

# Bill Summary

## The Insurance (Amendment) Bill, 2021

- The Insurance (Amendment) Bill, 2021 was introduced in Rajya Sabha by the Minister of Corporate Affairs, Ms. Nirmala Sitharaman, on March 15, 2021. The Bill amends the Insurance Act, 1938. The Act provides the framework for functioning of insurance businesses and regulates the relationship between an insurer, its policyholders, its shareholders, and the regulator (the Insurance Regulatory and Development Authority of India). The Bill seeks to increase the maximum foreign investment allowed in an Indian insurance company.
- **Foreign investment:** The Act allows foreign investors to hold up to 49% of the capital in an Indian insurance company, which must be owned and controlled by an Indian entity. The Bill increases the limit on foreign investment in an Indian insurance company from 49% to 74%, and removes restrictions on ownership and control. However, such foreign investment may be subject to additional conditions as prescribed by the central government.
- **Investment of assets:** The Act requires insurers to hold a minimum investment in assets which would be sufficient to clear their insurance claim liabilities. If the insurer is incorporated or domiciled outside India, such assets must be held in India in a trust and vested with trustees who must be residents of India. The Act specifies in an explanation that this will also apply to an insurer incorporated in India, in which at least: (i) 33% capital is owned by investors domiciled outside India, or (ii) 33% of the members of the governing body are domiciled outside India. The Bill removes this explanation.

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