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EXTRAORDINARY]

Government of India  
Ministry of Finance  
Department of Financial Services

**Notification**

New Delhi: dated the 19th February, 2015

*G.S.R 115(E)... In exercise of the powers conferred by clause (aaa) of sub-section (2) of 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 (41 of 1999), the Central Government hereby makes the following rules in respect of foreign investment in Indian insurance companies, namely:-*

**1. Short title and commencement.-**

(1) These rules may be called Indian Insurance Companies (Foreign Investment) Rules, 2015.

(2) They shall come into force from the date of their publication in the Official Gazette.

**2. Definitions.-**

In these rules, unless the context otherwise requires, -

(a) “**Act**” means the Insurance Act, 1938 (4 of 1938);

(b) “**Authority**” means the Insurance Regulatory and Development Authority of India established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(c) “**Control**” shall have the same meaning assigned to it in the explanation to clause (b) of sub-section (7A) of section 2 of the Insurance Act, 1938(4 of 1938);

(d) “**equity share capital**” shall have the same meaning assigned to it in section 43 of the Companies Act, 2013 (18 of 2013);

(e) “**FIPB**” means the Foreign Investment Promotion Board as described in the Foreign Direct Investment Policy of the Government of India;

(f) **“Foreign Direct Investment” (FDI)** means and includes investment by non-resident entities / persons resident outside India and other eligible entities in the equity shares of an Indian Insurance Company under clause (i) of sub regulation (1) of regulation 5 of the Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000 (hereinafter referred to as FEMA Regulations 2000);

Provided that for the purpose of these rules, Foreign Direct Investment shall include investment by Foreign Venture Capital Investors (FVCI) as permissible under Regulation 6 of FEMA Regulations 2000;

(g) **“Foreign Investors”** for the purpose of these rules means all eligible non-resident entities or persons resident outside India investing in the equity share of an Indian Insurance Company, as permitted to do so through the Foreign Direct Investment and Foreign Portfolio Investment windows under FEMA Regulations 2000 as described in these rules;

(h) **“Foreign Portfolio Investment”** means and includes investments in the equity share of an Indian Insurance company by Foreign Institutional Investors, Foreign Portfolio Investors, Non Resident Indians, Qualified Foreign Investors and other eligible portfolio investor entities or persons in accordance with provisions contained in sub-regulations (2), (2A), (3) and (8) of regulation 5 of FEMA Regulations, 2000.

(i) **“Indian Insurance Company”** shall have the same meaning assigned to it in sub-section (7A) of section 2 of the Insurance Act, 1938 (4 of 1938);

(j) **“Indian Company”** shall have the same meaning assigned to the term “Company” in sub-section (20) of section 2 of the Companies Act 2013 (18 of 2013);

(k) **“Indian Control of an Indian Insurance Company”** means Control of such Indian Insurance Company by resident Indian citizens or Indian companies, which are owned and controlled by resident Indian citizens;

(l) **“Indian Ownership”** of an Indian Insurance Company means more than 50 per cent. of the equity capital in it is beneficially owned by resident Indian citizens or Indian companies, which are owned and controlled by resident Indian citizens;

- (m) **“Non-resident Entity”** shall have the meaning assigned to the term “Person resident outside India” in clause (w) of section 2 of Foreign Exchange Management Act 1999 (42 of 1999);
- (n) **“Public Financial Institution”** shall have the same meaning assigned to it in sub-section (72) of section 2 of the Companies Act, 2013 (18 of 2013);
- (o) **“Resident Indian Citizen”** shall have the same meaning assigned to it in the FDI Policy 2014;
- (p) **“Total Foreign Investment”** in an Indian Insurance Company would be the sum total of direct and indirect foreign investment by Foreign Investors in such company, calculated in accordance with the Insurance Regulatory and Development Authority (Registration of Companies) Regulations 2000 read with Para 4.1.4 of the Consolidated FDI policy of the Government of India.
- (q) All other words and expressions used in these rules but not defined, and defined in the Act and Rules, Regulations made there under shall have the same meanings respectively assigned to them.

### **Quantum of Foreign Direct Investment**

3. 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.
4. An Indian Insurance Company shall ensure that its ownership and control shall remain at all times in the hands of resident Indian entities referred to in clauses (k) and (l) of rule 2.
5. The Foreign Direct Investment proposals upto 26 per cent. of the total paid up equity of the Indian Insurance Company shall be allowed on the automatic route,
6. Foreign Direct Investment proposals which take the total Foreign Investment in the Indian Insurance Company above 26 per cent. and upto the cap of 49 per cent. shall be on the FIPB route, and shall require FIPB approval subject to compliance of the provisions of the Act.
7. 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.

8. 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.
9. The foreign equity investment cap of 49 per cent. 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):

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 their primary (i.e. non-insurance related) business must remain above 50 per cent. of their total revenues in any financial year.

10. Other aspects related to or associated with or flowing from matters related to Foreign Investment in an Indian Insurance Company, which are not the subject matter of these rules, and fall within the regulatory ambit of the Authority, will be regulated as per regulations to be framed by the Authority, consistent with the relevant statutes and other rules framed there under.

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