

FAQs for Insurance sector activities

FAQ's on IRDAI (Registration and Operations of International Financial Service Centre Insurance Offices (IIO)), Guidelines 2017

1. Where do these guidelines derive their authority from?

Ans. These derive their jurisdiction through Rule 3 of the IRDAI (Regulation of Insurance Business in Special Economic Zones) Rules, 2015; read with Section 18(2) of the Special Economic Zones (SEZ) Act, 2005 and Section 14 of the IRDA Act, 1999.

2. Who can be an Applicant?

Ans. Applicant means an insurer (Indian or foreign) or a Reinsurer (Indian or Foreign) as the case may be.

3. What is the scope of business for IFSC Insurance Office (IIO)?

Ans. Direct Insurance –Indian Insurance companies & Foreign Insurers

- Offshore direct insurance business including Direct insurance business from global subsidiaries of Indian conglomerate companies / individuals present in any offshore location.
- Direct insurance business in IFSC & Other SEZs.
- Allowed to take Domestic (India) business in line with the provisions of IRDAI regulations.

Reinsurance –Indian and Foreign Insurers

- Offshore reinsurance business of cedents/ insurers presents in any offshore location
- Reinsurance business of the cedents in the IFSC
- Reinsurance business emanating from India subject to IRDAI regulations on reinsurance prescribed in India

4. What does the term Domestic Tariff mean?

Ans. It refers to the area as is defined under Section 2(i) of Special Economic Zones Act, 2005. It means the whole of India (including the territorial waters and continental shelf) but does not include the areas of the Special Economic Zones;

5. Is registration of the IIO compulsory?

Ans. Yes.

6. What is the assigned capital requirement under these guidelines?

Ans. Applicants under these guidelines shall demonstrate a minimum assigned capital of INR Ten Crores (Rs. 10 Crore).

7. What are the fees for processing the application?

Ans. An applicant is required to pay a non-refundable processing fee of INR Fifty Thousand (Rs. 50,000/-) and applicable taxes, if any.

8. What is the annual fee payable?

Ans. IIOs shall pay an annual fee of INR One Lakh (Rs. 1,00,000/-) and applicable taxes, if any, for every financial year to IRDAI before 31st January of the preceding Financial Year.

9. What are the eligibility criteria for the registration of an IIO when the applicant is an Indian insurer or Indian Reinsurer?

Ans. The following conditions constitute the eligibility criteria:

- (i) The applicant is an Indian insurer or Indian reinsurer registered with IRDAI;
- (ii) The applicant has been in continuous operation during the preceding 5 years from the year in which the application is made; and
- (iii) The applicant has satisfactory track record in respect of regulatory compliance.

10. What are the eligibility criteria for the registration of an IIO when the applicant is a Foreign Insurer or Foreign Reinsurer?

Ans. The following conditions constitute the eligibility criteria:

- (i) The applicant is registered or licensed for transacting insurance or reinsurance business in the country of incorporation,
- (ii) The applicant has been duly authorized by the regulatory or supervisory authority of its home country to set up an IIO in India;
- (iii) The applicant has been in continuous operation during the preceding 5 years from the year in which the application is made;
- (iv) The applicant is complying with the provisions of Assigned Capital, Paid-Up Equity Capital and NOF as mentioned in Clause 8 of these guidelines.
- (v) The applicant has satisfactory track record in respect of regulatory or supervisory compliance in its country of incorporation and also in any other country in which it is functioning.
- (vi) The applicant shall be registered or certified in a National Regulatory Environment and with whom the Government of India has signed Double Taxation Avoidance Agreement.
- (vii) The applicant shall have a solvency margin as stipulated by its home country regulatory or supervisory Authority.
- (viii) The applicant shall have a minimum credit rating which is having at least good financial security characteristics from any of the internationally renowned credit rating agencies for the last three years.

11. Who is not eligible for making an application for registration?

Ans. An applicant shall not be eligible to make an application if it's:

- (i) Application for registration as an IIO has been rejected by IRDAI at any time during the preceding two financial years as on the date of requisition for registration application; or
- (ii) The Certificate of Registration as an IIO has been cancelled or withdrawn by IRDAI in the preceding two financial years as on the date of application for registration as IIO.

