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Budget 2019: Government raises FDI limit to insurance cos

BY ASHWIN MANIKANDAN, ET BUREAU | JUL 05, 2019, 05.48 PM IST

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MUMBAI: The insurance industry may soon see an influx of foreign capital as the government has increased the foreign investment limit on insurance intermediaries to 100% from 49% earlier.

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The announcement is set to bring capital for companies investing in technology solutions which is to help Indian insurance sector achieve better penetration rates which at 3.6% is much lower than the global average of over 6.1%.

"... (The move) will bring in cost effective capital for several insurers who are investing in technology and digital solutions, and are wanting to expand network to grow and make multi-fold impact towards building a long term and sustainable insurance sector," said Ashish Vohra, ED & CEO, [Reliance Nippon Life Insurance](#).

Additionally, the government is also mulling over reducing the net owned fund requirement for reinsurers to Rs.1000 crore from Rs.5000 crore earlier to attract international insurers find better risk pricing for the premiums offered.

"To facilitate on-shoring of international insurance transactions and to enable opening of branches by foreign reinsurers in the International Financial Services Centre, it is proposed to reduce Net Owned Fund requirement from Rs.5000 crore to Rs.1000 crore," finance minister [Nirmala Sitharaman](#) said.

Reinsurers are those companies which handle financial risks for [insurance companies](#) that would be too large for them to pay. Currently most reinsurance in the country is done by state owned General Insurance Company of India ([GIC](#)).

"It is a progressive move as currently the burden of crop insurance is largely on GIC. With this move, niche players with good understanding of market and international players looking to purchase diversified global pools may enter the market which will lead to better risk-based price discoveries," said Ashwin Parekh managing partner at Ashwin Parekh Advisory Services.

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