

**ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION**  
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To,  
All the Zonal/Divisional/State/Regional Units

Dear Comrades,

You would have come across the proposed amendments to the Indian Insurance Companies (Foreign Investment) Rules 2015; vide Ministry of Finance Notification dated 29<sup>th</sup> August 2025. The Ministry has invited suggestions/ comments from persons likely to be affected by the proposed amendments and has given a fifteen-day time period for the same. AIIEA sent its observations to the proposed amendments today i.e. 02 September 2025. We reproduce herein below the letter sent to the Secretary, DFS for the information of our members. Please ensure its wide circulation.

With Greetings,

Comradely Yours



General Secretary

To,  
The Secretary  
Ministry of Finance  
Department of Financial Services  
Jeevan Deep Building, 3<sup>rd</sup> Floor  
Sansad Marg, New Delhi-110001

Date: 02.09.2025

Dear Sir,

**Re: Our Observations on the proposed Amendments to the Indian Insurance Companies (Foreign Investment) Rules, 2015**

The All India Insurance Employees' Association (AIIEA) is the largest and oldest trade union of insurance employees. The AIIEA has been playing a meaningful role in spreading insurance awareness in the country and serving well the interests of the public sector insurance industry.

We are of the firm opinion that 100 percent FDI in insurance can neither enlarge the market nor can it bring any substantial benefit to the national economy. It is common knowledge that insurance penetration is directly related to the availability of disposable incomes in the hands of the people. Despite low incomes, it must be said that India has done well, primarily due to the efforts of the public sector, to increase the insurance coverage. It is estimated that nearly 60 to 65 percent of the insurable population has been covered by the life insurance industry. The non-life sector too has been making steady progress despite the fact that wealth in the country is highly concentrated in few hands. One

has to appreciate that this remarkable feat has been made possible only because of the relentless efforts of the Life Insurance Corporation of India and the Public Sector General Insurance Companies.

We have come across the proposed amendments to the Indian Insurance Companies (Foreign Investment) Rules 2015; vide Ministry of Finance Notification dated 29<sup>th</sup> August 2025. We would like to place our observations on two very important aspects of the Draft Rules, which have a profound impact on the policy holders, the national economy and the people at large.

**Proposed Draft Rule No.4: It says that in the principal rules, in rule 3, the words “to exceed seventy-four per cent of the paid-up equity capital of such Indian Insurance Company” shall be substituted with the words “to exceed the limit as stipulated by the Insurance Act, 1938”.**

This provision, it is clear, is intended to raise FDI in the insurance sector from the present 74 per cent to 100 per cent. FDI hike to 100 per cent will neither benefit the Indian economy nor will it bring any benefit to the insuring public. This will only enable the foreign capital to gain greater access and control over the domestic savings. We are of the firm opinion that domestic savings play the most important role in the development of the economy. India as a Welfare State must have a bigger control over the domestic savings to fulfil the constitutional obligations. All the major foreign companies are already operating in the country in partnership with domestic insurers. The existing FDI limit of 74% is not an obstacle to the growth and expansion of the private sector. In fact, the Minister of State for Finance Sri Pankaj Chaudhary has informed, vide a reply to an unstarred Question No.877 in the Rajya Sabha on 3<sup>rd</sup> December 2024, that the present level of foreign equity in the insurance industry at Rs.31,365.57 crore (as at 31<sup>st</sup> March 2024) is only 32.67% against the permissible limit of 74%. Moreover, the FDI hike to 100% will disrupt the insurance industry as it will have a disastrous impact on the domestic companies if the foreign partners decide to withdraw from the Joint Ventures to run the business independently. It would be worthwhile to mention that altogether nine foreign insurers have already exited the Indian insurance market leaving the policy holders in a quandary. It is a fact that foreign capital comes in search of greater profits. This means that the target would be the high net worth clients and most profitable business as is the case with the totally foreign owned banks. Such an eventuality would force the domestic insurers to compete for the most profitable business to the total neglect of the need for insurance to the lower middle classes and the marginalized sections of the society. There is therefore absolutely no justification to increase the FDI limit to 100 per cent from the present level of 74 per cent. It would be imprudent to allow foreign capital greater access to and control over domestic savings. The need is to maintain caution especially when the economy is facing uncertainty in view of the ongoing tariff wars. We may also mention that the net Foreign Direct Investments in the recent years have been insignificant.

**Proposed Draft Rule No.8: It says “In the principal rules, rule 5 will be substituted with the following, namely:- “5. The Foreign Investment proposals of the Indian Insurance Company shall be allowed on the automatic route for the paid-up equity capital as stipulated by the Insurance Act, 1938 subject to verification by the Insurance Regulatory and Development Authority of India.”**

We have strong reservations over the proposed move to allow foreign investment proposals of the Indian Insurance companies through the automatic route. Our reservations are based on valid grounds. This provision undermines the role and power of the Parliament. Insurance is an industry that touches millions of lives and therefore decisions relating to the industry should be transparent and deliberative not automatic. Automatic route bypasses parliamentary scrutiny and oversight which can be called the soul of a functioning democracy. Insurance business pools large volumes of sensitive financial and personal data relating to policy holders' health, assets, risk profiles etc. Allowing FDI on the automatic route may jeopardise policy holders' privacy and financial security. It is a well-known fact that Insurance plays a safety-net role for citizens and businesses. If foreign investors are allowed to dominate, their commercial priorities may override public welfare objectives, undermining India's financial stability and social security. Automatic entry has the potentiality of facilitating easy repatriation of profits thereby weakening capital retention within the country and adversely affecting the sector's ability to build long-term reserves for claim payouts in future emergencies. It has been an avowed objective of the government of India to increase insurance penetration by expanding into rural and underserved areas. But foreign investors, as has been our experience, may prioritize urban, high-income markets for quick returns rather than investing in rural outreach or social security schemes. Allowing foreign investment on the automatic route has the dangerous potentiality of facilitating predatory takeovers. The global experience is that foreign insurers, at the slightest hint of an imminent economic crisis, use automatic FDI route to buy stakes in ailing domestic firms at low valuations leading to loss of control over precious resources.

These are some of our observations to two major amendments proposed. Insurance, more specifically life insurance plays a very important role in national development and offers security to the people. Therefore, any changes should be to benefit the policyholders. In the case of the two aforesaid amendments, the investors are preferred over the policyholders. It is necessary not to forget the situation obtaining in the insurance industry before 1956 which led to the nationalisation of life insurance business. In no case, insurance sector once again be pushed to a similar situation.

The proposed amendments have far reaching impact. Therefore, there is no need to push them through in a hurry. Caution is required. Exhaustive consultation with all stakeholders must be done before bringing about such large-scale changes.

Thanking You,

Yours faithfully  
Sd/-  
General Secretary