

## IC-01 - Principles of Insurance

### Original Text in book

#### Chapter 2 Page no.29 point no. 2.2 1<sup>st</sup> bullet point

- In the year: 2000, the insurance sector was liberalised and opened-up for business to the private sector. Foreign direct investment (F.D.I.) Was allowed in insurance, upto 26%, wherein, the foreign players were allowed to enter into joint-ventures with domestic players.the insurance laws (amendment) act, 2015, have raised this limit of foreign direct investment (F.D.I.) From 26% to 49%.

### Revised text as per revised FDI limit as below

#### Chapter 2 Page no.29 point no. 2.2 1<sup>st</sup> bullet point

- In the year: 2000, the insurance sector was liberalised and opened-up for business to the private sector. Foreign direct investment (F.D.I.) Was allowed in insurance, upto 49%, wherein, the foreign players were allowed to enter into joint-ventures with domestic players.the insurance laws (amendment) act, 2021, have raised this limit of foreign direct investment (F.D.I.) From 49% to 74%.

### Original Text in book

#### Chapter 2 Page no.30

#### **Test Yourself 2**

#### Question-2

How much is the maximum foreign direct investment (F.D.I.), allowed in insurance, in India?

- A. 26%
- B. 49%
- C. 74%
- D. 100%

#### Answer of the above question as per text book

#### Chapter 2 Page no.42

#### Answers to test your-self:

#### **Answer to TY 2**

The correct option is B.

The maximum foreign direct investment (F.D.I.), allowed in insurance, in India, is, 49%.

#### Answer as per revised FDI limit as below

#### Chapter 2 Page no.42

#### **Answer to TY 2**

The correct option is C.

The maximum foreign direct investment (F.D.I.), allowed in insurance, in India, is, 74%.

Original Text in book

Chapter 2 Page no.40

**Broad Scope of Insurance Business:**

The concept of insurance has been extended beyond the coverage of tangible assets.

- If an exporter has exported goods, he or she faces the risk of the importer in the other country, defaulting on the payment.
- There is, normally, a time-lag of a few months, between the exporter, sending the goods, and receiving the payment. During the time, till the payment comes, the exporter is exposed to the risk of losses, due to sharp appreciation in the domestic currency.
- Exporters also face a risk of changes in the economic policies in the home-country or destination-countries, which may make the export business, un-favourable.

All these risks can now be insured. These risks are insured by Export Credit and Guarantee Corporation (E.C.G.C.), a government-owned company.

Professionals, like, doctors, lawyers, accountants, and engineers; run the risk of being charged with negligence and subsequent liability for damages.

Revised text

Chapter 2 Page no.40

**Broad Scope of Insurance Business:**

The concept of insurance has been extended beyond the coverage of tangible assets.

- If an exporter has exported goods, he or she faces the risk of the importer in the other country, defaulting on the payment.
- There is, normally, a time-lag of a few months, between the exporter, sending the goods, and receiving the payment. During the time, till the payment comes, the exporter is exposed to the risk of losses, **such as non-payment.**

All these risks can be insured. These risks are insured by companies like Export Credit and Guarantee Corporation (E.C.G.C.), **and other general insurance companies offering credit insurance policies.**

Professionals, like, doctors, lawyers, accountants, and engineers; run the risk of being charged with negligence and subsequent liability for damages. **Such damages can be covered under liability insurance.**

Chapter 4 Page no.66

**1.1 insurers operating in the Indian market:**

Prior to 1999, during the nationalisation era, Life Insurance Corporation (L.I.C.) Of India, General Insurance Corporation (G.I.C.) Of India and its 4 subsidiaries, had the exclusive privilege of transacting insurance business in India. After 1999, post-liberalisation, reforms were made by the then finance minister, Dr. Manmohan Singh, under the leadership of prime minister Mr. P. V. Narasimha Rao. A lot of sectors were opened-up for participation from private sectors and foreigners. Insurance sector was also one of them. The insurance act, 1938, was amended in 1999, to provide for registration of private insurers to transact insurance business in India. The Insurance Regulatory and Development Authority (I.R.D.A.) Was set up to regulate the insurance business. The Insurance Regulatory and Development Authority Of India (I.R.D.A.I.) Allowed private insurance companies, to register under the new dispensation. Foreign Direct Investment (F.D.I.) Of up to 26% was allowed, paving the way for domestic private companies to bring in foreign companies as partners through joint ventures. The proposal to hike Foreign Direct Investment (F.D.I.) In insurance sector to 49% from the original limit of 26%, was pending for approval (since, december, 2010), which has been approved by parliament, in march, 2015.

Revised text as per revised FDI limit as below

Chapter 4 Page no.66

**1.2 insurers operating in the Indian market:**

Prior to 1999, during the nationalisation era, Life Insurance Corporation (L.I.C.) Of India, General Insurance Corporation (G.I.C.) Of India and its 4 subsidiaries, had the exclusive privilege of transacting insurance business in India. After 1999, post-liberalisation, reforms were made by the then finance minister, Dr. Manmohan Singh, under the leadership of prime minister Mr. P. V. Narasimha Rao. A lot of sectors were opened-up for participation from private sectors and foreigners. Insurance sector was also one of them. The insurance act, 1938, was amended in 1999, to provide for registration of private insurers to transact insurance business in India. The Insurance Regulatory and Development Authority (I.R.D.A.) Was set up to regulate the insurance business. The Insurance Regulatory and Development Authority Of India (I.R.D.A.I.) Allowed private insurance companies, to register under the new dispensation. Foreign Direct Investment (F.D.I.) of up to 49% was allowed, paving the way for domestic private companies to bring in foreign companies as partners through joint ventures. The proposal to hike Foreign Direct Investment (F.D.I.) In insurance sector to 74% from the original limit of 49%, was pending for approval (since, december, 2010), which has been approved by parliament, in march, 2015.

Original Text in book

Chapter 4 Page no.91 & 92

**Question 2**

How Much is the Foreign Direct Investment (F.D.I.) allowed in Insurance, in India?

- A. 26%
- B. 49%
- C. 51%
- D. 74%

Answer of the above question as per textbook

Chapter 4 Page no.93

**Answer to SEQ 2**

The Correct Answer-is B.

Foreign Direct Investment (F.D.I.) of up to 49% is allowed, in Insurance, in India.

Answer as per revised FDI limit as below

Chapter 4 Page no.93

**Answer to SEQ 2**

The Correct Answer is **D**.

Foreign Direct Investment (F.D.I.) of up to **74%** is allowed, in Insurance, in India.