

## Annexure A

### INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

#### Exposure Draft

Hyderabad, the 20<sup>th</sup> October, 2022

#### **Insurance Regulatory and Development Authority of India (Re-insurance) (Amendment) Regulations, 2022**

**F. No. IRDAI/ Reg/ / /2022** In exercise of the powers conferred by section 114A of the Insurance Act, 1938, read with sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999; the Authority, hereby makes amendments to the following regulations: -

- a. Insurance Regulatory and Development Authority of India (Re-insurance) Regulations, 2018
- b. Insurance Regulatory and Development Authority of India (Registration and Operations of Branch Offices of Foreign Re-insurers other than Lloyd's) Regulations, 2015
- c. Insurance Regulatory and Development Authority of India (Lloyd's India) Regulations, 2016

**Objective:** The objective of these regulations is to harmonize the provisions of various regulations applicable to insurance companies and Reinsurers including Foreign Reinsurance Branches (FRBs) and Lloyd's to enhance Ease of Doing Business by amending the corresponding regulations which are mentioned herein.

1. Short Title and commencement:
  - i. These regulations shall be called the Insurance Regulatory and Development Authority of India (Re-insurance) (Amendment) Regulations, 2022 and are in amendment to the Insurance Regulatory and Development Authority of India (Re-insurance) Regulations, 2018.
  - ii. These Regulations shall come into force on the date of their publication in the Official Gazette.
2. Sub-regulation 3(2)(c) is replaced with the following:

“Every Indian Re-insurer shall maintain a minimum retention of 50% of its Indian business. The retrocession to IIO upto 20% of Indian Reinsurance business is reckoned while computing with the minimum retention of 50% of the Indian Reinsurance business”
3. Sub-Regulation 3(3)(A)(b) is replaced with the following:

“submit to the Authority, its Re-insurance programme along with its retention policy for the forthcoming financial year in simple format as specified by Authority, 45 days before the commencement of the Financial year.”
4. In sub-regulation 3(5), words “each and every reinsurance contract” shall be removed.
5. Sub-regulation 5(1) A, 5(1) B, 5(1) C shall be substituted with the following, namely: -
  - “1. Obtaining best terms for Cessions:

Every cedant shall be free to obtain best terms for its Reinsurance protection of risk, subject to the following:

- A. Obtaining terms for its reinsurance protection from at least 3 “Category 1” Reinsurers as per Reg. 5(2)(A)(a).
- B. No cedant shall seek terms from CBRs / IIOs having credit rating below A- from Standard & Poor’s or equivalent rating from any other International Rating Agency.
- C. Except for facultative reinsurance protection, no cedant shall offer for participation to any Indian Insurer, which is not registered with the Authority exclusively to transact reinsurance business. “

6. After sub-regulation 5(1) the following Note is placed:

“Note: The cedant will have the right to determine the best terms and place the risk with reinsurers as per the best term so obtained”

7. Sub-regulation 5 (2) (A) shall be substituted with the following, namely: -

“A. Every cedant shall offer best terms obtained, for participation in the following order of preference:

- a) Category 1: Indian Reinsurers, FRBs, Lloyd’s India, IIOs
- b) Category 2: CBRs who:
  - i. Agree to retain minimum 50% premium by way of premium deposit with the cedant. It will be the responsibility of the Insurers to maintain this premium in a separate designated/escrow account as well as to invest such amount into Government of India Securities; or
  - ii. Agree to provide collaterals/ letter of credit/ bank guarantee for 50% premium to the cedant; or
  - iii. Agree to maintain a dollar denominated account in IFSC Banking Unit (IBU) in IFSC/ and maintain 50% of premiums in the account.
- c) Category 3: to other Indian Insurers (Facultative) and Other CBRs”

Explanation: Except for facultative reinsurance protection, no cedant shall offer for participation to any Indian Insurer, which is not registered with the Authority exclusively to transact reinsurance business. Further, such Indian reinsurer shall not be offered to lead on any reinsurance protection.”

Sub regulation 6 (1) shall be substituted with the following, namely: -

8. Cession limits:

1. Re-insurance placements with CBRs by the cedants transacting other than life insurance business shall be subject to the following overall cession limits during a financial year.

Rating of the CBR as per Standard & Poor or equivalent	Maximum overall cession limits* allowed per CBR
Greater than A+	25%
Greater than BBB+ and up to and including A+	17.5%
BBB & BBB+	10%

Explanation: The above percentages are to be calculated on the total reinsurance premium ceded outside India.

9. In regulation 11(3), words “The First Schedule” shall be substituted with words “The First and the third Schedule”
10. In regulation 11(4), words “The Second Schedule” shall be substituted with words “The Second and the fourth Schedule”.
11. Sub-regulation 12(4) shall be inserted, namely:  
“The Chairperson of the Authority may issue guidelines on issuance of File Reference Number (FRN) to CBR, conditions of renewal of FRN, ART and Regulatory framework of domestic Insurance Pools”.
12. The following Third Schedule shall be inserted namely: -

### THIRD SCHEDULE

[See Regulation 11 (3)]

AMENDMENT TO THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (REGISTRATION AND OPERATIONS OF BRANCH OFFICES OF FOREIGN REINSURERS OTHER THAN LLOYD’S) REGULATIONS, 2015.

a. The following Explanation shall be inserted after Regulation 4 of the Insurance Regulatory and Development Authority of India (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd’s) Regulations, 2015.

“Explanation: The retrocession to IIO upto 20% of Indian Reinsurance business is reckoned while computing the minimum retention of 50% of the Indian Reinsurance business.”

b. Sub-regulation 5 (g) of the Insurance Regulatory and Development Authority of India (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd’s) Regulations, 2015 shall be substituted by the following:

“The applicant shall infuse a minimum assigned capital of rupees 50 crore into the branch office”

c. Sub-regulation 11(2)(a) of the Insurance Regulatory and Development Authority of India (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd’s) Regulations, 2015 shall be substituted by the following:

“Documentary proof of evidence of having rupees 50 crore or more assigned capital”

13. The following Fourth Schedule shall be inserted namely

FOURTH SCHEDULE

[See Regulation 11 (4)]

AMENDMENT TO THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (LLOYD'S INDIA) REGULATIONS, 2016.

- a. The following Explanation shall be inserted after Regulation 8 of the Insurance Regulatory and Development Authority of India (Lloyd's India) Regulations, 2016.

"Explanation: the retrocession to IIO upto 20% of Indian Reinsurance business is reckoned while computing the minimum retention of 50% of the Indian Reinsurance business."

- b. Sub- Regulation 9 (g) of the Insurance Regulatory and Development Authority of India (Lloyd's India) Regulations, 2016 shall be substituted by the following:

"The applicant shall infuse a minimum assigned capital of rupees 50 crore into Lloyd's India"

- c. Sub-Regulation 15(2)(a) of the Insurance Regulatory and Development Authority of India (Lloyd's India) Regulations, 2016 shall be substituted by the following:

"Documentary proof of evidence of having rupees 50 crore or more assigned capital"

Debasish Panda (Chairman)

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**Annexure B**

**Format for Suggestion on Draft Insurance Regulatory and Development Authority of India (Re-insurance) (First Amendment) Regulations, 2022**

Name and contact number:				
Designation and Organisation:				
Sr.	Wordings of the Regulation as per Exposure Draft	Page No. and Para No.	Comments	Rationale for Comments