**Draft Letter**

The Hon’ble Finance Minister of India,

North Block,

New Delhi.

Dear Sir,

**Re: Request for reconsidering proposed FDI hike insurance sector**

During the course of the budget speech, you have announced that the foreign equity limit in the insurance sector would be increased to 49 percent. You have further added that the Insurance Laws (Amendment) Bill pending in the Rajya Sabha will be taken up and passed soon. This announcement is a cause of great concern to the people of our country.

The decision to hike the foreign equity to 49 percent is not in the interests of the Indian economy. The Parliamentary Standing Committee on Finance headed by Shri Yashwant Sinha (leader of BJP and former Finance Minister) submitted its recommendations in December 2011 unanimously rejected the recommendation for 49 percent equity holding by the foreign partners. It is surprising to note that the Bill, which the BJP has opposed as an opposition party during UPA-II government earlier, is being moved by the government headed by BJP contradicting its own stand on this Bill now.

The argument that is being advanced to increase the FDI limit is - under performance in the insurance penetration and density. But Insurance penetration and density depend upon the availability of disposal incomes. The opening up of the sector failed to increase the insurance penetration nor did it succeed in mobilizing resources for investments in infrastructure and social sector. As per the IRDA report, the lapsation ratio and claim repudiation ratio in private companies are very high.

Your assurance that despite the hike in the foreign capital, the management control will remain with the Indian partners is unconvincing. Even with 26% equity; the foreigners are heading a number of insurance companies. Today, there is a need to mobilize the small savings of the people for investment in social and infrastructure sector. This can be effectively done only by the public sector insurance companies. Instead of increasing the foreign equity, it is necessary to give more functional autonomy to the public sector insurance industry to garner the savings of the people for the growth of the Indian economy. The hike in foreign equity limit will only help the foreign capital to gain greater access and control over the household savings to the detriment of the national economy.

This apart, the Insurance (Laws) Amendments Bill also paves way for disinvestment of public sector general insurance companies. These companies are not only facing competition from private players but also competing among themselves. It is unfortunate that instead of merging these public sector general insurance companies to meet the challenges from the private players the government proposes to weaken them.

Therefore, I request you to drop the proposal to raise FDI cap to 49% and withdraw the Insurance Laws (Amendment) Bill 2008 in the interest of the economy and also in favour of policyholders of our country.

Thanking you,

Yours faithfully,