

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

NOTIFICATION

Hyderabad, the 17th December, 2015

Insurance Regulatory and Development Authority of India (Issuance of Capital by Indian Insurance Companies Transacting other than Life Insurance Business) Regulations, 2015

Last Updated 12th July, 2021



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In exercise of the powers conferred by section 114A read with section 6A of the Insurance Act, 1938 (4 of 1938) and sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Insurance Regulatory and Development Authority of India, in consultation with the Insurance Advisory Committee, hereby makes the following Regulations in supersession of the Insurance Regulatory and Development Authority (Issuance of Capital by General Insurance Companies) Regulations, 2013, namely:-

- 1. Short title and commencement.** - (1) These regulations may be called the Insurance Regulatory and Development Authority of India (Issuance of Capital by Indian Insurance Companies Transacting other than Life Insurance Business) Regulations, 2015.
 - (2) These regulations shall come into force on the [date] of their publication in the Official Gazette.
 - (3) These regulations shall be applicable to Indian Insurance Companies which have been granted certificate of registration to transact the business of General Insurance or Health Insurance or Reinsurance.
- 2. Definitions.** - (1) In these regulations, unless the context otherwise requires,-
 - (i) "Act" means the Insurance Act, 1938 (4 of 1938);
 - (ii) "Applicant Company" means an Indian Insurance Company which has been granted certificate of registration in terms of section 3 of the Act to transact the business of general insurance or health insurance or reinsurance;
 - (iii) "Application" means the application in Form "A" of these Regulations filed by the applicant company for obtaining prior approval of the Authority for issuance of capital under these Regulations;
 - (iv) "Authority" means Insurance Regulatory and Development Authority of India established under section 3 of Insurance Regulatory and Development Authority Act, 1999;

- (v) "Corporate Governance Guidelines" means the guidelines issued by the Authority in this regard;
 - (vi) "ICDR Regulations" means the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended and modified from time to time;
 - (vii) "Indian Insurance Company" means an "Indian Insurance Company" as defined in section 2(7A) of the Insurance Act, 1938;
 - (viii) "Investor" means an "investor" as defined in regulation 2(f) of the Insurance Regulatory and Development Authority of India (Transfer of Equity Shares of Insurance Companies) Regulations, 2015;
 - (ix) "Offer Document" means an "offer document" as defined under the ICDR Regulations;
 - (x) "Promoter" of an applicant company means a "promoter" as defined in section 2(69) of the Companies Act, 2013 and includes "Indian Promoter" as defined in IRDA (Registration of Indian Insurance Companies) Regulations, 2000;

Provided that for the purpose of filing of the offer document with SEBI, the definition of "promoter" under SEBI (ICDR) Regulations, 2009 shall apply;
 - (xi) "SEBI" means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- (2) All words and expressions used herein and not defined in these Regulations but defined in the Insurance Act, 1938 (4 of 1938) or in the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or in the Securities and Exchange Board of India Act, 1992 (15 of 1992), or in any Rules or Regulations) made thereunder, shall have the same meaning as respectively assigned to them in those Acts, Rules or Regulations.
- 3. Prior Written Approval by the Authority.** - No Indian insurance company transacting the General insurance or Health insurance or Reinsurance business shall approach the SEBI for public issue of shares and for any subsequent issue, by whatsoever name called, under the ICDR Regulations without the specific previous approval of the Authority in writing under these Regulations.
- 4. Manner and Procedure.** - (1) These Regulations shall be applicable to the Applicant Company to raise funds under the ICDR Regulations through any of the following options:
- (i) Divestment of equity by one or more of the promoters or the investor(s) through a public offer for sale under the ICDR Regulations; or
 - (ii) Issue of Capital under ICDR Regulations; or
 - (iii) Both (i) and (ii)
- Provided that any issue of capital other than as specified at (i), (ii) and

- (iii) above, including any transfer of shares beyond the specified limits as laid down under section 6A(4)(b)(ii)/(iii) of the Act, shall require the specific prior approval of the Authority. Such transfer of shares and approvals thereof shall be governed by the IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015.
- (2) An applicant company proposing to raise share capital through a public issue in terms of these Regulations may do so at any time from the date of grant of Certificate of Registration.

