Item No. 19

Amendment to IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 (2nd Amendment)

Attention is drawn to Regulations 16(c), 28(2), 28(5) and 28(7) of IRDAI's (Registration and Operations of Branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 dealing with Investment requirements. The regulations allow the branch office of foreign reinsurers to outsource some of the functions such as investment. However since the Authority has notified IRDAI's (Investment) Regulations, 2016, it would be in order to make investment functions co-synchronous with the Investment Regulations, 2016.

In light of the above, an exposure draft proposing changes to Regulations 16(c), 28(2), 28(5) and 28(7) of IRDAI's (Registration and Operations of Branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 were issued on 1st September, 2016 giving time till 12th September, 2016 to all the stakeholders to give their comments.

The Authority received comments from 5 stakeholders. The draft regulations were also placed before the Insurance Advisory Committee in its meeting held on 17th October, 2016. The major comments are as follows:

1. Branch offices may be permitted to outsource the investment management activities. Further such activities may be insourced to their group companies overseas as opposed to third parties as they have the necessary relevant experience as well as systems to manage investments on a common platform with a view to achieve optimum risk control and efficiency on investment operations.
2. If investment functions cannot be retained within the branch office, then allow investment functions to be outsourced till earlier of i) two years from date of registration of branch office; or ii) Asset Under Management reaching INR 2,000 crores.
3. Agree with the proposed amendments with clear addition of reference to the IRDAI (Investment) Regulations, 2016 or have no comments to offer.

Therefore the following changes are proposed in the Regulations 16(c), 28(2), 28(5) and 28(7) of IRDAI's (Registration and Operations of Branch offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015:

1. Regulation 16(c) – The following sentence may be deleted.

   "*The minimum assigned capital shall be invested in accordance with the IRDA (Investment) Regulations, 2000 as amended from time-to-time.*"

2. Regulation 28(2) – Assigned Capital – The following sentence may be deleted in Regulation 28(2).

   "This amount shall be invested in accordance with the IRDA (Investment) Regulations, 2000 as amended from time to time"

3. Regulation 28(5) – Outsourcing – The word *"Investment"* may be deleted in Regulation 28(5).

4. Regulation 28(7) – Investment –

   a. The word "investible" may be replaced by the word "investment"

   b. The following paragraph may be deleted

      "For the purposes of these regulations, "Investible Assets" include the following:

      a. Assets corresponding to the liabilities arising out of Indian reinsurance business or the amount of premium retained in the country of the Indian reinsurance business, whichever is higher, and

      b. Margin of solvency computed in accordance with the solvency regulations issued by the Authority."

Accordingly the draft second amendment to IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 is placed before the Authority.