

**Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion**

Press Note No. 3 (2015 Series)

Subject: Review of Foreign Direct Investment (FDI) policy on Insurance Sector- amendment to 'Consolidated FDI Policy Circular of 2014'

1.0 Present Position:

1.1 Paragraph 6.2.17.7 of 'Consolidated FDI Policy Circular 2014', effective from April 17, 2014, relating to insurance sector, presently reads as below:

S. No.	Sector/ Activity	% of FDI Cap/ Equity	Entry route
6.2.17.7	Insurance		
6.2.17.7.1	(i) Insurance Company (ii) Insurance Brokers (iii) Third party Administrators (iv) Surveyors and Loss Assessors	26% (FDI+FII/FPI+NRI)	Automatic
6.2.17.7.2	Other conditions		
	<p>(1) FDI in the Insurance sector, as prescribed in the Insurance Act, 1938, is allowed under the automatic route.</p> <p>(2) This will be subject to the condition that Companies bringing in FDI shall obtain necessary license from the Insurance Regulatory & Development Authority for undertaking insurance activities.</p> <p>(3) The provisions of paragraphs 6.2.17.2.2(4)(i) (c) & (e), relating to 'Banking-Private Sector', shall be applicable in respect of bank promoted insurance companies.</p> <p>(4) Indian Insurance Company is defined as a company:</p> <p>(a) which is formed and registered under the Companies Act, 1956;</p> <p>(b) in which the aggregate holdings of equity shares by a foreign company either by itself or through its subsidiary companies or its nominees, do not exceed 26% paid-up equity capital of such Indian insurance company;</p> <p>(c) whose sole purpose is to carry on life insurance business or general insurance business or re-insurance business.</p> <p>(5) As per IRDA (Insurance Brokers) Regulations, 2002, "insurance broker" means a person for the time-being licensed by the Authority under regulation 11, who for remuneration arranges insurance contracts with insurance companies and/or reinsurance companies on behalf of his clients.</p>		

	<p>(6) As per IRDA (TPA-Health Services) Regulations, 2001, "TPA" means a Third Party Administrator who, for the time being, is licensed by the Authority, and is engaged, for a fee or remuneration, by whatever name called as may be specified in the agreement with an insurance company, for the provision of health services.</p> <p>(7) Surveyors and Loss Assessors will be governed by the IRDA Insurance Surveyors and Loss Assessors (Licencing, Professional Requirements and Code of Conduct) Regulations, 2000.</p>
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2.0 Revised Position:

2.1 The Government of India has reviewed the foreign investment policy on the insurance sector. Accordingly, Paragraph 6.2.17.7 of 'Consolidated FD1 Policy Circular of 2014', effective from 17.4.2014, is amended to read as below:

S. No.	Sector/ Activity	% of FDI Cap/ Equity	Entry route
6.2.17.7	Insurance		
6.2.17.7.1	(i) Insurance Company (ii) Insurance Brokers (iii) Third Party Administrators (iv) Surveyors and Loss Assessors (v) Other Insurance Intermediaries appointed under the provisions of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)	49% {(FDI+FPI(FII,QFI)+NRI+FVCI+DR)}	Automatic up to 26% Government route beyond 26% and up to 49%
6.2.17.7.2	Other conditions		
	(a) No Indian insurance company shall allow the aggregate holdings by way of total foreign investment in its equity shares by foreign investors, including portfolio investors, to exceed forty-nine percent of the paid up equity capital of such Indian insurance company. (b) Foreign direct investment proposals which take the total foreign investment in the Indian insurance company above 26 percent and upto the cap of 49 percent shall be under Government route. (c) Foreign investment in the sector is subject to compliance of the provisions of the Insurance Act, 1938 and the condition that Companies bringing in FDI shall obtain necessary license from the Insurance Regulatory & Development Authority of India for undertaking insurance activities.		

- (d) An Indian insurance company shall ensure that its ownership and control remains at all times in the hands of resident Indian entities referred to in Notification No. G.S.R 115 (E), dated 19th February, 2015.
- (e) Foreign portfolio investment in an Indian insurance company shall be governed by the provisions contained in sub-regulations (2), (2A), (3) and (8) of regulation 5 of FEMA Regulations, 2000 and provisions of the Securities Exchange Board of India (Foreign Portfolio Investors) Regulations.
- (f) Any increase of foreign investment of an Indian insurance company shall be in accordance with the pricing guidelines specified by Reserve Bank of India under the FEMA.
- (g) The foreign equity investment cap of 49 percent shall apply on the same terms as above to Insurance Brokers, Third Party Administrators, Surveyors and Loss Assessors and Other Insurance Intermediaries appointed under the provisions of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999):
- (h) Provided that where an entity like a bank, whose primary business is outside the insurance area, is allowed by the Insurance Regulatory and Development Authority of India to function as an insurance intermediary, the foreign equity investment caps applicable in that sector shall continue to apply, subject to the condition that the revenues of such entities from their primary (i.e. non-insurance related) business must remain above 50 percent of their total revenues in any financial year.
- (i) The provisions of paragraphs 6.2.17.2.2(4) (i) (c) & (e), relating to 'Banking-Private Sector', shall be applicable in respect of bank promoted insurance companies.
- (j) Terms 'Control', 'Equity Share Capital', 'Foreign Direct Investment' (FDI), 'Foreign Investors', 'Foreign Portfolio Investment', 'Indian Insurance Company', 'Indian Company', 'Indian Control of an Indian Insurance Company', 'Indian Ownership', 'Non-resident Entity', 'Public Financial Institution', 'Resident Indian Citizen', 'Total Foreign Investment' will have the same meaning as provided in Notification No. G.S.R 115 (E), dated 19th February, 2015.

3.0 Consequent to above, Para 6.2.17.2.2 (4) (i) (c) of the Consolidated FDI Policy Circular of 2014 is amended as under:

3.1 Present Position

Paragraph 6.2.17.2.2 (4) (i) (c) of 'Consolidated FDI Policy Circular 2014', effective from April 17, 2014, presently reads as below:

"Applications for foreign direct investment in private banks having joint venture/subsidiary in insurance sector may be addressed to the Reserve Bank of India (RBI) for consideration in consultation with the Insurance Regulatory and Development Authority (IRDA) in order to ensure that the 26 per cent limit of foreign shareholding applicable for the insurance sector is not being breached."

3.2 Revised Position

"Applications for foreign direct investment in private banks having joint venture/subsidiary in insurance sector may be addressed to the Reserve Bank of India (RBI) for consideration in consultation with the Insurance Regulatory and Development Authority of India (IRDAI) in order to ensure that the 49 per cent limit of foreign shareholding applicable for the insurance sector is not being breached."

4.0 The above decision will take immediate effect.


(Atul Chaturvedi)

Joint Secretary to the Government of India

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- 4. NIC Section in the Department of Industrial Policy and Promotion-** for uploading the Press Note on DIPP's website.
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For suitably incorporating the policy changes in Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and the relevant schedules thereof.