Provided that promoters and/or investors shall abide by the lock in period, if any, specified by the Authority at the time of grant of Certificate of Registration.

Provided further that General Insurance Corporation of India and the insurance companies specified under section 10A of the General Insurance Business (Nationalization) Act, 1972 can apply for approval of the Authority only on satisfactory compliance with the provisions of section 10B of General Insurance Business (Nationalization) Act, 1972.

- (3) The application for approval of the Authority shall be filed in Form 'A' of these Regulations.
- (4) The Applicant Company may issue shares as fully paid up or partly paid up shares. Where partly paid up shares have been issued, the Applicant Company shall not allow any period exceeding one year for payment of calls on shares.
- 5. Consideration of application. - (1)** The Authority shall consider the applicant company's overall financial position, its regulatory record, the application for issue/offer for sale, the capital structure post issue/offer for sale, and the purposes for which the share capital proposed to be raised, will be applied.
- (2) Without prejudice to the generality of (1) above, the Authority shall consider the following aspects for grant of approval:
- (i) The period for which the applicant company has been in general insurance or health insurance or reinsurance business;
 - (ii) The history of compliance with the regulatory requirements by the applicant company;
 - (iii) The maintenance of the prescribed regulatory solvency margin as at the end of the preceding six quarters commencing from the quarter immediately prior to the date of filing the application;
 - (iv) Compliance with the disclosure requirements mandated under IRDA Circular No. IRDA/F&I/CIR/F&A/012/01/20 10 dated 28th January, 2010 as amended and modified from time to time;
 - (v) Compliance with the Corporate Governance Guidelines;

- (vi) [Compliance with the Indian Insurance Companies (Foreign Investment) Rules, 2015 and any guidelines issued by the Authority in this regard;]
 - (vii) The record of policy-holder protection of the applicant company.
- 6. Approval of the Authority. - (1)** While according its approval, the Authority may prescribe the following:
- (i) The extent to which the promoters and the investors shall dilute their respective shareholding;
 - (ii) The maximum subscription which may be allotted to any class of foreign investors;
 - (iii) Minimum lock-in period for the promoters and the investors from the date of allotment of shares. The lock in period shall be without prejudice to the requirements which may be in place under the ICDR Regulations;
 - (iv) Disclosures in the Prospectus/Offer document as indicated at Schedule 1 of these Regulations, in addition to such disclosures as may be prescribed by SEBI;
 - (v) Modification in the Articles of Association of the Applicant company so as to explicitly provide that no transfer beyond the limit specified in section 6A of the Act shall be registered without the prior approval of the Authority; and
 - (vi) such other conditions as may be deemed fit by the Authority.
- (2) Any approval by the Authority under these Regulations shall not in any manner be deemed to be or serve as a validation of the representations by the applicant company in any offer document. This fact shall be disclosed in bold letters in the offer document.
- 7. The Authority shall not accord its approval if it is of the opinion that:**
- (a) The applicant company is not compliant with the regulatory framework; or issue of fresh capital, the applicant company shall not be compliant to
 - (b) [Consequent upon the dilution of shareholding by the promoter(s) and / or Investor (s) or the Regulation 5A and / or 5B of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000]
 - (c) The grant of approval may be detrimental to the interests of policyholders; or
 - (d) The grant of approval may not be in the interest of the insurance business in the country.
- 8. Timelines for approval by the Authority. -** The Authority shall process and grant approval on the application as expeditiously as possible, and the applicant company shall ensure prompt response to the queries and requests for information from the Authority for processing the application.

