



CIRCULAR

Ref: IRDAI/NL/GDL/RIN/231/11/2016

23rd November, 2016

Re: Operational guidelines for Foreign Reinsurers' Branches

Arising out of the queries received from the representatives of the proposed Foreign Reinsurers' Branches on certain aspects relating to the functioning of these offices, the following guidelines/ clarifications are being issued in terms of Regulation 28 (17) (e) of IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015 and are applicable to the proposed Foreign Reinsurers' Branches.

1. Outsourcing of Investment functions:

The foreign reinsurers' branches are required to comply with the various provisions IRDAI Investment Regulations, 2016, subsequent amendments and related circulars and guidelines issued from time to time. However, considering the difficulties of the proposed branches to comply with the Investment Regulations immediately, the Authority hereby allows one year time from the date of issuance of R3, to comply with the laid down Regulations/Guidelines relating to outsourcing of investment functions.

2. Delegation of Board Matters to Executive Committee:

Regulation 28 Chapter VI of the IRDAI "Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's Regulations, 2015" reads as under:

"The foreign reinsurer granted the certificate of registration by the Authority to transact reinsurance business as a branch office shall ensure that the following minimum requirements are addressed at all times (geographical scope, assigned capital, Appointment of CEO and KMP...) and shall submit

to the Authority the necessary approval of their Board of Directors or the Executive Committee of their Management, as the case may be.”

Reference is also drawn to the Guidelines for Corporate Governance for insurers in India issued by IRDAI vide IRDA/F&A/GDL/CG/100/05/2016 dated 18th May, 2016 where in Para 2 point (ii) reads as under:

“Branches of foreign reinsurers in India may not be required to constitute Board and its mandatory committees as indicated here in”.

It is hereby clarified that the role of Board shall be performed by the Executive Committee of the Indian Branch office of the foreign reinsurer with clearly defined delegation from the Board of the parent company.

Further, the composition of the Executive Committee shall comprise of at least 3 Key Management Persons including CEO of the Branch and the quorum shall be a minimum of two, which shall include the CEO.

3. Delegation of functions of Investment Committee to the Executive Committee:

Regulation 13 (A) of IRDAI (Investment) Regulations, 2016 provides for constitution of an Investment Committee. Based on the representation of the proposed branches, since they are not full-fledged reinsurance companies but only branches operating in India, it is hereby decided that the Executive Committee of the Branches may discharge the functions of the Investment Committee.

4. Existing Reinsurance Business:

As far as already existing reinsurance business being handled by the various foreign reinsurers is concerned, wherever there is a long term product/treaty agreement already in force, in the interest of providing the ceding companies seamless service, it is hereby decided that the proposed Branches shall follow the procedure given below:

(i). For business already existing and accounted under such product/treaty agreement/s, servicing may be continued provided the parent company bears the cost of servicing.

(ii). New business under such existing product/ treaty agreements may be accounted by the branch and serviced by it provided there is no change in any of the terms and conditions except to the extent that the branch details, jurisdiction and Indian law/s need to be reflected. In other words, such business need not be subject to following the procedure laid down in Regulation 5 of IRDAI Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's (First Amendment) Regulations, 2016.

5. Appointment of Statutory Auditors:

Reference is drawn to Annexure 7, part II, Para 1 of Guidelines for Corporate Governance for insurers in India dated 18th May, 2016 which reads as under:

“an Audit firm shall not be entitled to carry out more than three Insurers (Life/Non-Life/Health/Reinsurer) at a time. Provided that an audit firm shall not have the audit assignments for more than 3 insurers in one line of business (i.e life insurance, general insurance, health insurance and reinsurance) at a time”.

The Authority hereby relaxes the said stipulation to four audits, where the fourth audit pertains to the branch of a foreign reinsurer.

The above relaxation is, however, limited for only one Financial Year starting 1st April 2017.

6. Minimum Capital/ Escrow Account:

Regulation 5 Para Chapter II Para (g) of IRDAI “Registration and Operations of Branch Offices of Foreign Reinsurers” states that “The applicant shall infuse a minimum assigned capital of Rs.100 Crore into the branch office”.

It is hereby clarified that the branch office of the foreign reinsurer has the option to either maintain:

- i. The minimum assigned capital of Rs.100 Crore or more as prescribed in an escrow account; or
- ii. The minimum assigned capital or more as prescribed can be invested in the Money Market Instruments till the R3 is granted, subject to the condition that any downside risk emanating from such investments shall be borne by the Head Office and the assigned capital of at least Rs.100 Crore or more as prescribed shall be brought in at the time of R3.



(P.J. Joseph)

Member (Non-life)

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