Publication: telegraphindia.com

Date: Sunday, 13th July, 2014

Edition: National

Insurance preference for FDI funds

Calcutta, July 13: The insurance industry is in favour of a more long-term capital infusion in the form of FDI following the government's proposal to relax the composite cap on foreign investment in the sector in the budget.

Finance minister Arun Jaitley in his budget speech has proposed to increase the cap on foreign investments to 49 per cent from 26 per cent with full Indian management and control.

The government has also proposed that the investment will require the approval of the Foreign Investment Promotion Board.

At present, the 26 per cent cap allows FDI, FII and NRI investments into the sector.

Atanu Sen, managing director and CEO of SBI Life Insurance, said though the increase in foreign investment cap was welcome as it would bring in the necessary funds for growth, the industry would benefit more from long-term capital in the form of FDI. "Full FDI is more preferred because the investment is for long term," he said on the sidelines of a seminar of the Indian Chamber of Commerce.

Sen said raising foreign capital through the FIPB route was unlikely to be a major hurdle for insurance companies. According to the current regulations, foreign investment of up to 26 per cent is under the automatic route and does not require any approval from the government or the Reserve Bank of India.

He said while the guideline on the form of foreign investment was awaited, several long-term private equity investors and institutional investors could also bring in capital into the sector.

P. Nandagopal, managing director and CEO of IndiaFirst Life Insurance, said with the domestic IPO market turning stagnant, the insurance sector would benefit from foreign capital once the insurance bill was implemented.