9. **Validity of Approval.** - The approval granted by the Authority shall be valid for a period of one year from the date of issue of the approval letter, within which the applicant company shall file the Draft Red Herring Prospectus (DRHP) with SEBI under the ICDR Regulations subject to compliance of these Regulations.

Provided that the Authority may, on receipt of a written request from applicant company, extend the validity by a further period of six months.

10. **Power to issue Direction.** - The Authority may direct an Indian Insurance Company transacting general insurance or health insurance or reinsurance business to get listed on the stock exchange(s) if the circumstances so warrant such company shall, notwithstanding the lock-in period, within a period of one year from the date of such directions, comply with the directions issued by the Authority.
11. **Power to remove difficulties and issue clarifications.** - In order to remove any doubts or the difficulties that may arise in the application or interpretation of of the provisions of these regulations, the Chairperson of the Authority may issue appropriate clarifications or guidelines as deemed necessary.

Form A

Application For Approval In Terms of IRDAI(Issuance of Capital By Indian Insurance Companies Transacting Other Than Life Insurance Business) Regulations, 2015

[Please refer regulation 4(3)]

The Chairman
Insurance Regulatory and Development Authority of India
Parishram Bhavan
3rd Floor, Basheer Bagh
Hyderabad-500 004

Sir,

In terms of the IRDAI (Issuance of Capital by Indian Insurance Companies Transacting other than Life Insurance Business) Regulations, 2015, M/s (Registration No. dated) which has completed years of operations, hereby applies to the Authority seeking permission to raise funds through a public issue under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations).

2. The details of the various performance parameters referred to under Regulation 5 are placed at Annexe along with the requisite enclosures as listed below:
- (i)
- (ii)

(iii)

3. On receipt of the approval from the Authority, the (insurance company) shall file an offer document with the Securities and Exchange Board of India (SEBI) under the ICDR Regulations within a period of one year and shall ensure compliance with the requirements under the said Regulations and such other conditions as the Authority may impose while granting approval.

Place

Date

Yours faithfully

.....

(Signature of the Chief Executive Officer)

.....

Designation

.....

(Signature of the Chairman of the Board)

.....

Designation

Annexure to the Application

[Please refer Form A under regulation 4(3)]

1. Name of the applicant Company:
2. Registration No. and Date of Registration:
3. Number of years from the date of commencement of operations:
4. Solvency Position for the last six quarters:

Sl. No.	Quarter Ended (Latest quarter first)	Solvency Position
1.		
2.		
3.		
4.		
5.		
6.		

5. Status of Compliance with the Expenses of Management requirements under the Insurance Act, 1938 and the Regulations made thereunder for the last five years:

Sl. No.	Financial Year (latest year first)	Allowable Expenditure (Rs. in Crore)	Actual Expenditure (Rs. in Crore)	Compliance Status
1.				
2.				
3.				
4.				
5.				

6. Details of net profit, paid up capital and net-worth of the insurer for the last five years:

Sl. No.	Financial Year (latest year first)	Net Profit / Loss (Rs. in Crore)	Paid up Capital (Rs. in Crore)	Net worth (Rs. in Crore)
1.				
2.				
3.				
4.				
5.				

7. Confirmation of Compliance with the Disclosure Requirements:

M/s..... hereby confirms that it is compliant with the disclosure requirements as mandated in the IRDA Circular No. IRDA/F&I/CIR/ F&A/012/01/2010 dated 28th January, 2010 as amended and modified from time to time.

(Details of deviations, if any should be brought out).

8. Confirmation of Compliance with the Corporate Governance Guidelines:

M/s..... hereby confirms that it is compliant with the Corporate Governance Guidelines issued by IRDAL

(Details of deviations, if any should be brought out).

