

Insurance sector eyes FDI worth billions in new year

A political hot potato for long, the insurance sector got its long-awaited dose of reforms, as 2014 neared the end and will keenly await moneybags from abroad in the new year to bring in the much-aspired foreign investments, estimated at up to Rs 60,000 crore.

After hanging in balance for over six years, hike in foreign investment cap for insurance sector has become a reality, although the government had to take ordinance route, as a bill in this regard could not go through Parliament.

To show its commitment to reforms in this key sector, eyed keenly by foreign investors, government promulgated the ordinance last week itself. The sector eagerly looks forward to potential FDI inflows in 2015.

The move assumes significance because it has happened just a few weeks before the US President Barack Obama's visit to India, given the sharp interest of the American investors in the Indian insurance sector.

Finance minister Arun Jaitley has expressed hope that hiking of the foreign investment cap in the insurance sector to 49 per cent, which has been pending since 2008, will result in capital inflow of \$6-8 billion.

The capital starved industry has been waiting for further liberalisation of the foreign investment limit for a long time. Sector regulator IRDA Chairman T S Vijayan says that the domestic insurance industry needs investments worth up to Rs 60,000 crore in next five years to increase penetration levels substantially from the current 3.9 per cent.

"Our calculation was that, in the next five years, to increase the penetration, Rs 50,000 crore to Rs 60,000 crore is required. This was our calculation some time ago. When the sector started, it (insurance penetration in the country) was less than 2 per cent.

"It has doubled to 3.9 per cent now. I will not say it will double again. But there will be substantial growth (with the investments in the next five years)," Vijayan said.

According to PNB MetLife India CEO and MD Tarun Chugh, higher foreign investments and other reforms can re-energise the sector in 2015 with the infusion of capital and "we can look forward to a 5-10 per cent growth rate".

"The investments will be done in product innovations and to increase market penetration which is currently pegged at 4 per cent of GDP," he said.

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