

IRDAI (Registration of Indian Insurance Companies) Regulations 2022: A revamp of the old regime

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Introduction

On 13 October 2022, the Insurance Regulatory and Development Authority of India (“**IRDAI**”) had released an exposure draft on the IRDAI (Registration of Indian Insurance Companies) Regulations 2022 (“**Draft Regulations**”). Our article on the changes proposed to be introduced by the Draft Regulations is available [here](#). Thereafter, following comments received from various stakeholders on the Draft Regulations, the IRDAI, on 8 December 2022, notified the IRDAI (Registration of Indian Insurance Companies) Regulations 2022 (“**Registration Regulations**”) which repeal the IRDAI (Registration of Indian Insurance Companies) Regulations 2000 and the IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations 2015.

Proposed Amendments

A brief summary of certain key changes introduced in the Registration Regulations are as follows:

1. The Registration Regulations will remain in force for a period of three years from 8 December 2022 unless reviewed or repealed earlier.
2. The Registration Regulations have scaled down the disqualification criteria for Applicant (vis-à-vis the Draft regulations). In this regard, the Registration Regulations have now deleted the disqualification criteria which provided that an Applicant shall not be eligible to apply for requisition for registration if the investors or promoters of the existing venture had exited for any reason at any time during the preceding 2 financial years from the date of requisition for registration application. Similarly, the time limit during which an Applicant may not re-apply to the IRDAI for registration if their application has been rejected has been reduced to 2 years.
3. The Draft Regulations provided certain stipulations which were required to be fulfilled by an Applicant promoted by a Special Purpose Vehicle (“**SPV**”) or a Non-operative Financial Holding Company. These include inter alia conditions relating to restrictions on issuance of convertible instruments, infusion of capital and prior approval of the IRDAI for transfer of shares. However, the Registration Regulations have now made these conditions applicable only to

Applicants promoted by a SPV.

4. The Registration Regulations have now included certain conditions which apply to Applicants promoted by an “operating company”. These conditions include the promoter of the Applicant being subject to due diligence by the IRDAI.
5. The Registration Regulations lay down the caps for “investment in the capacity of Investor” in an Insurance Company to 25%, in case of a single investor and 50% for all the investors, collectively. However, this restriction does not apply to shares listed on stock exchange(s) in India. Further, investor may invest in any number of Insurance Companies, provided that the investment does not exceed 10% of the paid up equity share capital of the respective Insurance Companies. In case of investment of more than 10% but less than 25% of the paid up equity share capital of an Insurance Company, the investor shall be restricted to not more than two Insurance Companies in each class of insurance business.
6. The Registration Regulations now include specific provisions in relation to transfer of shares and provide that prior approval of the IRDAI for transfer of share or issue of equity capital of an Insurance Company should be done in accordance with the provisions specified at Schedule 2 of the Registration Regulations. Further, unless approved by the IRDAI no registration of transfer of share or issue of equity capital of an Insurance Company can be made, which results in change in shareholding where (i) the total paid up holding of transferee is likely to exceed 5% and (ii) nominal value of shares exceeds 1% of paid up capital of an Insurance Company. In addition, the requirement of all Insurance Companies to inform the IRDAI regarding changes exceeding 1% of the paid up capital of the promoter under the Draft Regulations has been done away with in the Registration Regulations.

Concluding Remarks

The Registration Regulations have introduced multiple changes to the insurance regulatory framework governing applicant entities. Some of these changes may have wide ranging impacts in terms of structuring of investments in Insurance Companies which may in turn also impact the quantum of investments that the insurance sector may attract in the future.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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