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

Press Note No. 2 (2021 Series)

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

The Government of India has reviewed the extant FDI policy on Insurance sector and has made the following amendments under the Consolidated FDI Policy of 2020, as amended from time to time (FDI Policy):

1.1 Para 5.2.22 of FDI Policy is amended to be read asunder:

Para 5.2.22 INSURANCE

Sector/Activity	% of Equity/ FDI Cap	Entry Route
5.2.22.1 **Insurance Company**	74%	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

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 seventy-four percent of the paid-up equity capital of such Indian Insurance company.

(b) The foreign investment up to seventy-four 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) (I) In an Indian Insurance Company having foreign investment, —

i. a majority of its directors;

ii. a majority of its Key Management Persons; and

iii. at least one among the Chairperson of its Board, its Managing Director and its Chief Executive Officer

shall be Resident Indian Citizens.

Explanation: For the above purposes, the expression — "Key Management Person" shall have the same meaning as assigned to it in guidelines made by the Insurance Regulatory and Development Authority of India on corporate governance for insurers in India.

(II) An Indian Insurance company having foreign investment shall comply with the provisions under the Indian Insurance Companies (Foreign Investment) Rules, 2015, as amended from time to time and applicable rules/regulations notified by the Department of Financial Services/Insurance Regulatory and Development Authority of India from time to time.

(e) Foreign portfolio investment in an Indian Insurance company shall be governed by the provisions contained in Chapter-IV, Rule 10 and 11 read with Schedule II of Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended from time to time and provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended from time to time.

(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. The composition of the Board of Directors and key management persons of Intermediaries or Insurance Intermediaries shall be as specified by the concerned regulator 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 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 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 8 relating to 'Banking-Private Sector', shall be applicable in respect of bank promoted insurance companies.

(k) Terms 'Equity Share Capital', 'Foreign Direct Investment' (FDI), 'Foreign Investors', 'Foreign Portfolio Investment', 'Indian Insurance Company', 'Indian Company', '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.

1.2 **Para i(b) of Annexure 8 of FDI Policy** is amended to be read as under:

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 limit of foreign shareholding applicable for the insurance sector is not being breached.

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

(Manmeet K. Nanda)
Joint Secretary to the Government of India
14 June 2021

DPIIT F. No. 5(3)/2021-FDI Policy dated 14.06.2021.

1. **Press Information Officer, Press Information Bureau** - for giving wide publicity to the above Press Note.

2. **Joint Secretary(I&C), Department of Economic Affairs, North Block, New Delhi**

3. **Reserve Bank of India, Foreign Exchange Department, Mumbai**

For suitably incorporating the policy changes in Foreign Exchange Management (Non-Debt Instruments) Rules,2019, the relevant schedules thereof and FIRMS portal.

4. **NIC Section in the Department for Promotion of Industry and Internal Trade** - for uploading the Press Note on DPIIT's website.

5. **Hindi Section, DPIIT**- for providing Hindi version.