Department of Insurance, IFSCA

Frequently Asked Questions (FAQs) on IFSC Insurance Office

(updated as on December 13, 2023)

Disclaimer: These FAQs are not the interpretation of law but intend to provide a clarity on the concepts related to the said 'Regulatory Framework'. Any queries about the 'Regulatory Framework' may be addressed to IFSCA. In case of any disparity between these FAQs and the provisions of relevant Acts/regulations/rules, the later shall prevail.

a) IFSCA (Registration of Insurance Business) Regulations, 2021 (“IIO Regulations”) -

Q1	**Is there a specific regulatory framework for undertaking insurance business in IFSCs?**
	The undertaking of insurance or reinsurance [(re)insurance] business in an International Financial Services Centre (IFSC) is subject to the provisions of the International Financial Services Centres Authority Act, 2019 (50 of 2019) (hereinafter, “the IFSCA Act”) and the Insurance Act, 1938 (4 of 1938) (hereinafter, “the Insurance Act”). In exercise of the powers conferred by these Acts, the International Financial Services Centers Authority (“IFSCA” or “Authority”) has developed regulatory framework, including regulations, circulars and guidelines which enable entities to undertake the business of (re)insurance from IFSCs after registering themselves as an International Financial Service Centre Insurance Office (IIO) with the Authority.
Q2	**What is an IIO?**
	As per clause (k) of sub-regulation (1) of Regulation 3 of the IIO Regulations, an International Financial Service Centre Insurance Office, or IIO in short, is a financial institution under clause (c) of sub-section (1) of Section 3 of the IFSCA Act that is registered by the Authority to undertake (re)insurance business as may be permitted by the IFSCA under the relevant regulatory framework.
Q3	**What are the regulations and guidelines for registration of IIOs?**
	For registration as an IIO, eligible entities are required to apply under the IFSCA (Registration of Insurance Business) Regulations, 2021 (hereinafter, “IIO Regulations”) read with IFSCA (Operations of International Financial Services Centers Insurance Offices) Guidelines (hereinafter, “IIO Guidelines”).
Q4	**What are the objectives of these Regulations and Guidelines?**
	These regulations aim to put in place the process of registration and operations of insurer and reinsurer in an IFSC under regulatory purview of the IFSCA Act. The accompanying guidelines to the regulations are issued to deal with more granular details of day-to-day operational matters and other compliance aspects like reporting formats and periodicity, fee structure etc.
Q5	**Who is eligible to apply for registration as an IIO?**
	As per clause (b) of sub-regulation (1) of Regulation 3 of the IIO Regulations, an application can be made by any of the following – (i) An ‘insurer’ registered with the Insurance Regulatory and Development Authority of India (hereinafter, “IRDAI”) under section 3 of the Insurance Act (ii) A Foreign Insurer or Foreign Re-insurer (iii) A Society of Lloyd’s on behalf of Members of Lloyd’s (iv) A ‘Branch Office of foreign insurer’ or ‘Lloyd’s India’ registered by the IRDAI (v) A public company or a wholly owned subsidiary of an insurer or a Re-insurer which is formed and registered under the Companies Act, 2013 (vi) An insurance co-operative society registered under the Co-operative Societies Act, 1912 (2 of 1912) or under any other law for the time being in force in any State relating to cooperative societies or under the Multi-State Cooperative Societies Act, 1984 (51 of 1984) (vii) A body corporate incorporated under the law of any country outside India not being of the nature of a private company (viii) A Managing General Agent who has a valid binding agreement with a specific Foreign Insurer or Foreign Re-insurer.

	The above applicants are eligible to apply subject to fulfillment of the conditions specified in Q7 below.
Q6	**What are the modes of setting up presence in an IFSC?**
	There are two modes of establishing presence in an IFSC: (1) In an incorporated form (2) In an unincorporated form (*i.e.* place of business or branch form)
Q7	**Is there any eligibility condition for obtaining registration as an IIO?**
	Eligibility conditions for registration of IIOs as given under Regulation 5 of IIO Regulations are broadly summarized below: **Common requirements for setting up presence in an IFSC** (1) The Applicant entity and its promoters, partners or controlling shareholders shall be from a FATF compliant jurisdiction and comply with international standards set by the Financial Action Task Force to combat money laundering and terrorist financing. (2) Authority, before granting registration may satisfy itself that the Applicant, its Promoters, Principal Officer, Directors, Partners, Designated Partners or any other Key Managerial Personnel (KMPs) are fit and proper persons **Specific Requirements for setting up presence in an IFSC in an unincorporated form:** (1) Common eligibility requirements: (a) Applicant is registered or licensed for transacting (re)insurance business in its home country or country of its incorporation or domicile (b) Applicant has been granted No Objection Certificate by the regulatory or supervisory authority of its home country or country of its incorporation or domicile, to set up an IIO in an IFSC (c) Board of the Applicant - i) undertakes to comply with the assigned capital, solvency and other requirements as may be specified by the Authority from time to time ii) undertakes to meet all liabilities arising out of IIO insurance or re-insurance business, as the case may be iii) submit reporting structure of the officials as per sub-regulation (7) of regulation 17 of IIO Regulations (2) Specific eligibility requirements: (a) <u>If applicant is an Indian insurer or reinsurer:</u> it should have satisfactory track record in respect of regulatory and supervisory compliance (b) <u>If applicant is a foreign insurer or foreign re-insurer or MGA or Lloyd's:</u> i. It should have satisfactory track record in respect of regulatory or supervisory compliance in its home country or country of incorporation or domicile and also in any other country in which it is functioning ii. It should comply with Net Owned Fund requirement specified under sub-section (3) of section 6 of the Insurance Act, if it desires to transact re-insurance business iii. It should be registered or certified in a national regulatory environment with whom the Government of India has signed Double Taxation Avoidance Agreement iv. It should have minimum credit rating having at least good financial security characteristics from any of the internationally renowned credit rating agencies for the last three years