9. Details of the regulatory action initiated by IRDAI against the insurer during the last five years are as under: (Latest First):

10. Details of company's record of Policy-holder Protection and the pendency of the policy-holder complaints for the last five years:

Grievance Disposal							
Sl. No.	Particulars	Opening Balance *	Additions	Complaints Resolved			Complaints Pending
				Fully Accepted	Partial Accepted	Rejected	
1.	Complaints made by customers**						
(a)	Sales Related						

(b)	New Business Related						
(c)	Policy Servicing Related						
(d)	Claims Servicing Related						
(e)	Others						
	Total Number						
2	Duration wise Pending Status	Complaints made by customers		Complaints made by Intermediaries		Total	
(a)	Less than 15 days						
(b)	Greater than 15 days						
	Total Number						

* Opening balance should tally with the closing balance of the previous financial year.

** Similar break-up to be given for the complaints made by intermediaries.

11. The details of claims outstanding for the last five years:

Claims Outstanding *

Sl. No.	Particular	Fire	Marine cargo	Marine Hull	Engineering	Health	Personal Accident	Liability Insurance	Other miscellaneous	Total
1.	Claims O/S at start of the year									
2.	Claims intimated/ Booked during the year									
3.	Claims Settled during the year									
4.	Claims Repudiated during the year									
5.	Claims O/S at the end of the year									
Age-wise details of outstanding claims										
	0-3 months									
	3-6 months									
	6- 12 months									
	1 year to 3 years									
	3 years to 5 years									
	5 years and above									

* Details to be furnished for both number of claims and amount of outstanding claims.

** Motor may further be segregated into Motor OD and Motor TP.

12. The details of the pre and post issue shareholding pattern are as under

Sl. No.	Name	Existing Share-holding Pattern	Proposed Offer for Sale/issue	Proposed shareholding pattern
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		Status (Indian/ foreign)	No. of shares held	Per cent held	No. of shares	Per cent	Status (India/ foreign)	No. of shares	Per cent
1									
2									
3									
...									
...									

13. Confirmation of compliance with Indian Owned and Controlled:

M/shereby confirms that it is compliant with the requirements of Indian owned and controlled as defined under section 2(7A)(b) of the Act read with Indian Insurance Companies (Foreign Investment) Rules, 2015 and Guidelines issued by the Authority and shall continue to be compliant after the issue of capital in accordance with this application.

14. The requisite extracts of the Board meeting held on duly certified by the Company Secretary approving the issuance of capital/offer for sale as proposed by the applicant company are enclosed.

It is hereby confirmed that the information furnished in Form A and Annexure along with the attachments therewith is correct and complete to the best of my knowledge and belief and nothing has been concealed or suppressed.

.....

(Signature of the Chief Executive Officer)

.....

Designation

.....

(Signature of the Chairman of the Board)

.....

Designation

Place.....

Date.....

Schedule 1

[Please refer regulation 6(1)(iv)]

Disclosure Requirements for Insurance Companies

The Securities and Exchange Board of India (SEBI) has laid down the framework for issue of capital and disclosure requirements in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR). Part 'A' of Schedule VIII of the ICDR lays down the disclosure requirements in the Draft Red Herring Prospectus, Shelf Prospectus and Prospectus.

An applicant company seeking to issue capital/make an Offer for Sale under these Regulations shall make the following disclosures in the offer document. These disclosures shall be in addition to the prescriptions laid down by SEBI in the ICDR Regulations and shall not be seen in derogation from the requirements prescribed by SEBI:

- (a) Risk factors specific to the applicant company;
- (b) Overview of the insurance industry;
- (c) Disclosure of Financial Statements;
- (d) Glossary of terms used in the insurance sector;
- (e) Particulars of the Issue;
- (f) Particulars about the Issuer;
- (g) Legal and Other Information.

