

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA

STARRED QUESTION No. *244

ANSWERED ON TUESDAY, 12 AUGUST, 2025/ 21 SRAVANA, 1947 (SAKA)

SAFEGUARDS AVAILABLE IN INSURANCE SECTOR

244 SHRI ANIL KUMAR YADAV MANDADI:

Will the Minister of Finance be pleased to state:

- a) whether there are safeguards in place to address issues like profit repatriation by foreign investors in India, reduced decision making power of domestic firms, job security concerns arising due to potential automation and cost-cutting measures etc., after allowing 100 percent FDI in Insurance Sector;
- b) if so, the details thereof; and
- c) if not, the reasons therefor

ANSWER

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) to (c) OF RAJYA SABHA STARRED QUESTION NO. 244 FOR 12th AUGUST, 2025 REGARDING “SAFEGUARDS AVAILABLE IN INSURANCE SECTOR” TABLED BY SHRI ANIL KUMAR YADAV MANDADI, HON’BLE MEMBER OF PARLIAMENT

(a) to (c): The increase in FDI in Indian insurance companies from 74% to 100% has been announced in the Union Budget on 1st February, 2025.

The Insurance Act, 1938 (the Act) governs investment by insurers with a strong emphasis on safety, liquidity, and regulatory oversight by aligning investment by insurers with policyholder interests. The Act stipulates time, manner, form, conditions and instruments allowed for investment. Insurers are mandated to invest a specified percentage of funds in Government securities and other approved securities as specified by Insurance Regulatory and Development Authority of India (IRDAI). Additionally, the Act does not permit Indian insurance companies to invest any of their funds outside India. Hence, all the funds of insurance companies must be compulsorily invested in India.

In order to ensure financial stability in the insurance sector and protection of policyholders, the Act further mandates every insurer to maintain at all times, an excess of assets over liabilities of not less than 50% of the minimum capital amount. IRDAI further mandates insurers to maintain the control level of solvency of 150% at all times. Further, in case of an insurer acting in a manner prejudicial to the policyholders’ interests, IRDAI is empowered by the act to supersede the Board of such insurance company and appoint an Administrator to manage the affairs of the insurance company. Further, the regulatory oversight of the IRDAI ensures transparency and policyholder protection by promoting fair business practices, solvency monitoring, supervision and efficient grievance redressal.

As per the Companies Act, 2013, all insurance companies are Board governed entities and are required to be compliant with the Companies Act, 2013 at all times for all governance matters. This, alongside Indian Insurance Companies (Foreign investment) Rules, 2015 governs various aspects of operations including dividend payment, repatriation of profit and composition of Board of Directors for insurance companies. All these provisions and mechanisms ensure adequate checks and balances for conduct of business of insurance in India and act as safeguards.

Raising the FDI limit for Indian insurance companies to 100% would bring more players into the market and generate employment opportunities. Further, improved technologies and automation would lead to faster underwriting, claim processing leading to improved turnaround time thereby reducing cost & enhancing overall efficiency of the sector.
