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# FINANCIAL, INSURANCE AND AGENCY SERVICES

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## Opportunities

The financial services sector has been one of the most active sectors since India's economic reform process commenced in 1991. Opportunities exist to service the local clientele, since they are increasingly borrowing funds globally and seeking international strategic associations. Due to the highly restrictive market structure existing prior to 1991, local financial firms that did have global expertise have been actively seeking alliances with international firms.

In the February 1997 Budget, the health-insurance sector was opened up to the private sector, including foreign firms in a minority position. This is expected to be the first step toward opening up of the sector to private firms in life and general insurance. General insurance was nationalized in the early 1970s, and life insurance in the 1950s. Opportunities will arise in all three of these sectors, once the guidelines are issued and the licences are approved. The timing for this is not yet clear, but is expected to be in late 1997 to mid-1998. All three sectors are considered to be underinsured by international standards, including those levels found in other Asian countries. The Insurance Regulatory Authority (IRA) Bill was sent to Parliament for approval in April 1997. The IRA, while effectively operating since late 1996 without the Bill, is an essential first step in privatizing the sector. Also necessary for private firms to operate will be legislation to remove the monopolies currently held by the two governmental organizations: the Life Insurance Corporation (LIC) and the General Insurance Corporation (GIC).

Several Canadian banks are already active in India, and several more have relationships with Indian organizations. What is not clear is how, or when, the Indian government intends to permit new operations and new branches to be opened in India. Before these guidelines are made clear, the new opportunities will be somewhat limited.

## Constraints

Opening up of the financial and insurance services sector is a politically sensitive issue in India at this time. Progressive and firm political leadership will be required to ensure that liberalization objectives are met.

Among international financial and consulting services firms, U.S. and British and French firms overwhelmingly dominate the market. Canadian presence is fairly limited. Two Canadian banks have branches in India.

In the insurance sector, which is not yet open to foreign firms, there have been heavy promotion/missions/ high-level visits representing insurance interest for the United States, the United Kingdom, Holland and Switzerland, among others. Several Canadian firms are also actively investigating the market.

The real constraint will be how many licences are issued for the life and general sectors. Estimates vary from five to 15 for each of the two sectors. While no official guideline has been issued, it is widely believed that firms will either be able to obtain a general or a life license, but not both. The guidelines for health insurance, likely to be issued first, are expected to provide a better understanding of how the IRA will organize the life and general operations.

## Business Environment

In this very rapidly developing and highly visible sector, the current limited Canadian presence should grow with several Canadian banks and other firms keenly looking at making an Indian presence. The marketplace will become increasingly competitive with increased foreign participation.

In the insurance sector, selection of a reputable local partner will be essential. Actual operating guidelines for health, life and general insurance are likely to be issued by the IRA over a period of time as concepts are reviewed and approved. Interested firms will need to contact the Canadian High Commission in New Delhi to obtain the most current information as it develops.