

## **Indian Insurance Companies (Foreign Investment) Rules, 2015 Notified**

*Foreign Equity Investment Cap of 49 Per Cent Applicable to All Indian Insurance Companies; Foreign Direct Investment (FDI) Proposals up to 26 Per Cent of the Total Paid-Up Equity of the Indian Insurance Company Allowed on the Automatic Route, and FDI Proposals which take the Total Foreign Investment Above 26 Per Cent and up to the Cap of 49 Per Cent Shall Require FIPB Approval*

The Indian Insurance Companies (Foreign Investment) Rules, 2015 have been notified by the Government of India under the powers conferred by Section 114 of the Insurance Act, 1938 read with clause (b) of sub-section (7A) of Section 2 of the Insurance Act, 1938 and Section 24 of the Insurance Regulatory and Development Authority Act, 1999. These Rules have been prepared based on extensive consultations with all the relevant Departments/Organisations. These Rules incorporate the recent amendments in the law into the standing/prevalent practices being followed hitherto with respect to the treatment of foreign investment in Indian Insurance Companies under extant applicable regulations and the FDI policy of Government of India.

According to these rules, foreign equity investment cap of 49 per cent is applicable to all Indian insurance companies and they shall not allow the aggregate holdings by way of total foreign investment in their equity shares by Foreign Investors, including portfolio investors, to exceed forty-nine per cent of their paid-up equity capital and also shall ensure that ownership and control shall remain at all times in the hands of resident Indian entities as referred to in these rules. The foreign equity investment cap of 49 per cent shall also apply to Insurance Brokers, Third Party Administrators, Surveyors and Loss Assessors and other insurance intermediaries appointed under the provisions of the IRDA Act, 1999.

As per these rules, Foreign Direct Investment (FDI) proposals up to 26 per cent of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route, and FDI proposals which take the total Foreign Investment above 26 per cent and up to the cap of 49 per cent shall require FIPB approval.

Further, Foreign Portfolio Investment in an Indian Insurance Company shall be governed by the provisions contained in the relevant sub-regulations/regulations under FEMA Regulations, 2000 and provisions of the Securities Exchange Board of India (Foreign Portfolio Investors) Regulations. 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.

These rules shall come into force from the date of their publication in the Official Gazette.

A copy of these rules are also placed on the website of Department of Financial Services at [www.financialservices.gov.in](http://www.financialservices.gov.in)

*(Business Standard)*