

**Item No. 14**

**Outsourcing of Investment Functions under  
IRDAI (Registration and Operations of Branch Office of Foreign Reinsurers other  
than Lloyd's) Regulations, 2015**

- A. Provisions under 28(5) of the above said Regulations on Outsourcing of Investment functions, read as under:

***“Outsourcing: The branch office of foreign reinsure shall retain the core activities such as underwriting, claims settlement and regulatory compliance; and may outsource functions such as back-office servicing, investment, IT, accounts, marketing, human resources, administration and publicity. No other function can be outsourced without the prior approval of the Authority”.***

- B. Under Chapter III of IRDAI (Registration of Indian Insurance Companies) (Seventh Amendment) Regulations, 2016 under:

**12. Consideration of Application**

1. The Authority shall take into account for considering the grant of certificate, all matters relating to carrying on of the business of insurance by the applicant.
2. In particular and without prejudice to the generality of the foregoing and without in any manner affecting its powers, the Authority shall consider the following matters for grant of certificate to the applicant, namely:-
  - a. the nature of insurance products;
  - b. the level of actuarial, accounting and other professional expertise within the management of the applicant company;
  - c. the organisation structure of the applicant to carry on all functions in respect of the insurance business ***including management of the investments within its own organisation***;
  - d. all other relevant matters for carrying out the provisions of the Act.

**Provision under Regulation 13 (C) (2) of IRDAI (Investment) Regulations read as under:**

As required under Chapter II, Regulation 7 (3) (b) of IRDAI (Registration of Indian Insurance Companies) Regulations, to ensure proper internal control of investment functions and operations the insurer shall clearly segregate the functions and operations of front, mid and back office (as provided in the Guidance note on Internal / Concurrent Audit of Investment functions of Insurance Companies issued by the Institute of Chartered Accountants of India) and **no function falling under Front, Mid and Back Office Investment function(s), shall be outsourced**. Also, the **primary data server of the computer application used for investment management shall remain within the country**

- C. Investment as an operational function of the Insurer, operating either directly or through branch “mode”, cannot make Investment function a “non-core” one. Hence, to remove inconsistency between the various provisions of the Regulations, it was discussed and decided that the “investment functions” cannot be outsourced. Thus, while approving the application for Registration (R1 or R2), for (1) Munich Re (2) Hannover Re (3) Swiss Re (4) Score Re (5) RGA and (6) Gen Re, we may direct the Insurers to fully fall in line with IRDAI (Investment) Regulations, **within a period of 1 year, from the date of issue of R3**.
- D. **The Head Office of the re-insurer, located outside India, shall be fully responsible for compliance of the provisions of IRDAI (Investment) Regulations, in respect of the operations of the Branch.** In respect of complying with provisions of constitution of the Investment Committee, to be in sync with IRDAI (Investment) Regulations, the necessary operational guidelines will be issued in due course.