	Specific Requirements for setting up presence in an IFSC in an incorporated form: (1) A public company or a wholly owned subsidiary of an insurer or a re-insurer, desirous of setting up an IIO in an IFSC, shall be a company limited by shares, which is formed and registered under the Companies Act, 2013 (2) An insurance co-operative society desirous of setting up an IIO in an IFSC shall be a co-operative society registered under the Co-operative Societies Act, 1912 (2 of 1912), or under any other law for the time being in force in any State relating to co-operative societies or under the Multi-State Cooperative Societies Act, 1984 (51 of 1984); (3) A Body corporate incorporated under the law of any country outside India, not being of the nature of a private company, desirous of setting up its place of business in an IFSC shall – (a) establish its place of business in an IFSC, under the provisions of the Companies Act, 2013; and (b) be registered or certified in a national regulatory environment with whom the Government of India has signed Double Taxation Avoidance Agreement.
Q8	**What activities are permitted to be carried on by an IIO?**
	As per Regulation 10 of IIO Regulations, subject to any specified conditions, an IIO registered with the Authority may carry any of the following class of businesses – (a) Life Insurance Business; (b) General Insurance Business; (c) Health Insurance Business; or (d) Re-insurance Business However, an IIO set up in an unincorporated form in an IFSC shall be permitted to transact such class of business which is permitted to the Applicant by its home country regulatory or supervisory authority.
Q9	**What is the scope of business for IFSC Insurance Office (IIO)?**
	As per Regulation 13-15 of IIO Regulations, an IIO registered to transact direct insurance business may be permitted to do so (1) within the IFSC, (2) from other SEZs and (3) from outside India (4) from the DTA subject to Section 2CB of the Insurance Act An IIO registered to transact reinsurance business may be permitted to do so (1) from the cedents based in the IFSC, (2) in relation to risk emanating from other SEZs and (3) from outside India (4) from insurers operating in DTA subject to the IRDAI (Re-insurance) Regulations, 2018
Q10	**Can an IIO do business in any currency?**
	As per Regulation 11 of IIO Regulations, an IIO shall conduct its business in any freely convertible foreign currencies. Further, as per clause (ii) of sub-regulation (12) of Regulation 17 of the IIO Regulations, every financial reporting by an IIO to the Authority shall be in USD, unless otherwise specified by the Authority. However, as per clause (ii) of sub-regulation (13) of Regulation 17 of the IIO Regulations,

	an IIO may be permitted to have an INR account out of the freely convertible foreign currency to defray its administrative, statutory expenses and for such other purposes as may be specified by the Authority.
Q11	**What is Net Owned Funds?**
	As per clause (s) of sub-regulation (1) of Regulation 3 of the IIO Regulations, 'Net Owned Fund' or 'NOF' means the sum of paid-up equity capital, free reserves and securities premium account reduced by accumulated losses and book value of intangible assets. It should be computed based on last audited Balance Sheet and any capital raised after date of the Balance Sheet, should not be accounted for calculating NOF.
Q12	**Who has to demonstrate NOF?**
	As per sub-regulation (1) of Regulation 17 of the IIO Regulations read with sub-section (3) of section 6 of Insurance Act, 1938, any foreign company engaged in re-insurance business through a branch established in an IFSC has to demonstrate NOF, (1) the NOF requirement is specified as rupees one thousand crore (INR 1000 crores). (2) Applicant may demonstrate compliance with NOF requirement in any freely convertible foreign currency.
Q13	**What are the capital requirements for an IIO in an incorporated form?**
	IIOs setting up in an incorporated form As per sub-regulation (3) of Regulation 17 of the IIO Regulations, minimum capital requirements as prescribed under sub-section (1) of section 6 of the Insurance Act, 1938 i.e. (1) INR 100 crore (if carrying on the business of life or general insurance) (2) INR 100 crore (if carrying on exclusively the business of health insurance) (3) INR 200 crore (if carrying on the business of re-insurance) However, an MGA or a service company incorporating in IFSC will be required to have a minimum paid up capital of INR 5 lakh as per clause 6(1) of schedule II and clause 1(1) of schedule III of IIO Regulations. **IIOs setting up in an unincorporated form** As per sub-regulation (1) of Regulation 17 of the IIO Regulations, minimum assigned capital in any freely convertible foreign currency equivalent to USD 1.5 million, provided that such assigned capital shall be – (1) earmarked and held by the Applicant in the home country, country of its incorporation or domicile (2) invested as per the requirements of its home country regulatory or supervisory authority; (3) maintained by the Applicant at all times during the subsistence and validity of registration of IIO
Q14	**What are the Solvency Margin requirements for an IIO?**
	For detailed regulations pertaining to solvency margin please refer IFSCA (Assets, Liabilities, Solvency Margin and Abstract of Actuarial Report for Life Insurance Business) Regulations, 2023 and IFSCA (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023.

