

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2576

ANSWERED ON:08.12.2006

FBI IN INSURANCE SECTOR

Ahir Shri Hansraj Gangaram;Lagadapati Shri Rajagopal

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has accorded approval to foreign investment in insurance sector;
- (b) if so, whether the Government proposes to increase the scope of investment;
- (c) if so, the details in this regard;
- (d) whether any assessment has been made by the Government regarding adverse effects on domestic insurance sector due to foreign investment in insurance sector; and
- (e) if so, the details thereof?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a): Section 2 (7 A) (b) of the Insurance Act, 1938 provides for foreign joint venture partner in an Indian insurance company to hold upto 26% equity stake. The opening up of insurance sector has resulted in entry of 15 and 9 players in the life and non-life segment respectively.
- (b) & (c): A proposal to increase the FDI limit from 26% to 49% is under consideration of the Government.
- (d) & (e): The entry of new insurance companies with joint venture partners has led to the growth of the insurance sector. The benefits of the opening of insurance sector inter alia include increased insurance penetration, growth in premium underwritten, product innovation and employment generation opportunities.