12. What is the procedure for an application for the registration of an IIO?

Ans. An applicant desirous of obtaining a Certificate of Registration as IIO from IRDAI shall submit an application. Indian Insurer or Indian Reinsurer shall submit an application in Form – A and Foreign Insurer or Reinsurer shall submit an application in Form - B, seeking registration as IIO along with all specified documents.

13. Are there any specific requirements for such documents submitted with respect to language and currency?

Ans. Yes. If any of the required documents to be filed with IRDAI along with application for registration of IIO is in a language other than English, then true and correct translation of all such documents in English language duly certified shall be enclosed along with the certified copies of original documents. Also, all documents pertaining to audited and other financial reports shall have monetary values in Indian Rupees only. While furnishing such financial documents with IRDAI, the applicant shall ensure that, true and correct currency conversion rate is made applicable for the period for which such audited and other financial report is submitted with IRDAI.

14. What are the considerations of IRDAI for grant of the Certificate of IIO?

Ans. The application must be complete in all respects and be accompanied by all required documents. The applicant must be a *bonafide* applicant for registration. The financial condition and the general character of management of the applicant are sound. The applicant is eligible, and in its opinion, is likely to meet effectively its obligations as specified under the Act as well as the Special Economic Zones Act, 2005.

Among other things, IRDAI would take into consideration the following matters:

- (i) The record of performance of Insurance or Re-insurance business carried on by the applicant;
- (ii) The record of performance of the directors and Key Managerial Persons in the management of the applicant;
- (iii) The proposed infrastructure of the IIO such as adequate office space, equipment, IT infrastructure and trained manpower to effectively carry out the insurance business from IFSC;
- (iv) The organizational structure consisting of Key Managerial Persons of the applicant Company and also of proposed IIO;
- (v) The proposed IIO shall be capable of underwriting risks of specified insurance or reinsurance business and settling claims.

- (vi) The commitment to appoint in the proposed IIO, sufficiently skilled staff to underwrite the classes of insurance or reinsurance business and settlement of claims.
- (vii) Any other requirements that IRDAI may consider necessary for grant of Certificate of Registration. There are certain other considerations for applicants from foreign countries. There are:
- (viii) Documentary proof of having Indian Rupees ten crore or more as assigned capital;
- (ix) an affidavit by the person authorized by the Board of Directors or the executive committee of Management, of the applicant, as the case maybe, certifying that the requirements of the assigned capital have been satisfied.
- (x) an affidavit by the applicant certifying the Net Owned Fund of the company.
- (xi) certificate from a practicing Chartered Accountant or a practicing Company Secretary certifying that all the requirements relating to processing fees, assigned capital, NOF and other requirements of the Act have been complied with by the applicant.

15. How shall IIO submit the financial statements?

Ans. The IIO shall submit financial returns including statement of accounts in the matter as may be specified in the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002

16. What is the time limit for an IIO to commence business from the grant of Certificate?

Ans. An IIO shall commence its business within twelve months from the date of grant of Certificate of Registration by IRDAI and if the IIO is unable to commence business within the specified period, it can at least thirty days in advance - seek an extension of time in writing to Chairperson of IRDAI.

17. What currency must an IIO transact in?

Ans. All the monetary transactions with respect to insurance or reinsurance business made by an IIO shall be in foreign currency and not in Indian Rupees.

18. Who is in charge of the IIO?

Ans. The applicant shall appoint a Principal Officer, who will be in charge of the IIO. The appointment, reappointment, removal and managerial remuneration payable to the Principal Officer shall be with the prior approval of IRDAI.

19. What are the requirements of the IIO with respect to reinsurance and retrocession?

Ans. The IIO shall retrocede not more than 90% of its reinsurance business. The surplus available after such retrocession arrangements shall be held in the form of Government Securities issued by Government of India or in deposits with Scheduled Banks in India or invested as per extant Investment Regulations notified by IRDAI.

20. What are the Solvency Margin requirements for an IIO?

Ans. The IIO shall prepare and submit a separate statement of assets, liabilities and solvency margin requirements in the manner as may be specified in the IRDAI (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016 and IRDAI (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016.

