



CIRCULAR

Ref No: IRDA/F&A/CIR/TRSH/195/07/2020

Date: 22nd July, 2020

To,
The CMDs/CEOs of Insurance and Reinsurance Companies

Sub: Transfer of Shares of the Insurance Companies

The provisions relating to transfer of shares of insurance companies are governed by section 6A of the Insurance Act, 1938 read with IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015 and IRDAI (Listed Indian Insurance Companies) Guidelines, 2016.

With a view to bringing more clarity on certain issues relating to transfer of shares of insurance companies by promoters/shareholders, the Authority in exercise of the powers under sub-section (1) of Section 14 of IRDA Act, 1999 read with Regulation 10 of IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015, hereby issues the following circular: -

A. Transfer of Shares – Listed Insurance Companies

1. Transfer of Shares of more than 1% and up to 5% of the paid up share capital:

- (i) For acquisition of more than 1% and up to 5% of the paid up share capital along with the existing holding - fit and proper declaration as specified in the IRDAI (Listed Indian Insurance Companies) Guidelines, 2016 shall be provided to the insurance company;
- (ii) Transfer of more than 1% but less than 5% of the paid up share capital - the transferor shall inform the Insurer immediately on execution of the transaction. The transferor is required to ensure compliance for any transaction(s) aggregating to more than 1 per cent of the paid-up capital.

2. Transfer of Shares above 5% of the paid up share capital:

It is reiterated that in line with the provisions of the Insurance Act, 1938 -

(i) Where the transfer of shares by the transferor, cumulative with his relatives, associate enterprises and persons acting in concert will/is likely to exceed 5% of the paid up share capital, such transferor shall seek the prior approval of the IRDAI as per section 6A(4)(b)(iii) of the Insurance Act, 1938 read with provisions of IRDAI (Listed Indian Insurance Companies) Guidelines, 2016. The application for this purpose shall be filed through the concerned insurance company.

(ii) Similarly, any proposal for acquisition whereby the transferee's holding is likely to exceed 5% of the paid up share capital of the insurance company, has to be submitted for prior approval to the IRDAI through the concerned insurance company.


B. Determination of extent of transfer – Listed and Unlisted Insurance companies

(i) For the purpose of reckoning the quantum of transfer/acquisition of shares, scenarios where transfer is executed in favour of one or more parties, whether in a single or multiple transactions aggregating to excess of 1 per cent or 5 per cent, the cumulative transfers made during a given financial year shall be considered. Accordingly, whenever the specified limits are likely to exceed in a financial year, the entity shall be under obligation to seek the prior approval of the Authority.

(ii) Listed companies: The provisions at (i) above shall be applicable only with respect to the promoters/ promoter group. Further, transfer includes Offer for Sale as per SEBI (ICDR) Regulations by the existing shareholders, whether such shareholder is part of the promoter/promoter group or not.

C. Pledge of Shares

It is clarified that the provisions relating to transfer of shares as contained in (i) Section 6A(4)(b) of the Insurance Act, 1938, and (ii) IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015 shall apply mutatis-mutandis to the creation of pledge or any other kind of encumbrance over shares of an insurance company, by its promoters.



E. Suspension of the voting rights

Insurance companies shall immediately inform the Authority if any non-compliance is observed with regard to the provisions of the Insurance Act, the regulations and guidelines framed thereunder and the circulars issued regarding the transfer of shares by the Authority. Further, where transactions are executed beyond the stipulated threshold limits by the shareholders, without the prior approval of the Authority:

- (i) the transferee shall not have any voting rights in any of the meetings of the insurance company;
- (ii) the transferee shall promptly dispose of the excess shares acquired, beyond the specified threshold limits.

F. Action for Violation/ Non-Compliance

Any transfer of shares beyond the stipulated threshold limits without the prior approval of the Authority shall attract appropriate regulatory action. This Circular shall be scrupulously complied with and in case of violation/non-compliance with the provisions of the Circular, the Authority may take necessary action as per the extant legal and regulatory framework.


Member (F&I)
(Pravin Kutumbe)

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