

**PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA**

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**INSURANCE LAWS (AMENDMENT) ORDINANCE, 2014 TO MAKE AMENDMENTS  
TO THE INSURANCE ACT, 1938, THE GENERAL INSURANCE BUSINESS  
(NATIONALIZATION) ACT, 1972 AND THE INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY ACT, 1999**

**New Delhi: December 27, 2014**

**Pausha 6, 1936**

The Union Cabinet had approved the promulgation of the Insurance Laws (Amendment) Ordinance 2014 to amend the Insurance Act, 1938, the General Insurance Business (Nationalisation) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999, in accordance with the Insurance Laws (Amendment) Bill 2008 as reported by the Select Committee of the Rajya Sabha, and for suitably introducing it in the Parliament in the next session for consideration and passing.

The Ordinance has now been signed by the Hon'ble President of India.

2 The proposed step is also for furtherance of the broad objective of deepening the reform process in the economy in general and the Insurance sector in particular. This is of paramount importance to create an investor friendly environment in the country to achieve the various goals related to enhanced investment, economic growth and job creation in the economy.

3. The promulgation of the Ordinance would achieve the above critical objectives through specific provisions proposed to be introduced in the Insurance Laws through it. Some of these key aspects incorporated in the proposed Ordinance are as follows:

- (a) The Ordinance is aimed at amending the Insurance Act, 1938, the General Insurance Business (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999 to remove archaic and redundant provisions in the Insurance Laws, empower IRDA to enable more effective regulation and enhance the foreign equity investment cap in an Indian Insurance Company from 26 to 49% with the safeguard of Indian ownership and control. .

- (b) Insurance penetration in India is very low compared to the global average. The sector is in need of capital to expand and ensure better access to insurance services, especially in rural areas and for economically weaker sections. Enhancement of the foreign equity cap from 26% to 49% with the safeguard of Indian Ownership and Control is a critical aspect of the Ordinance, which will potentially enhance capital availability.
- (c) Towards these ends, the content of the Ordinance is aimed also at allowing insurance companies to raise capital through new and innovative instruments, which would help capital intensive insurance industry to garner resources for business growth;
- (d) The Ordinance will also enable empowering IRDA to regulate key aspects of Insurance Company operations in areas like solvency, investments, expenses and commissions, which is in keeping with global best practices of regulation. The absence of such empowerment for IRDA potentially undermines faith in our regulatory framework and discourages investment in the sector.
- (e) The Ordinance will also substantially enhance penalty provisions to ensure compliance with Insurance Laws by companies, which is essential to uphold the consumer interest.

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