The details of disclosures are as indicated below:

(a) Risk factors specific to the applicant company

The Offer Document shall list out the risk factors specific to the insurance sector, to be broadly segregated into the following categories:

1. **Insurance Risk:** - Risk arising because of inaccurate estimation of the best estimate or because of random fluctuations in the frequency and size of the claims and other cash flows.
2. **Market Risk:** - Risk arising out of variations in the level or volatility of the market price of assets, liabilities and financial instruments due to external market and economic factors.
3. **Credit Risk:** - Risk of default of a counterparty or obligor, including the risk of default of risk mitigating contracts like reinsurance and financial derivatives.
4. **Liquidity Risk:** - The risk that the business will encounter difficulty in realizing assets or otherwise raising funds to meet commitments.
5. **Operational Risk:** - The risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events.
6. **Catastrophic Losses Risk:** - Material impact on profitability or cash flow due to catastrophic losses.

7. Reinsurance Risk

- Failure to obtain reinsurance on timely basis.
- Default by one or more reinsurers.

8. Legal Risk: - Material adverse impact on ultimate claim liability of unfavourable outcome of one or more legal action: The Insurance Regulatory and Development Authority of India Legal actions are inherent in general insurance, health insurance and reinsurance businesses. Insurers are subject to litigation and other legal proceedings as part of the claims process, the outcomes of which are uncertain. In the event of an unfavourable outcome in one or more legal matters, the ultimate liability of the company may be significantly high especially in case of Motor Third Party insurance Claims.

9. Regulatory Risks:

- Material effects due to Regulatory changes
- Regulatory investigations and the resulting sanctions or penalties may adversely affect the reputation, business, result of operations and financial condition of the insurance company

10. Distribution Risks:

- Over dependence on certain distribution channels.
- Failure to develop various distribution channels.
- Difficulty in developing agency force.

11. Other risks

- Excessive dependence on select actuarial personnel.
- Difficulty in understanding financial statements
- Effects of unexpected claims and coverage issues
- Concentration by region/type of policies issued by the insurance company
- Cyclical nature of insurance industry.
- Difficulty in predicting benefits, claims and other costs or to manage such costs.

At the minimum, the associated risks shall cover the illustrative list as prescribed by the Authority from time to time.

(b) Overview of the insurance industry

The overview of the insurance industry shall briefly cover the background of the insurance industry, the global and domestic insurance environment, industry outlook, analysis of trends, Investment of funds by the sector, FDI in Insurance Sector,

Intermediaries, changes in Insurance Legislation, and compliance status with the applicable Corporate Governance Guidelines furnishing particulars on the following aspects:

1. Introduction
2. Background about Insurance Industry
 - 2.1. Overview of the Insurance Industry
 - 2.2. Insurance Regulatory and Development Authority of India
3. Global Insurance Environment-A brief on global and domestic scenario covering insurance penetration, density, growth of industry, etc.
 - 3.1. Global Insurance Environment
 - 3.2. Domestic Market Overview
4. Industry Outlook-General Insurance or standalone Health insurance or Reinsurance-Total premium underwritten
 - 4.1. Market Share (% share)
 - 4.2. Growth of Business
5. Analysis of Trends-General Insurance or standalone Health insurance or Reinsurance
 - 5.1. General Insurance
 - 5.1.1. Enlarged Coverage
 - 5.1.2. Introduction of New Products
 - 5.1.3. Tariffed and non-tariffed products
 - 5.1.4. Reinsurance supported Products
 - 5.2. Health Insurance
 - 5.2.1. Enlarged Coverage
 - 5.2.2. Introduction of New Products
 - 5.3. Reinsurance Business
6. Investment of Funds by the Insurance Industry
 - 6.1. Investment Pattern
7. FDI in Insurance Sector
8. Intermediaries
 - 8.1. Commission Structure

- 8.2. General Insurance or Standalone Health Insurance or Reinsurance
9. Changes in Insurance Legislation
 - 9.1. Change in Insurance Legislation
 - 9.2. Regulatory Issues and Changes
 - 9.3. Consumer Related Changes
 - 9.4. Removal of Redundant Clauses
 - 9.5. Enhancement of Enforcement Powers of the IRDAI and Levy of Penalties
10. Corporate Governance Guidelines for Insurance Companies
11. Conclusion

