

To: Hon. Nirmala Sitharaman
Minister of Finance
Government of India
North Block
New Delhi 110 001

Date: 4 March 2025

Subject: GFIA Trade Working Group letter to Minister Sitharaman

Dear Minister Sitharaman,

The global insurance industry was energised to see your ministry begin the process to make a range of important amendments to India's Insurance Act, 1938 and to hear this intention strongly underscored with your budget speech on 1 February 2025.

These amendments will modernise the high-level regulatory architecture and put the sector on an accelerated growth path in the coming years. Removing the foreign equity cap concludes a process your party began nearly three decades ago in this sector. We are, of course, eager to see more details as to how "this enhanced limit will be available for those companies which invest the entire premium in India" is defined by your Ministry, and hope you engage further with companies to ensure this provision does not become a new impediment.

We at the Global Federation of Insurance Associations (GFIA) are also pleased that you have indicated a potential review of the safeguards adopted after the last set of amendments to the Insurance Act. Advancing on both fronts will ensure these legislative changes achieve their true potential as a stimulus for India's continued growth and development.

Foreign insurers have been important partners in the India growth story since the sector was first de-monopolised in 1999. By our estimation, over two-thirds of India's life and non-life insurers have foreign partners.

In reviewing the L-9 filings of India's insurance companies, paired with consultations with GFIA members, the earlier amendments to the Insurance Act that increased the Foreign Direct Investment (FDI) cap to 74% has had only limited impact. Only four insurance companies have FDI holdings higher than 70%, and only three others are above 49%. There have not been significant greenfield investments by foreign insurers in this period, either. Additionally, several foreign firms have reduced their investments or, like Aegon, entirely left the market.

In discussions with our members – including global insurers without a presence in India – the Insurance Act amendments passed by Parliament nearly four years ago have not had the stimulative impact that was expected. This is largely due to the India Insurance Companies (Foreign Investment) Amendment Rules, 2021 that were introduced in parallel to the legislative changes.

While India is among the world's most attractive investment markets due its population size and economic growth, other markets competing for insurance investment have chosen more liberal investment regimes. Relaxing the rules that force insurers with foreign partners to have different rules covering the independence of the chairperson and board, plus higher solvency standards for repatriating profits, would truly help India capitalise on the increase in the FDI cap currently being considered.

Foreign insurers are eager to invest in India's growth. Your ministry's continued leadership in creating an investor-friendly regulatory system will help attract greater investments into existing joint ventures and also attract new market entrants. This will further deepen the market, create formal sector jobs and expand the range of products available.

Our members look forward to continuing to be partners on the road to Viksit Bharat: 2047. We would be happy to discuss this issue in more detail with your team as you look at ways to build investor momentum while maintaining appropriate safety measures in the market.

Sincerely,



Brad Smith

CC: Mr. Nagaraju, Secretary, Department of Financial Services
Mr. Ritesh Patel, OSD to the Secretary for Financial Services
Dr. Parshant Kumar Goyal, Joint Secretary, Insurance
Mr. Debasish Panda, Chairman, IRDAI

Contacts

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About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 42 member associations and 3 observer associations the interests of insurers and reinsurers in 68 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than \$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.