

Australia-India Comprehensive Economic Cooperation Agreement  
Free Trade Agreement Division  
Department of Foreign Affairs and Trade  
RG Casey Building  
John McEwen Crescent  
Barton ACT 0221

**Attention:** Ms Carol Robertson

Email: [indiafta@dfat.gov.au](mailto:indiafta@dfat.gov.au)

15 August 2011

Dear Ms Robertson

## **AUSTRALIA-INDIA COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT**

Thank you for your email of 9 June 2011 inviting comments on the Comprehensive Economic Cooperation Agreement (CEC agreement) between Australia and India. The Insurance Council of Australia<sup>1</sup> (Insurance Council) welcomes the continued consultation and opportunity to provide a further submission on the CEC agreement.

The Insurance Council's previous submission on the merits of a free trade agreement between Australia and India identified a simplified tax system and streamlining of business processes as factors impacting on an insurer's decision to enter the Indian market. We also noted that action including the adoption of accounting standards and changes to requirements of auditors would facilitate general insurance business in India. A copy of the submission is attached.

While we do not propose to revisit those issues in detail, we will focus on two key issues impacting the general insurance industry's investment in the Indian market:

- **Foreign Direct Investment (FDI) cap:** the continued restriction on foreign ownership remains of significant concern to our members. We understand the *Insurance Act Amendments Bill* (Bill), which would ease such restrictions through an increase to the FDI for the insurance sector from 26 to 49%, is likely to be considered by the Parliament of India this year.

---

<sup>1</sup> The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. March 2011 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$34.3 billion per annum and has total assets of \$110.8 billion. The industry employs approx 60,000 people and on average pays out about \$91 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

However, the Bill is now subject to a review by the Standing Committee on Finance (SCF) and our members understand, through international sources, the SCF may not support the FDI increase when its reports to the Ministry of Finance. Although the Ministry need not accept SCF's view, our members remain concerned by the prospect of the Bill being presented to Parliament without the FDI provision.

As the Bill was first drafted in 2008, this ongoing uncertainty now has the very real potential to negatively impact on the expansion of existing joint ventures in the Indian market. The Insurance Council recognises the political dimension to this issue but we submit that the significance of FDI caps, particularly for insurance, must be discussed as part of the development of any CEC agreement.

- **Finalisation of a social security agreement:** Our members consider negotiations between India and Australia on a social security agreement should be prioritised and form part of the consultations on the CEC agreement.

A social security agreement would address disincentives to investment and joint venture activities, arising from increased costs and double payments made by insurers under the Australian superannuation scheme and the Indian Provident Fund (IPF) to employees who have temporarily relocated.

The Insurance Council understands double payments are not mandatory for those who have signed a social security agreement with India. The current requirements negatively impact the desirability of relocation and the benefits of such relocation in terms of knowledge exchange. We are aware social security agreements are in place between India and a number of other countries and consider that negotiation of a similar agreement with Australia should be a priority under a CEC agreement.

Individual Insurance Council members may provide their own submissions on the Agreement, highlighting their experience in relation to the above two issues.

If you require further information, please contact Mr John Anning, Insurance Council's General Manager Policy – Regulation Directorate at [janning@insurancecouncil.com.au](mailto:janning@insurancecouncil.com.au).

Yours sincerely



Robert Whelan  
Executive Director & CEO