Govt proposes issuance of one licence for all insurance businesses

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The finance ministry has proposed a host of amendments to the insurance laws — from granting insurers a composite licence to allowing them to sell different financial products, and increasing the retirement age of the chairman and whole-time members of the Insurance Regulatory and Development Authority of India (Irdai).

The Department of Financial Services has also suggested allowing insurers to operate in multiple lines of business — general, life, and health — without having to seek separate licences from the regulator for each business, provided they meet the minimum capital requirements. This would require an amendment to the Insurance Act, 1938.

If an applicant meets the eligibility criteria for different classes and sub-classes of business, the regulator may register the applicant as an insurer and grant it a certificate of registration for such classes or sub-classes.

"Where the insurer carries on business of more than one class or sub-class of insurance, [they] shall keep a separate account of all receipts and payments in respect of each such class or sub-class, as may be specified by the regulations," the DFS said in the proposed amendments, which were released earlier this week. It has opened the document to public comment till December 15. Class of insurance business refers to life, general, health, or reinsurance. And, sub-class of insurance refers to fire, marine and miscellaneous business general insurance; personal accident and travel sub-classes of health insurance business.

It has also suggested that insurance companies should be permitted to distribute other financial products. This would mean insurance companies could sell mutual fund products, for example.

The DFS has proposed some amendments to the Insurance Regulatory Development Act, 1999, to raise the retirement age of whole-time members and the chairperson to 65 years from 62 at present.

It has suggested doing away with the rigid requirements of capital for setting up an insurance company. Under existing regulations, paid-up equity capital of Rs 100 crore is required for setting up a life, general, or health insurance business. And, for reinsurance it is Rs 200 crore.

The DFS has proposed that an insurance company be allowed to commence business with a minimum paid up equity capital as may be specified by regulations, considering the size and scale of operations, class or sub-class of insurance business, and the category or type of insurer.

Many of these proposed amendments were part of the recommendations that the insurance regulator had sent to the government ahead of the upcoming Budget session.

The DFS has said these amendments would enhance the financial security of policyholders, promote their interests, and improve their returns. Besides, they would facilitate the entry of more players in the insurance market, leading to economic growth and employment generation, the DFS said. It has invited comments from all stakeholders by December 15.

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"With composite licence arrangement, insurers will now have more flexibility in operating in multiple lines of insurance business, without having a separate insurance company to sell life, general, and health business," said Nilesh Sathe, former member of Irdai. He added that it was a long-pending demand of insurers. Besides, this will provide agents flexibility as they would be allowed to conduct multiple lines of business, of a single insurer, Sathe said.

Referring to the proposal on allowing insurers to sell other financial products, Sathe said banks were allowed to sell insurance and mutual fund products but insurers were only allowed to sell insurance products. "There was a demand from insurance companies to allow them to sell other financial products in order to increase their revenue from non-core business. With the proposed amendment, this demand would be met," he added.

Among other major amendments that the DFS has proposed, it has also sought to change the composition of the life insurance and general insurance councils.

It has suggested that the councils have seven representatives elected in their individual capacity by firms that are members of the council; two eminent persons not connected to the insurance business, nominated by the regulator; three persons to represent insurance agents, intermediaries and policyholders, respectively; and, one representative of the central government. Further, there will be one representative each from self-help groups and insurance co-operative societies.

According to the proposed amendments, the onus of promoting reinsurance business lies with the insurance regulator.

The amendments have also introduced the concept of captive insurers — firms that will be permitted to carry on the class of general insurance business or any of its sub-classes exclusively for its holding, subsidiary, or associate company.

On the cards

- **Relaxing minimum capital requirement to set up insurance firms**
- **Opening up registration to various classes, sub-classes and types of insurers**
- **Altering composition of life and general insurance councils**
- **Raising retirement age of Irdai chairperson and whole-time members to 65**
- **Introducing concept of captive insurers**