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# Merger of non-life PSUs on cards?

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MUMBAI: The Union Budget has created necessary legislative headroom for the merger of non-life insurance companies by seeking to amend the General Insurance Business Nationalisation Act.



The finance bill proposes to replace the section that says “there will be four companies” with “there will up to four companies”.

This amendment paves the way for any combination of mergers. However, the section for proposed investment in public enterprises does not make any provision for the recapitalisation of insurance companies. The government has kept Rs 73,385 crore for various financial sector PSUs, bulk of which is for banks.

The could mean that the government is looking at a phased consolidation where the ownership of two of the entities would be passed on to another. Of the four non-life companies, the largest — New India Assurance — is already listed. The government in the previous Budget had announced its intent to consolidate the remaining three — National Insurance, Oriental Insurance and United India Insurance.

The non-life insurance industry is excited about the big bang insurance reform in allowing 100% foreign direct investment (FDI) for insurance intermediaries. This opens the doors for specialised global surveyor and loss assessor firms and third-party administrators to set up shop in the country.

Some large global insurance brokers like Marsh, Aon and Willis, which are already present through joint ventures with 100% FDI, may expand their presence. New age web aggregators will also get a boost. Insurance distributor Policybazaar has already become a unicorn in India. Until now the FDI limits for all IRDAI-regulated entities had been kept at a uniform 49%.

Shardul Amarchand Mangaldas & Co Partner Shailaja Lall said, “This is a very positive move, which will help bring in more international players into the sector and also attract technical expertise into the country to enhance insurance penetration. The restrictions which currently exist, that such entities are Indian owned and controlled by resident Indian citizens or entities owned and controlled by resident Indian citizens, will need to be revoked.”

Unlike an increase in FDI for insurance companies (which will require an amendment to the Insurance Act 1938), the current proposal can be given effect to by amendments to the relevant IRDAI regulations applicable to each of these insurance intermediaries, rules issued by the Central Government on foreign investment in the insurance sector and applicable RBI notifications, she added.