Q15	**How many personnel need to be appointed for operations of an IIO?**
	IIOs setting up in an unincorporated form As per sub-regulation (7) of Regulation 17 of the IIO Regulations, minimum three (03) officers need to be appointed – (1) Principal Officer who shall be responsible for the day-to-day administration of the IIO as well as for its regulatory compliances (2) An Officer in-charge of underwriting of risk having relevant experience (3) An officer in-charge of finance and accounts having relevant experience **IIOs setting up in an incorporated form** As per sub-regulation (8) of Regulation 17 of the IIO Regulations, minimum three (03) Key Managerial Persons (KMP) need to be appointed who shall be responsible for the day-to-day administration and regulatory compliance of the IIO: (1) Chief Executive Officer (2) Chief Finance Officer (3) Chief Underwriting Officer However, the Authority may specify appointment of additional KMPs from time to time.
Q16	**Does appointing of officers of the IIO need approval from the Authority?**
	As per sub-regulation (7) & (8) of Regulation 17 of the IIO Regulations, the appointments of Principal Officer and KMPs as the case may be, shall be with prior permission of the Authority.
Q17	**Can the appointed officers of an IIO be non-residents?**
	No, as per sub-clause (i) of clause (iv) of sub-regulation (7) of Regulation 17 and sub-clause (i) of clause (v) of sub-regulation (8) of Regulation 17 of the IIO Regulations, the appointed officers of an IIO be in direct employment of the IIO and resident in India.
Q18	**What application form does an applicant need to fill?**
	As per Schedule I of the IIO Regulations, application forms applicable for different categories of applicant are as under – (1) Applicant willing to setup in an unincorporated form in IFSC a. Form A – Applicant is Indian (re)insurer b. Form B – Applicant is Foreign (re)insurer including Lloyd's c. Form C – Joint application by MGA and foreign (re)insurer (2) Form D – Applicant willing to setup in an incorporated form in IFSC All these forms are available for download in editable format at IFSCA website on the 'Application Process' page at https://ifsca.gov.in/Pages/Contents/ApplicationProcess.
Q19	**How do I make an application for registration as IIO?**
	As per sub-regulation (2) of Regulation 4 of IIO Regulations, an applicant desirous of operating as an IIO in an IFSC shall submit an application to the Authority in the specified form. Please refer to Q18 for different type of applications. For further details, please refer to the tab 'Application Process' on the website of the IFSCA at https://ifsca.gov.in/Pages/Contents/ApplicationProcess.
Q20	**Does the certificate of registration granted to a IIO have perpetual validity?**
	As per sub-regulation (2) of Regulation 7 of IIO Regulations, the certificate of registration granted to operate as an IIO shall remain valid unless it is revoked or cancelled by the Authority.

Q21	**Can Authority refuse granting of registration?**
	As per Regulation 8-9 of IIO Regulations – (1) If, after considering the application, the Authority is of the opinion that registration cannot be granted, it shall communicate the deficiencies to the applicant, giving it thirty (30) days' time to rectify them. (2) If the applicant fails to rectify such deficiencies to the satisfaction of the Authority within the specified time, the Authority may refuse to grant registration and shall communicate the same to the applicant, giving reasons for such refusal. (3) However, no such refusal shall be made by the Authority without giving the applicant an opportunity to make written submissions on the grounds on which the registration is proposed to be refused.
Q22	**What is category of an IIO for Order of Preference (OoP) as per the IRDAI (Re-insurance) (Amendment) Regulations, 2023?**
	As per clause (A) of sub-regulation (2) of regulation 5 of IRDAI (Re-insurance) (Amendment) Regulations, 2023, the IIO permitted to transact re-insurance business, are placed at Category – 2 of OoP at par with Foreign Re-insurer Branch (FRB). However, while accepting such re-insurance business from cedants in Domestic Tariff Area (DTA) in India they shall invest 100% of retained premium, emanating from insurers in India in the DTA.
Q23	**For an IIO registered to transact reinsurance business, is there any requirement of retention of re-insurance premium?**
	As per sub-regulation (9) of Regulation 17 of IIO Regulations read with Chapter 3 of IFSCA (Operations of International Financial Services Centres Insurance Offices) Guidelines, 2021 dated 27th October 2021, the IIO permitted to transact re-insurance business shall not retrocede more than fifty (50) *per cent*. of its reinsurance business.
Q24	**Can an IIO chose to not invest 100% of retained premium emanating from insurers in India in the DTA?**
	As per clause (A) of sub-regulation (2) of regulation 5 of IRDAI (Re-insurance) (Amendment) Regulations, 2023, if an IIO chooses not to invest 100% of retained premium in DTA, it shall fall under Category – 3 of OoP.