(c) Disclosure of Financial Statements

Disclosures specific to the insurance industry would broadly cover the following aspects:

- 1. Presentation of the financial statements:** - The presentation of financial statements shall be made for the period as specified in the ICDR Regulations as per the formats prescribed by the Authority from time to time.
 - 2. Significant accounting policies:** - Disclosure of the significant accounting policies while recasting the financial statement shall also be made.
 - 3. Additional disclosures** - shall be made to the financial statements:
 - i. Gross premium-along with Geographic segmentation
 - ii. Cross selling
 - iii. Distribution network
 - iv. Operating expense ratio
 - v. Investment yield
 - vi. Investment in Equity and Bonds - yield, exposure to each industry and total investment and also Investment of above 5% of total Funds in each sector through equity and bonds
 - vii. Reinsurance and Reinsurance Strategy: Number of re-insurers with break-up domestic and foreign
 - Rating of reinsurers
 - Type of arrangement with Reinsurers
- A. Treaty Reinsurers**
1. Proportional treaties

- a. Obligatory and
- b. Others
2. Non-proportional Treaties
 - a. Excess of Loss
 - b. Stop Loss
 - c. Any other
- B. Facultative Reinsurance**
- C. Obligatory and**
- D. Others**
 - Reinsurance balances outstanding-age-wise
 - Maximum Probable Loss Ratio
- viii. Incurred but not reported (IBNR)/Incurred but not enough reported (IBNER)
- ix. Claims outstanding for the last five years
- x. Awards given by Ombudsmen against the Insurance Company for last three years
- xi. Interest rate sensitivity
- xii. Manner of arriving at unrealized gains/losses
- xiii. Solvency ratio
- xiv. Agent Productivity
- xv. Certification by the Auditor confirming that the amount of liabilities have been determined in the manner prescribed in the IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 and the amount of liabilities are fair and reasonable. The Auditor shall also certify that the amount of liabilities includes the IBNR (and the IBNER) reserves have been determined by the appointed actuary
- xvi. Details of Experience analysis; adequacy of premiums; adequacy of reserves, Assets Liability Management; and Current Financial Condition as required to be disclosed under the Financial Condition Report for General insurance, health insurance and reinsurance companies as stipulated by the Authority
- xvii. A comparison of year-wise provisions made and the actual payouts made for last five years

- xviii. Accounting and other ratios: The ratios with specific reference to the insurance industry as prescribed by the Authority from time to time shall be disclosed.
4. Details of the Company's record of Policy-holder Protection and the pendency of the policy-holder complaints for the last five years, including but not limited to grievance redressal and ageing of claims.
5. **Legal and Other Information:** Compliance with the regulatory requirements laid down by the Authority under the Insurance Act, 1938, IRDA Act, 1999 and the Regulations framed thereunder.
- (d) Glossary of terms used in the insurance sector: - At the minimum, the illustrative glossary of terms as prescribed by the Authority from time to time shall be included in the Offer Document giving details of the Issuer and industry related terms.
- (e) Particulars of the Issue: The following disclosures shall be made about the objects of the Issue:
- to augment the solvency requirement;
 - general corporate purposes; and/or
 - any other purpose which has the specific approval of the Authority.
- (f) **Particulars about the Issuer:**
- The following additional disclosures shall be made about the insurance company:
- 1. Corporate Governance:**
 - Disclosure to the effect that the insurer has complied with the requirements of Corporate Governance as laid down by the Authority in addition to those contained in the Listing Agreement.
 - Details of all Committees set up by the issuer, including the names of committee members and a summary of the terms of reference under which the respective committee operates.
 - 2. Key Managerial Persons**
 - 3. Investors**
 - 4. Promoters**

(g) **Legal and Other Information:**

Disclaimer clause: The declaration indicating that Insurance Regulatory and Development Authority of India ("IRDAI") does not undertake any responsibility for the financial soundness of the insurance company or for the correctness of any of the statements made or opinion expressed in this connection.

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