

To: Arun Jaitley, Finance Minister of India

Cc: Secretary Financial Services Ms. Anjuly Chib Duggal ([secy-fs@nic.in](mailto:secy-fs@nic.in))  
Additional Secretary Financial Services Ms. Snehlata Shrivastava ([as-dfs@nic.in](mailto:as-dfs@nic.in))  
Mr. Alok Tandon ([tandona@nic.in](mailto:tandona@nic.in))

Date: 16 December 2015

Subject: GFIA comments on IRDAI Amendment to Regulation 28(9)

Dear Mr. Minister,

On behalf of the Global Federation of Insurance Associations (GFIA), I am writing to raise serious concerns about the reversal of the opening of the Indian insurance sector, which your government has undertaken this year to spur growth and investment. GFIA's detailed response to the Insurance Regulatory and Development Authority of India's (IRDAI) call for public comment is attached.

Specifically, GFIA wishes to draw your attention to the amendment made on 2 December to the October IRDAI regulations on reinsurance branches in India. This amendment introduces a first order of preference/right of first refusal for Indian reinsurers — namely the General Reinsurance Corporation of India (GIC) — over both existing established Indian primary insurers and newly created reinsurance branches in India. These changes, if accepted, will maintain the status quo and call into question the possibility of establishing India as a regional reinsurance hub, which GFIA believes was the intent of your previous actions.

It had been widely reported in the Indian press that this proposal was advanced by GIC Re. GFIA believes it appropriate, therefore, to point out that the interests of GIC Re are in direct conflict with that of all of the primary insurance companies in India who have previously conducted reinsurance business, and the numerous global reinsurers currently in the process of establishing and capitalising Indian branches based on IRDAI's October regulations.

The amendment made in December will not only drastically diminish the incentive for global reinsurers to establish operations in India, but will also harm foreign primary companies' business expansion plans and reduce further insurance penetration levels in India. GFIA does not see this as being consistent with your government's overall theme of liberalization and attracting increased investment. In fact, media reports of it being inward-looking — and forced upon the IRDAI despite their objection — will only be affirmed, to the detriment of India's reputation as pro-investment.



The previous policy in the October draft of the Foreign Reinsurer Branch Regulations of providing a level playing field for all participants, including foreign branch reinsurers, has been reversed within 40 days of the October notification of the regulations. Some foreign reinsurers have already filed their application for a license under the provisions of the notified Foreign Reinsurer Branch Regulations. Such a sudden reversal exposes the unpredictability of India's regulatory framework and will significantly impact foreign investors' confidence.

Many global insurance and reinsurance companies see great potential in the Indian insurance market and have plans to expand capital and technology investment in India, building front and back office operations to service their Indian, regional and global business. However, this business model depends on an open and stable regulatory environment that supports global operations. The amendment made in December is in direct conflict with this vision and GFIA urges your government to allow IRDAI to implement their original October regulations as drafted.

Sincerely,

**GOVERNOR DIRK KEMPTHORNE**

Chair, Global Federation of Insurance Associations

**GFIA contact**

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**About the GFIA**

Through its 40 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 60 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.