b) <u>IFSCA (Manner of Payment & Receipt of Premium) Regulations, 2022 (hereinafter referred as "MPRP Regulations" for brevity purposes)</u>

Q1	What is grace period?
	As per clause (d) of sub-regulation (1) of Regulation 3 of MPRP Regulations, grace period means the specified period of time immediately following the premium due date within which the policy is considered to be in force, and payment can be made without any penalty or late fee for renewal or continuation of an existing policy, without the policy getting lapsed.
Q2	**What is a premium payment warranty clause?**
	As per clause (g) of sub-regulation (1) of Regulation 3 of MPRP Regulations, premium payment warranty clause refers to a clause incorporated in the contract of insurance, relating to the time and manner of payment of premium.
Q3	**What all modes of premium payment are permitted?**
	As per Regulation 4 of MPRP Regulations, the premium to be paid by a proposer or by a policyholder to an IIO may be made through any of the following manner(s), namely – (1) recognised instrument of payment using banking channels including payment made through electronic mode (2) bank guarantee or equivalent instrument issued by any bank in favour of the IIO for payment of premium, in case the insured fails to make such payment (3) cash deposit (4) any other method or manner of payment as may be specified by the Authority
Q4	**Can an IIO assume risk without receipt of premium in advance?**
	Yes, as per Regulation 5 of MPRP Regulations, IIO may assume the risk, continue to assume the risk or terminate any assumption of risk, subject to – (1) the premium payable is received by it (2) the premium payable is guaranteed as bank guarantee or equivalent in favour of the IIO for payment of premium, in case the insured fails to make such payment (3) the deposit of such amount, as the Authority may specify, is made in advance for adjustment towards premium; or (4) the premium payable to it is in accordance with the terms and conditions of the contract of insurance entered into in this behalf or in such manner as may be specified by the Authority from time to time.
Q5	**Can premium payment be allowed in instalments?**

	Yes, as per Regulation 5 of MPRP Regulations, an IIO and prospect or insured, as the case may be, may mutually agree for payment of premium in instalments, time schedule and manner of payment of such instalments by incorporating a premium payment warranty clause in the contract of insurance.
Q6	**If a policy is cancelled, where will the refund be credited?**
	As per Regulation 9 of MPRP Regulations, any refund of premium, which may become due to an insured on account of cancellation of a policy or alteration of any term and condition or otherwise, shall be paid by the IIO directly to the insured and shall in no case be credited to the account of the agent.

c) <u>IFSCA (Appointed Actuary) Regulations, 2022 (hereinafter referred as “AA Regulations” for brevity purposes)</u>

Q1	Who is an appointed actuary?
	As per clause (c) of sub-regulation (1) of Regulation 3 of AA Regulations, Appointed Actuary (AA) means an actuary appointed as per provisions of the AA Regulations.
Q2	**Who shall appoint an AA?**
	As per sub-regulation (1) of Regulation 4 of AA Regulations, the Board of an IIO shall appoint a person having the necessary qualification, competency, experience and professional status to carry out the functions of an AA.
Q3	**Is there any eligibility criteria for an AA?**
	As per sub-regulation (2) of Regulation 4 of AA Regulations, to be eligible for appointment as an AA, one shall be a Fellow Member of any Full Member Association of the International Actuarial Association and shall – (1) hold a valid certificate of practice issued by such Full Member Association; (2) have a minimum of 2 years post-fellowship experience in the insurance industry relevant to the business conducted by the IIO (i.e. in the areas of Life, General, Health or Reinsurance as the case may be); (3) not found to have been guilty of any professional or financial misconduct; (4) not be acting as an AA of any other insurer including an IIO. However, in case of an unincorporated IIO, AA of the Parent Entity may be eligible to be appointed as an AA of IIO; (5) not function in any other capacity which could result in conflict of interest in performing his role as AA. Provided that in case of an unincorporated IIO, an AA shall be appointed by the Parent Entity as per extant regulatory framework issued by its home country regulatory or supervisory authority.
Q4	**What provisions ensure independence in working of an AA?**
	As per sub-regulation (3) of Regulation 4 of AA Regulations, the Board of IIO, while appointing an AA, shall authorise the AA to report directly to the Authority about non-compliance of any applicable law or regulatory requirement, by the IIO.

