Select Committee Report Summary

The Insurance (Laws) Amendment Bill, 2008

- The Insurance Laws (Amendment) Bill, 2008 was introduced in Rajya Sabha on December 22, 2008. It proposes to amend the Insurance Act, 1938 (the Act), the General Insurance Business (Nationalisation) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999.
- The Standing Committee on Finance submitted its recommendations on December 13, 2011. The government circulated some amendments to the Bill on July 30, 2014. The Bill was sent to the Select Committee in Rajya Sabha on August 14, 2014 and its Report was tabled in Rajya Sabha on December 10, 2014.

Key Recommendations of the Select Committee

- **Foreign Shareholding:** The Bill increases the cap of FDI in Indian companies from 26% to 49%. The Committee endorses this provision and recommends that: (i) the composite cap should be inclusive of all forms of foreign direct investment and foreign portfolio investments, and (ii) the companies should be Indian owned and controlled. It defines control as the right to appoint a majority of the directors or control the management or policy decisions of the company.
- **Collector Nominee:** The Bill provides for two types of nominees, beneficiary nominees and collector nominees. A beneficiary nominee is a person who is entitled to receive the payment from an insurance policy. A collector nominee means a person who is eligible to make the payment of benefits from an insurance policy, to the beneficiary nominee or his representative. The Committee recommended that creating this distinction may not be necessary, and that the Government may modify the definition of a nominee in consultation with the Law Ministry and the Insurance Regulatory and Development Authority (IRDA).
- **IRDA's power to withhold or cancel registration of an insurer:** Under the Bill, IRDA may withhold registration of an insurer if his foreign partner in a joint venture has been debarred by law or practice of its country to carry on insurance business. The Committee recommended that IRDA should have the power to cancel registrations, and the provision should also apply to any foreign re-insurance companies through a branch established in India.
- **Capital Requirements:** Under the Bill, the minimum equity capital requirement for a person exclusively in the health-insurance business is Rs 50 crore. The Committee recommends that the capital requirement be increased to Rs 100 crore.
- **Management expenses and rebates:** The Bill states that no insurer shall receive reimbursement of expenses or commission on mandatory re-insurance from Indian insurers. The Committee recommended that the insurers should not be prohibited from earning reinsurance commission.
- **Licenses to insurance agents:** The Bill states that no person can be an agent for more than one life insurer and one general or health insurer. The Committee recommended that IRDA should ensure while framing regulations that no conflict of interest arises for any agent in representing two or more insurers for whom he may be an agent.
- **Security Appellate Tribunal:** The composition as well as qualifications for the members of the Security Appellate Tribunal should be reviewed to provide for appointment of insurance experts as its members. The Committee recommends necessary modifications in the Securities and Exchange Board of India Act, 1992 to give effect to this suggestion.
- **Notes of Dissent:** Notes of Dissent were submitted by four Members of Parliament. Mr. P. Rajeeve, Prof. Ram Gopal Yadav and Mr. K.C. Tyagi submitted one note of dissent. A separate note was submitted by Mr. Derek O'Brien. The three Members of Parliament opposed the hike in FDI cap from 26% to 49% and the disinvestment of the public sector general insurance industry. Mr. Derek O'Brien opposed the hike in FDI cap and the inclusion of foreign portfolio investments in the composite cap of 49%.

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