Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion

Press Note No. 1(2016 Series)

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

The Government of India has liberalized its Foreign Direct Investment policy on Insurance Sector. Accordingly, Paragraph 6.2.18.7 of 'Consolidated FDI Policy Circular 2015', effective from 12.5.2015, is amended to read as below:

S. No.	Sector/ Activity	% of Equity/ FDI Cap	Entry route
6.2.18.7	**Insurance**		
6.2.18.7.1	(i) Insurance Company (ii) Insurance Brokers (iii)Third Party Administrators (iv)Surveyors and Loss Assessors (v) Other Insurance Intermediaries appointed under the provisions of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)	49%	Automatic
6.2.18.7.2	**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 proposals up to forty-nine per cent of the total paid up equity of the Indian Insurance Company shall be allowed on the automatic route subject to verification by the Insurance Regulatory and Development Authority of India. (c) Foreign investment in the sector is subject to compliance of the provisions of the Insurance Act, 1938 and the condition that Companies bringing in FDI shall obtain necessary license from the Insurance Regulatory & Development Authority of India for undertaking insurance activities. (d) An Indian insurance company shall ensure that its ownership and control remains at all times in the hands of resident Indian entities referred to in Notification No. G.S.R 115 (E), dated 19th February, 2015. (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.		

	(f) 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. (g) The foreign equity investment cap of 49 percent 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): (h) 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 provisions of paragraphs 6.2.18.2.2(4) (i) (c) & (e), relating to 'Banking-Private Sector', shall be applicable in respect of bank promoted insurance companies. (j) 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.

2.0 The above decision will take immediate effect.

23/3/16

(Atul Chaturvedi)

Joint Secretary to the Government of India

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Copy forwarded to:

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 (Transfer or issue of security by a person resident outside India) Regulations, 2000 and the relevant schedules thereof.
4. **NIC Section in the Department of Industrial Policy and Promotion-** for uploading the Press Note on DIPP's website.
5. **Hindi Section, DIPP-** for providing Hindi version.