	Further, as per sub-regulation (5) of Regulation 4 of AA Regulations, IIO shall ensure that (a) adequate resources and support are provided to the AA to perform his duties and obligations. (b) AA reports directly to the person holding top executive position in an IIO, or where the IIO is in an unincorporated form, to the person holding top executive position of the Parent Entity Further, in terms of sub-regulation (1) of Regulation 5 of AA Regulations, AA shall have access to all relevant information and documents in possession or under control of the IIO; or where the IIO is in an unincorporated form, of the Parent Entity. Further, in terms of sub-regulation (2) of Regulation 5 of AA Regulations, AA may seek any information and documents from any officer or employee of an IIO and it shall be duty of every such officer or employee to provide the same.
Q5	**What are the duties and obligations of an AA?**
	As per Regulation 6 of AA Regulations, a short description of duties of an AA is – (1) Rendering actuarial advice to the IIO (2) Ensuring solvency of IIO at all times and maintaining required control level of solvency margin (3) Ensuring that overall pricing policy is in line with overall underwriting and claims management policy of the IIO (4) Ensuring adequacy of reinsurance arrangements (5) Certifying Actuarial Report, Abstract and other returns as required by the Authority (6) Coordinating the calculation of mathematical reserves and ensuring the appropriateness of the methodologies and underlying models used (7) Informing the Board and the Authority about non-compliances or of any other relevant information For complete details, please refer the AA regulations.

d) <u>IFSCA (Insurance Products and Pricing) Regulations, 2022 (hereinafter referred as "IPP Regulations" for brevity purposes)</u>

Q1	What is the objective of these regulations?
	As per Regulation 2 of IPP Regulations, the objective of these regulations is – (1) To provide framework for designing and pricing of insurance products by IIOs (2) To ensure that the IIOs have put in place effective internal systems and control to – (a) provide adequate capacity to identify and mitigate product related risks and issues from the time of design of the product and throughout the life cycle of the product, including providing appropriate distribution strategies taking into account the target market characteristics; (b) protect the interests of policyholders while designing and pricing of insurance products
Q2	**What is an insurance product?**
	As per clause (m) of sub-regulation (1) of Regulation 3 of IPP Regulations, insurance product means any contract of insurance sold or proposed to be sold to a policy holder or prospect, as the case may be.
Q3	**To whom these regulations are applicable?**
	These regulations are applicable to the IIO who are permitted to transact direct insurance business.
Q4	**Does an IIO need to file for approval before marketing and distribution of the product?**
	As per Explanation to Regulation 4 of IPP Regulations, the 'Product Oversight and Governance Policy' shall govern all aspects of an Insurance Product to be marketed and distributed by an IIO, and as such no approval for an Insurance Product is required from the Authority, unless so specified. However, as per Proviso to Regulation 4 of IPP Regulations, the IIO shall submit the final policy wording to the Authority, before marketing of an insurance product (other than a re-insurance product), including any modified or revised product.
Q5	**What is a 'Product Oversight and Governance Policy'?**
	As per Regulation 4 of IPP Regulations, an IIO shall have a Board approved policy known as 'Product Oversight and Governance Policy' prepared in accordance with applicable regulatory framework, which shall *inter-alia* contain the provisions related to -

	(1) methods and processes for designing of the insurance product; (2) approval, monitoring, reviewing and distribution of insurance products; and (3) corrective steps to be taken for insurance products that are detrimental to the interest of prospects or policy holders
Q6	**What does an IIO need to keep in mind while designing, marketing or distributing insurance products?**
	As per Regulation 7 of IPP Regulations, while designing, marketing or distributing an insurance product, the IIO shall – (1) take into account the objectives, interests and needs of the prospect (2) ensure that the terms and conditions of the product does not adversely affect the interest of prospect (3) ensure proper management of conflict of interest, if any, with insurance intermediary involved in distribution of the product
Q7	**How does the Authority ensure that the product is in conformity with the regulatory requirements and in the interest of policy holders?**
	As per Regulations 9-11 of IPP Regulations, an IIO shall submit to the Authority requisite information, documents or data relating to a product, as and when sought by the Authority, including justification of the rates, terms and conditions of insurance product offered. If the Authority is of the view that the product is not in conformity with the regulatory requirements, and/or not in the interest of prospects or policy holders, it may take appropriate action, including suspension, mandating modification or withdrawal of the product. Upon receipt of any such direction of the Authority, the IIO shall forthwith stop marketing and distributing such product either in the same name or under any other name.
Q8	**How can one product of an IIO be differentiated from other products or revised versions of the same product?**
	As per sub-regulation (2) of Regulation 12 of IPP Regulations, an IIO shall not market any insurance product without allotting a Unique Identification Number (UIN). In case of modification or revision of an existing insurance product, a separate UIN shall be allotted, clearly indicating that the insurance product being marketed is revised version of an earlier insurance product.

