

GOVT MAY HALVE TIME BAR FOR INSURANCE IPOs

Listing lock-in may be eased to five years, Reliance Life may be the first beneficiary

The government is likely to allow insurance companies to list after five years of operations against the 10 years prescribed at present.

The move follows a proposal from Anil Dhirubhai Ambani Group's Reliance Life Insurance, which is planning an initial public offer by March to raise resources and fund its expansion plan. Reliance Life will complete four years of operation and would have to wait for another six to meet the present stipulation. Reliance Capital had acquired AMP Sanmar in 2005, which started operations in 2002. So, the two companies put together have completed seven years.

Citing the guidelines, Insurance Regulatory and Development Authority (Irda) had turned down a proposal from Reliance Life to list this year and referred the case to the finance ministry. The finance ministry, in turn, had sought the law ministry's opinion on the rules.

A ministry official said the government wanted to understand if the 10-year period was the minimum stipulation or if it meant the company had to list by the time it completed 10 years of operations.

"There is one insurance company that has had discussion with the Irda on whether we will permit them to disinvest now. We said it is only the government that can reduce the tenure. Then they approached the government. The government is thinking of reducing it to five years. Therefore, they have written to us, saying we propose to make rules like this and sought our suggestions. We have no particular issue," Irda Chairman J Hari Narayan said in an interview.

None of the private players have completed 10 years of operation, with the first licence issued to HDFC Standard Life in October 2000. If the rules are amended, of the 22 private players, at least 10 insurance companies can raise funds from the public market. Apart from Reliance and HDFC Standard Life, the list includes ICICI Prudential Life Insurance, SBI Life, Max New York Life, Kotak Mahindra Old Mutual Fund, Birla Sun Life, Bajaj Allianz Life Insurance, Metlife, ING Vysya Life Insurance Company and Tata AIG Life Insurance.

The companies would, however, be able to tap the markets only after the insurance regulator finalised its IPO guidelines, which are expected later this month. Hari Narayan said the promoters would have to reduce their stake proportionately. So, in the case of a 10 dilution, the Indian partner, which has, say, a 74 stake, would have to pare its holdings by 7.4, while the foreign partner's stake would fall by 2.6.

The stipulation could, however, create complications for the foreign partner since it could lose the power to block a board resolution, which requires a minimum 26 holding. The regulator is expected to address these issues in the guidelines.

Apart from the guidelines, some life insurance companies are also waiting to turn profitable to tap the markets. Barring a few players such as SBI Life, Metlife and Sahara Life, most insurance players make losses.

"Under general rules only profit making companies are allowed to go public but the Securities and Exchange Board of India has, in certain situations, allowed loss-making companies to go public but only through the book-building procedure. But it will be subject to Sebi's guidelines," Hari Narayan said.