

FinMin likely to modify insurance laws, may lower minimum capital requirement

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- **In India, the insurance penetration registered an 11.70% growth climbing to 4.20% in 2020-21 from 3.76% in 2019-20.**

To increase insurance penetration in the country, the Finance Ministry is likely to be planning to make changes to insurance laws. Among many provisions being contemplated, FinMin is likely to consider lowering the minimum capital requirement of ₹100 crore to set up an insurance business. Also, the ministry looks for changes to drive growth in the industry.

Sources told PTI that the ministry is doing a comprehensive review of the Insurance Act, 1938 and also looking at making relevant changes to help push the growth of the sector. They added that the process is at a preliminary stage.

Further, sources informed that one of the provisions being considered is lowering the minimum capital requirement of ₹100 crore for setting up an insurance business. The move will enable the entry of differentiated insurance companies like in the banking sector.

The banking sector is currently categorized as universal bank, small finance bank, and payments bank.

According to the sources, the easing of capital norms can allow entry of companies focused on micro-insurance, agriculture insurance, or insurance firms with a regional approach. The entry of more players in the sector would not only push penetration but result in greater job creation across India.

Currently, there are 24 life insurance companies and 31 non-life or general insurance firms in India. These also include companies like the Agriculture Insurance Company of India Ltd and ECGC Limited.

In India, the insurance penetration registered an 11.70% growth climbing to 4.20% in 2020-21 from 3.76% in 2019-20. Notably, both life and non-life insurers collected premiums to the tune of ₹8.2 lakh crore during 2020-21.

The insurance penetration which is measured as the percentage of insurance premium to GDP recorded healthy growth in 2020-21 on the back of the outbreak of the Coronavirus pandemic.

Last year, the ministry amended the Insurance Act by increasing the permissible FDI limit from 49% to 74% and allowing foreign ownership and control with safeguards. Under the fresh guidelines, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and a specified percentage of profits being retained as general reserve.

Also, the ministry announced the setting up of Asset Reconstruction Company Limited and Asset Management Company to consolidate and take over the existing stressed debt and then manage and dispose off the assets to Alternate Investment Funds and other potential investors for eventual value realization.

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