Q9	**Who allots the UIN?**
	As per sub-regulation (3) of Regulation 12 of IPP Regulations, an IIO shall device its own methodology / algorithm for issuance of UIN and submit the same to the Authority.
Q10	**Will any notice be given to the policyholders on withdrawal of the product?**
	As per Regulation 13 of IPP Regulations, an IIO shall inform the Authority it's decision to withdraw an insurance product at least 3 months prior to the scheduled date of withdrawal. In case an IIO transacting general insurance business decides to withdraw an insurance product, it shall inform the existing policy holders at least 3 months prior to the expiry date of such policy. However, the policies in force shall be valid till their respective expiry dates.
Q11	**Is there any option with the policyholders to cancel a policy?**
	As per Regulation 14 of IPP Regulations, the policyholder of life insurance policy or general insurance policy may surrender or cancel the policy, as the case may be, at any time by giving prior notice to IIO as required under the policy, which shall be processed as per terms and conditions of such policy. Every life and health insurance policy shall provide free look cancellation option to the policyholder along with the timelines for exercising such option and provisions for refund of premium. Every general insurance policy shall contain the cancellation clause and grounds leading to cancellation of an insurance policy along with the timelines for cancellation.
Q12	**On what grounds can a policy be cancelled by the IIO?**
	As per sub-regulation (4) of Regulation 14 of IPP Regulations, the IIO may cancel the insurance policy mid-term only on the grounds of fraud, misrepresentation or moral hazards.
Q13	**Can proposal form be filled digitally?**
	Yes, as per clause (a) of sub-regulation (1) of Regulation 16 of IPP Regulations, an IIO shall create and maintain proposal forms either in physical or in electronic mode, which shall be in accordance with its 'Product Oversight and Governance Policy'.

	Further, as per clause (c) of sub-regulation (1) of Regulation 16 of IPP Regulations, where the information about the prospect is captured in physical form, the IIO shall make necessary arrangements to convert the information furnished by prospects into electronic form. Further, as per clause (d) of sub-regulation (1) of Regulation 16 of IPP Regulations, where the policy is proposed to be issued in electronic form and the prospect is willing to get the policy through the Insurance Repository System, the IIO shall facilitate creation of eIA for the prospect.
Q14	**What is eIA?**
	As per clause (e) of sub-regulation (1) of Regulation 3 of IPP Regulations, "e-Insurance Account" or "eIA" means an electronic account opened by a person with an insurance repository where the portfolios of insurance policies of a policyholder are held in electronic form.
Q15	**Is there any fee for issuing acknowledgement of Notice of Transfer or Assignment of insurance policy?**
	As per Regulation 17 of IPP Regulations, an IIO shall collect fee not more than USD 5 (USD Five only) for granting acknowledgement of notice of transfer or assignment of the insurance policies issued by it (including e-insurance policies). An IIO shall not collect any other fee for rendering any other services referred to in section 38 of the Insurance Act, 1938, including recording the fact of the transfer or assignment.
Q16	**Is there any fee for Registration, Cancellation or Change of Nomination?**
	As per Regulation 18 of IPP Regulations, an IIO registered to transact life insurance business shall collect fee of not more than USD 5 (USD Five only) for registering, cancellation or change of the nomination by the holder of a policy of life insurance (including e-insurance policies), on his own life. An IIO shall not collect any other fee, towards any other services relating to nomination contained in section 39 of the Insurance Act, 1938. The nomination effected by the policy holder at the inception of the policy through the proposal form and recorded by the IIO in the schedule of a policy document shall be considered as a valid acknowledgement by the IIO.

Q17	**What is the procedure for inspecting the returns filed by the IIO with the Authority?**
	As per sub-regulation (1) of Regulation 19 of IPP Regulations, any person seeking inspection or copy of any return related to an IIO under sub-section (1) of section 20 of the Insurance Act, shall make an application to the Authority for which the Authority may charge fee of not more than USD 5 (USD Five only). The Authority shall indicate a date of inspection by the applicant or shall furnish a copy of the return, as the case may be, within thirty (30) working days from the date of receipt of the fee.
Q18	**How can I get a copy of Memorandum and Articles of Association of the IIO?**
	As per sub-regulation (2) of Regulation 19 of IPP Regulations, any policyholder seeking a copy of Memorandum and Articles of Association or similar documents of an IIO under sub-section (3) of section 20 of the Insurance Act, 1938, shall make an application to the IIO and such IIO may charge fee of not more than USD 5 (USD Five only) for providing copy of each such document. The IIO shall furnish the required document within thirty (30) working days from the date of receipt of the applicable fee.

e) <u>IFSCA (Maintenance of Insurance Records and Submission of Requisite Information for Investigation and Inspection) Regulations, 2022 (hereinafter referred as, "MIR Regulations")</u>

