

Government of India
Ministry of Commerce & Industry
Department for Promotion of Industry and Internal Trade
FDI Policy Section

Press Note No. 1 (2020 Series)

Subject: Review of Foreign Direct Investment (FDI) policy in Insurance Sector.

The Government of India has reviewed the extant FDI policy on Insurance sector and has made following amendment in the Consolidated FDI Policy of 2017 (FDI Policy), as amended from time to time.

1. Para 5.2.22 of FDI Policy is amended to be read as under:

1.1. 5.2.22 Insurance

| Sector/ Activity | % of Equity/ FDI cap | Entry Route |
|--|-------------------------|-------------|
| 5.2.22.1 Insurance Company | 49% | Automatic |
| 5.2.22.2 Intermediaries or Insurance Intermediaries including insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time. | 100% | Automatic |

1.2. Existing Para 5.2.22.2 shall be renumbered as 5.2.22.3.

1.3 5.2.22.3 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) The foreign investment up to forty-nine percent of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route subject to approval/verification by the Insurance Regulatory and Development Authority of India.
- (c) Foreign investment in this sector shall be subject to compliance with the provisions of the Insurance Act, 1938 and the condition that Companies receiving FDI shall obtain necessary license /approval from the Insurance Regulatory & Development Authority of India for undertaking insurance and related activities.
- (d) An Indian Insurance company shall ensure that its ownership and control remains at all times in the hands of resident Indian entities as determined by Department of Financial Services/ Insurance Regulatory and Development Authority of India as per the rules/regulation issued by them from time to time.
- (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 and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
- (f) Any increase in foreign investment in an Indian Insurance company shall be in accordance with the pricing guidelines specified by Reserve Bank of India under the FEMA Regulations.
- (g) The foreign equity investment cap of 100 percent shall apply on the same terms as above to insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time. However, the condition of Indian owned and controlled, as specified in Clause (d) above, shall not be applicable to Intermediaries and Insurance Intermediaries and composition of the Board of Directors and key management persons shall be as specified by the concerned regulators from time to time.

- (h) The foreign direct investment proposals shall be allowed under the automatic route subject to verification by the Authority and the foreign investment in intermediaries or insurance intermediaries shall be governed by the same terms as provided under rules 7 and 8 of the Indian Insurance Companies (Foreign Investment) Rules, 2015, as amended from time to time:

Provided that where an entity like a Bank, whose primary business is outside the insurance area, is allowed by the Authority 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 the primary (non-insurance related) business must remain above 50 per cent of their total revenues in any financial year.

- (i) The insurance intermediary that has majority shareholding of foreign investors shall undertake the following:
- i. be incorporated as a limited company under the provisions of the Companies Act, 2013;
 - ii. at least one from among the Chairman of the Board of Directors or the Chief Executive Officer or Principal Officer or Managing Director of the insurance intermediary shall be a resident Indian citizen;
 - iii. shall take prior permission of the Authority for repatriating dividend;
 - iv. shall bring in the latest technological, managerial and other skills;
 - v. shall not make payments to the foreign group or promoter or subsidiary or interconnected or associate entities beyond what is necessary or permitted by the Authority;
 - vi. shall make disclosures in the formats to be specified by the Authority of all payments made to its group or promoter or subsidiary or interconnected or associate entities;
 - vii. composition of the Board of Directors and key management persons shall be as specified by the concerned regulators;
- (j) The provisions of paragraphs (i) (b) and (d) of Annexure 9 relating to 'Banking-Private Sector', shall be applicable in respect of bank promoted insurance companies.

(k) 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 issued by Department of Financial Services and regulations issued by Insurance Regulatory and Development Authority of India from time to time.

2. The above decision will take effect from the date of FEMA notification.

(Shailendra Singh)

Additional Secretary to the Government of India

DPIIT File No.: 5(1)/2020- FDI Policy, dated 21/02/2020

Copy forwarded to:

1. **Press Information Officer, Press Information Bureau-** for giving wide publicity to the above Press Note.
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North Block, New Delhi
3. **Reserve Bank of India, Foreign Exchange Department,**
Mumbai
4. **NIC Section in the Department for Promotion of Industry and Internal Trade** - for uploading the Press Note on DPIIT's website.
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For suitably incorporating the policy changes in Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 and the relevant schedules thereof.