21. What are the requirements with respect to repatriation of surplus for an IIO?

Ans. Any repatriation of the surplus generated by the operations of the IIO shall be only with prior approval of IRDAI. IRDAI before granting such an approval shall obtain all relevant information and satisfy itself that the assets of the IIO are adequate to meet their liabilities. Furthermore, the repatriation of surplus shall comply with the other requirement of RBI, FEMA as applicable.

22. How must an IIO take care of its own supervision and control?

Ans.

- (i) The IIO shall have a Board which shall ensure effective supervision and control and monitor the continued viability of IIO through necessary returns;
- (ii) Such returns shall include:
 - a) Financial reporting covering statement of account giving details of activities;
 - b) Business reporting.
- (iii) A copy of the synopsis of the findings of the inspection, audit, scrutiny and compliance submitted by the IIO and put up to the Audit Committee of the applicant Company shall also be submitted to IRDAI once the Board of the applicant Company has taken such findings on records.

23. What are the reporting requirements of the IIO to IRDAI?

Ans.

- (i) The IIO of foreign insurers shall immediately report to IRDAI any regulatory or supervisory action taken by the home country regulator with full details and the penalty, any administrative action imposed, and the remedial steps taken.
- (ii) All the IIOs shall submit periodic returns in such form and such manner as IRDAI may specify from time to time.
- (iii) Downgrading Reporting: The IIO shall immediately report along with relevant documents to IRDAI any downgrade in Credit Rating by an internationally renowned credit rating agency.
- (iv) Erosion of Net Owned Fund: The IIO shall immediately report to IRDAI more than 5% erosion in the NOF of the applicant Company.

24. Are there any particular requirements for the corporate governance of an IIO?

Ans. The IIO shall have an Executive Committee consisting of Principal Officer or CEO of the IIO and other two Key Managerial Persons preferably the Chief Risk Officer and the Chief Finance Officer. The Executive Committee shall keep the CEO of the applicant company informed about the decision taken by the Executive Committee. The CEO of the applicant company shall keep the Board informed about the major and important decisions taken from time to time.

25. What are the Information and Technology requirements for an IIO?

Ans. The IIO shall have its IT system which will have all the transaction details and information relating to its business transactions.

26. How must an IIO take care of protection of policyholders' interest?

Ans. With respect to underwriting of direct insurance business sourced from and within IFSC, other SEZs and DTA, the IIO shall comply with extant protection of policyholders' interest regulations as notified by IRDAI.

27. What are the regulations governing the outsourcing from an IIO?

Ans. Activities related to outsourcing shall be in compliance with extant outsourcing regulations as notified by IRDAI.

28. How are the advertisement activities of an IIO governed?

Ans. Activities related to advertisement shall be in compliance with extant advertisement regulations, circular or guidelines as notified by IRDAI.

FAQ's on IRDAI (International Financial Service Centre Insurance Intermediary Offices), Guidelines 2019

1. What are the legal and other provisions that govern these guidelines?

Ans. These guidelines are governed by Section 18(2) of Special Economic Zones Act, 2005 read with Section 14 of IRDA Act, 1999.

2. Who is an applicant under these guidelines?

Ans. 'Applicant' is an insurance intermediary registered with IRDAI under Clause 42D of the Insurance Act 1938.

3. What does International Financial Service Centre Insurance Intermediary Office mean?

Ans. 'International Financial Service Centre Insurance Intermediary Office' or 'IIIO' means a branch office of Applicant in IFSC as authorized by IRDAI.

4. To whom are these guidelines applicable?

Ans. These guidelines are applicable to all the applicants who want to operate as IFSC Insurance Intermediary Office (IIIO) and to registered IIIOs.

5. Is prior permission mandatory to operate as IFSC Insurance Intermediary Office (IIIO)?

Ans. Yes, no person or entity shall commence or undertake or render services as an IIIO without obtaining prior permission from IRDAI.

6. What are the categories of intermediary an applicant can apply for?

Ans. The applicant can apply for any one of the following categories of intermediary for which it has been registered with IRDAI;

- (a) Insurance Broker;
- (b) Corporate Agent;
- (c) Surveyor and Loss Assessor;
- (d) Third Party Administrator – Health Services;
- (e) Any other category of intermediary recognized by IRDAI from time to time.