Q1	What is the objective of these regulations?
	As per Regulation 2 of MIR Regulations, the objective of these regulations is to specify minimum information that is required to be maintained by an IIO and IIIO, for the purposes of investigation and inspection, under section 33 of the Insurance Act.
Q2	**What records does the IIO need to maintain w.r.t. its employees?**
	As per Regulation 6 of MIR Regulations, every IIO shall maintain a record of its employees excluding staff or salaried field workers involved in solicitation, comprising of the (i) name; (ii) employee identification number; (iii) date of appointment; (iv) present designation; (v) PAN number; (vi) present salary; perks; (vii) allowances; any other benefits; (viii) taxes and related papers with cross-reference to appointment letter and date of termination, if any, and, (ix) in respect of any payment made to an employee or other person on account of travelling expenses, record showing full details of the journey performed, purpose of the journey, details of the fares paid and allowances granted.
Q3	**What records does the IIIO need to maintain w.r.t. its employees?**
	As per Regulation 7 of MIR Regulations, every IIIO shall maintain details of all past and present employees including (i) the names of the employees, (ii) employee identification number, (iii) date of appointment, (iv) date of termination if any, (v) designation, (vi) qualification; (vii) license/Registration number, (viii) license/registration validity period, (ix) date of certificate of training completion, (x) date of passing the test, (xi) dates of renewal training in case of employees qualified for solicitation of insurance business, and, (xii) name of the branch or office where posted.
Q4	**For how long shall the records be maintained?**
	As per Regulation 10 of MIR Regulations, every IIO and IIIO shall maintain the records for a minimum period of seven years, as prescribed under clause (8) of rule 39 of the Insurance Rules, 1939 or as per other applicable legal requirements, whichever is later. Such period being counted from the date – a. of last transaction on the respective records or from the date of expiry of the policy whichever is late b. on which the claim is settled
Q5	**Where are these records to be maintained?**
	As per sub-regulation (3) of regulation 4 of MIR Regulations, every IIO shall ensure that complete record related to the policies issued, claims made, and records related to re-

	insurance business are held in data centres located and maintained in India (including IFSC) only.

f) <u>IFSCA (Investment by International Financial Service Centre Insurance Office) Regulations, 2022 (hereinafter referred as, "Investment Regulations")</u>

Q1	What is the objective of these regulations?
	These regulations aim to put in place the regulatory framework and processes related to investment of assets by an IIO.
Q2	**Who are these regulations applicable on?**
	As per Regulation 2 of Investment Regulations, applicability of these regulations is as under – (1) An IIO incorporated in an IFSC shall undertake investment of assets in accordance with the provisions of these regulations (2) An IIO not incorporated in an IFSC may either chose to follow norms related to investment of assets as applicable to its parent entity or as specified under these regulations (3) An IIO established as a branch of Foreign insurer or Lloyd's India, registered with IRDAI, may either chose to follow norms related to investment of assets as applicable to its parent entity or as specified under these regulations
Q3	**When is the choice of following applicable regulation exercisable?**
	As per explanation to Regulation 2 of Investment Regulations, the choice of following applicable regulation is exercisable (1) by an IIO already registered with IFSCA-within one month of notification of these regulations (2) by an Applicant seeking registration as an IIO, at the time of seeking registration
Q4	**What is meant by investment?**
	As per clause (k) of sub-regulation (1) of Regulation 4 of Investment Regulations, investment refers to deployment of funds in financial assets or infrastructure assets as per the Investment Regulations but shall not include: (1) Any release or relinquishment of assets pursuant to an administrative or judicial order, (2) Any claim arising solely from – a. Commercial contracts for sale of goods or services; b. The extension of credit in connection with such commercial contracts, (3) Investment in an asset, backing a unit-linked or separate account insurance liabilities, when these insurance liabilities are valued using the Asset Replication

	Approach, or (4) Investment in Government bonds other than debt instruments issued or guaranteed by Central Governments (e.g. exposures to provinces, municipalities and public sector entities shall be excluded from investment).
Q5	**What is meant by financial assets?**
	As per clause (e) of sub-regulation (1) of Regulation 4 of Investment Regulations, financial assets includes the following types of assets – (1) bonds, debentures (including convertible bonds and debentures) and other fixed income instruments; (2) listed equities or similar investments including warrants and preference shares; (3) debts, deposits and other rights including securitised debts which are in the form of asset backed securities (ABS); (4) immovable properties including property rights such as mortgages, liens or pledges; (5) loans on policies of Life Insurance within their surrender values; (6) units of Mutual Funds, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs) and Alternative Investment Funds (AIF) [Category I and II only]; (7) derivatives for the purpose of hedging; (8) money market instruments (MMI); or (9) any other instrument or asset as may be specified by the Authority from time to time.
Q6	**What is meant by infrastructure assets?**
	As per clause (h) of sub-regulation (1) of Regulation 4 of Investment Regulations, infrastructure assets means any investment made in the infrastructure sub-sectors identified in the 'Harmonised Master List of Infrastructure sub-sectors' as per Gazette Notification no. CG-DLE-11102022-239561 dated October 11, 2022 of the Department of Economic Affairs, Ministry of Finance, Government of India, as revised from time to time, and shall also include the following: (a) district heating (b) financial institutions including the market infrastructure institutions set up in IFSCs
Q7	**What jurisdictions are permitted for investment for IIOs?**
	As per sub-regulation (7) of Regulation 5 of Investment Regulations, an IIO may invest its

