

## 100% FDI to Unleash Full Potential of India's Insurance Sector, Says Finance Minister



India's Finance Minister Nirmala Sitharaman on Monday, July 28, 2025, affirmed in the Lok Sabha that increasing the Foreign Direct Investment (FDI) limit in the insurance sector to 100% is a strategic move aimed at unlocking the industry's full potential and significantly enhancing insurance coverage across the nation. This reform, announced in the February Budget, is poised to attract substantial foreign capital and expertise, vital for the sector's projected annual growth of 7.1% over the next five years, which is expected to outpace global averages.

The decision to raise the FDI limit from the previous 74% to 100% is specifically for insurance companies that commit to investing their entire premium collections within India. Sitharaman emphasized that this is an "enabling provision" that will empower interested foreign insurers to increase their equity participation, thereby easing market entry by eliminating the previous requirement of finding Indian partners for the remaining 26% stake. This simplification is anticipated to boost the number of insurers operating in the country, fostering a more competitive and dynamic market.

"Removing the FDI cap will attract stable and sustained foreign investment, enhance competition, facilitate technology transfer, and improve insurance penetration," Sitharaman stated in a written reply to Parliament. The inflow of long-term capital is expected to enable insurers to expand operations, invest in new technologies, and develop innovative products tailored to the diverse needs of the Indian populace. India's insurance penetration currently stands below the global average, indicating a substantial underserved market that this reform aims to address.

Beyond direct capital infusion, increased foreign participation is expected to bring global best practices in risk assessment, product design, and customer service. This could lead to more affordable premiums, better policy offerings, and streamlined claim processing for consumers. The government's broader vision, championed by the Insurance Regulatory and Development Authority of India (IRDAI), is to achieve "Insurance for All" by 2047, and the 100% FDI policy is seen as a crucial step towards this ambitious goal.

While the move is expected to attract significant investment, the government has affirmed that regulatory oversight by IRDAI will remain robust to ensure policyholder protection and compliance with Indian laws. The decision by promoters of individual insurance companies to increase their FDI percentage will depend on various factors, including capital requirements and future business plans. This reform marks a significant chapter in India's ongoing economic liberalization, signaling a deeper integration with global financial markets and a commitment to fortifying its critical financial sectors.