7. What are the eligibility criteria for setting up IIIO?

Ans. IRDAI may consider requests of the applicants to set-up IIIO if they meet the following criteria:

- (a) The applicants are eligible to set-up an IIIO provided, they hold a valid certificate of registration issued by IRDAI and the same has not been suspended or cancelled.
- (b) The applicant shall be eligible to apply for authorization in the category for which it has been granted certificate of registration by IRDAI.
- (c) Any other requirement that may be stipulated by IRDAI from time to time.

8. What documents shall have accompanied with the application for grant of authorization to act as IIIO?

Ans. Following are the required documents:

- (a) Copy of certificate of registration issued by IRDAI;
- (b) A provisional letter of allotment of space to operate from IFSC, issued by IFSC - SEZ Authorities;
- (c) Certified copy of approval from the board of directors or its equivalent of the applicant through a resolution to set up such IIIO in IFSC;
- (d) Any other requirement that may be stipulated by IRDAI from time to time.
- (e) Any further information or clarification required by IRDAI, regarding the matters relevant to consider the grant of authorization.

9. What are the matters IRDAI consider while granting permission to act as IIO?

Ans. Following are the matters IRDAI will consider while granting permission to act as IIO:

- (a) All matters relating to carrying on the insurance intermediary business by the applicant;
- (b) The general track record of conduct and performance of applicant in the respective field they are engaged in;
- (c) The record of conduct and performance of the directors and persons in management of the applicant;
- (d) The planned infrastructure of the IIO, to effectively act as an insurance intermediary;
- (e) The proposed business plan for next three (3) years; and
- (f) Other relevant matters for carrying out the provisions of the Act.

10. When will IRDAI accept the application for operating as IIO?

Ans. IRDAI may accept the application on being satisfied with the information submitted and on verifying that-

- (a) the Form IRDAI/ IIO/ R1 is complete in all respects and all documents required therein are submitted;
- (b) the IIO is capable of carrying on all functions in respect of the insurance intermediary business.

11. What is the validity of the authorization as an IIO?

Ans. The first authorization granted by IRDAI shall be valid till the expiry of the certificate of registration and the renewed authorization shall be valid for a period co-terminus with the expiry of the original certificate of registration.

12. What is the timeline to commence business by authorized applicant?

Ans. An applicant authorized under these guidelines shall commence insurance intermediation business within 3 months of the date of authorization but if it is unable to do so it can seek an extension by a proper written application before the expiry of time limit, from the Chairperson of IRDAI.

13. What is the validity of renewed authorization certificate?

Ans. The renewal of authorization is co-terminus with the period of certificate of registration of the insurance intermediary is it shall be valid for the same period of the expiry of the certificate of registration.

14. What is the scope of operations of IIO?

Ans. An IIO shall be a branch office of the applicant.

15. What is the scope of Business of IIO?

Ans. IIO are permitted to undertake following dollar denominated businesses from IFSC:

- Within the IFSC in GIFT SEZ
- All other Special Economic Zones in India
- From foreign countries (this covers foreign to foreign, India to Foreign & Foreign to India)
- Allowed to undertake Domestic Insurance & Reinsurance business in line with the provisions of IRDAI regulations.

16. Is IIO required to bring in additional capital?

Ans. No, The IIO is not required to bring in additional capital.

17. Within how many days can IRDAI be informed about appointment, reappointment and removal of the person in-charge of IIO?

Ans. The applicant shall inform IRDAI within 10 days on the appointment, reappointment and removal of the person in-charge of IIO.

18. What are accounting related requirements of IIO?

Ans. The IIO shall maintain separate financial returns including statement of accounts.

19. What are the responsibilities of the applicant?

Ans. The responsibilities of the applicant is to discharge all the duties, functions and obligations of the IIO as per applicable regulations, circular guidelines notified by IRDAI.

20. What are the reporting requirements of the IIO to IRDAI?

Ans. The applicant shall submit half-yearly regular returns of financial reporting, business reporting, and others as may be stipulated by IRDAI from time to time.

21. What is the FEMA related requirements to be met by an IIO?

Ans. An IIO is required to conduct business in foreign currency and will be treated as a person resident outside India.