Union Minister of Parliamentary Affairs Kamal Nath

Date: 28 November 2013

Subject: Insurance Amendment Bill

Dear Prime Minister Manmohan Singh,

I am writing on behalf of the Global Federation of Insurance Associations (GFIA) which through its 37 member associations represents insurers that account for around 87% of total insurance premiums worldwide. GFIA is active on a broad range of issues affecting the international insurance industry including representing our collective national industries to the G20 and speaking publicly as a unified representative voice.

We noted with great interest, Finance Minister Chidambaram's public statement at the end of the last session that the government would take up the Insurance Amendment Bill during the Winter Session. We wish to express our continued plea that this action should not be deferred any longer, as the insurance sector in India has one of the lowest equity limits in the region.

We firmly believe that increasing the Foreign Direct Investment (FDI) cap in insurance will quickly provide a sizable and long-term injection of foreign investment into the economy. A large part of this investment will be from foreign companies increasing their stakes in their joint ventures. Currently, 22 of the 24 life insurers, and 18 of the 27 general insurance companies, have joint ventures. In addition, a 49% FDI cap in the industry may also attract some new market entrants.

We believe that it is important that such an equity increase comes from FDI and not from Foreign Institutional Investment (FII). An equity increase through FII would reward speculative FIIs and would discriminate against serious long-term FDI investors like insurance companies, which are prone to bring to India their expertise in underwriting, wide range of new products, innovations in risk management, cutting edge technology and training opportunities.

As recognized by the G-20, insurers are significant long-term investors in the economy due to the nature of their liabilities. Therefore, measures that contribute to the insurance sector's growth can be a harbinger for a larger and more diversified source of long-term financing across an array of physical and intangible investment needs in India.

Apart from the actual inflows of investment due to the removal of restrictions, moving the Insurance Laws (Amendment) Bill will also send a strong signal to the international community that India is "open for business". We know this is a goal that you and your colleagues have been working hard to meet.



While the Indian market has witnessed tremendous growth, there remain high levels of under-insurance. The security a family or business achieves by insuring its most valuable assets helps supplement programs already in place by the government to lift the living standards of the Indian people.

In line with this we welcome the inclusion of authorization of reinsurers' branches in the draft Bill. Reinsurance is an international business transaction, which operates most efficiently with open markets and where freedom of establishment is provided. This in turn makes insurance markets more competitive, provides price and product advantages and creates opportunities for risk diversification thus providing financial stability to local markets. The opening of the reinsurance sector in addition strengthens India's prospects and vision of transforming itself into an international financial centre.

GFIA's members look forward to remaining close partners with your government in expanding India's (re)insurance sector.

Yours sincerely,

Frank Swedlove
Chair, Global Federation of Insurance Associations

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About the GFIA

Through its 37 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 56 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.