	Assets – (a) in the IFSC; (b) in India, through extant regulatory framework as specified by the Reserve Bank of India (RBI) or the Securities and Exchange Board India (SEBI) (c) in the country where its Parent Entity is incorporated or domiciled, subject to compliance with the conditions as specified by its home country regulatory or supervisory authority or (d) in a country or jurisdiction which is not identified in the public statement of Financial Action Task Force (FATF) as a high-risk jurisdiction subject to call for action.
Q8	**What is meant by investible assets?**
	As per Regulation 6 of Investment Regulations, 'Investible Funds' or 'Investment Assets' means investments made out of the following funds: (1) in case of IIO, transacting Life Insurance Business – (a) Shareholders' Funds, to the extent they represent Solvency Margin; (b) Policyholders' Funds in respect of: (i) Participating and Non-Participating Funds of Policyholders, (ii) Funds of Variable Insurance Products including One Year Renewable Pure Group Term Assurance Business (OYRGTA) at their carrying value, (iii) Non-Unit Reserves of Unit Linked Insurance business, and (iv) Pension, Annuity and Group Superannuation business including funds of Variable Insurance products at their carrying value as per guidelines issued under these regulations; (c) Policyholders' Unit Reserves in respect of Unit Linked Insurance business, including funds of Variable Insurance Products at their market value as per guidelines issued under these regulations. (2) in case of IIO transacting General, Health and / or Re-insurance business - (a) funds maintained in the account of its Parent Entity, (b) shareholders' funds, representing Solvency Margin, and (c) policyholders' funds at their carrying value as shown in its balance sheet prepared in accordance with the applicable regulations.
Q9	**What are the Admissible Rating Categories of Investments?**
	As per Regulation 7 of Investment Regulations, investments by an IIO shall be made only in Assets rated as 'Investment Grade' under Insurance Capital Standards – Rating

	Categories (ICS-RC) by international rating agencies recognized by the International Association of Insurance Supervisors (IAIS), unless otherwise specified by the Authority.
Q10	**What are Admissible Sovereign Credit Ratings?**
	As per sub-regulation (1) of Regulation 8 of Investment Regulations, investments in Government bonds / debt instruments issued at the Central Government level of a country shall be admissible only in respect of the countries having Investment Grade Sovereign Credit Ratings (SCR) from one of the international rating agencies recognized by the International Association of Insurance Supervisors (IAIS), unless otherwise specified by the Authority.
Q11	**Are all government securities eligible as avenues of investment?**
	As per sub-regulation (2) of Regulation 8 of Investment Regulations, securities issued by entities other than Central Governments, such as State Governments, regional, provincial, public sector entities or municipalities will not qualify as Sovereign bonds/ debt instruments, irrespective of satisfaction of rating requirement.
Q12	**How much investment is allowed in equity instruments?**
	Please refer to the Investment Asset Exposure Pattern Matrix (Matrix 1) under Regulation 9 of Investment Regulations.
Q13	**How much investment is allowed in debt instruments?**
	Please refer to the Investment Asset Exposure Pattern Matrix (Matrix 1) under Regulation 9 of Investment Regulations.
Q14	**Can investment be made in Alternate Investment Funds?**
	Yes, please refer to the Investment Asset Exposure Pattern Matrix (Matrix 1) under Regulation 9 of Investment Regulations.
Q15	**Can investment be made in InvITs/REITs?**
	Yes, please refer to the Investment Asset Exposure Pattern Matrix (Matrix 1) under Regulation 9 of Investment Regulations.
Q16	**Can investment be made in money market instruments?**
	Yes, please refer to the Investment Asset Exposure Pattern Matrix (Matrix 1) under Regulation 9 of Investment Regulations.

Q17	**Can investment be made in ULIPs?**
	Yes, please refer to the Investment Asset Exposure Pattern Matrix (Matrix 1) Regulation 9 of Investment Regulations.
Q18	**Is there country-level limit on investment in bonds/debt instruments?**
	Yes, please refer Bond, Debt and Deposit Exposure Matrix by Insurance Capital Standards (Matrix 2) and Bond, Debt and Deposit Exposure Matrix based on Sovereign Credit Rating (Matrix 3) under Regulation 10-11 of Investment Regulations.
Q19	**Is there country-level limit on investment in equity instruments?**
	Please refer Equity Exposure Matrix by Sovereign Credit Rating (Matrix 4 under Regulation 12 of Investment Regulations).
Q20	**Is there country-level limit on Property and Infrastructure Exposure?**
	Please refer Property and Infrastructure Exposure Matrix by Sovereign Credit Rating (Matrix 5 under Regulation 13 of Investment Regulations).
Q21	**Is there Entity/Group/Industry-level limit on exposures?**
	Please refer Investment Asset Exposure Matrix to Entity, Group and Industry (Matrix 6 under Regulation 14 of Investment Regulations).

g) <u>IFSCA (Preparation and Presentation of Financial Statements of International Financial Service Centre Insurance Offices) Regulations, 2022 (hereinafter referred as, “F&A Regulations”)</u>

Q1	What is the objective of these regulations?
	These regulations aim to put in place the process of preparation and presentation of financial statements of IIO.
Q2	**What accounting year is followed by IIOs?**
	As per clause (ii) of sub-regulation (1) of Regulation 4 of F&A Regulations, accounting year shall refer to a period ending on the 31st March every year. However, for an IIO set up in an unincorporated entity form, it shall refer the financial year followed by its parent entity.
Q3	**What is meant by policyholders’ funds?**
	As per clause (ix) of sub-regulation (1) of Regulation 4 of F&A Regulations, Policyholders’ Fund shall mean the sum of estimated liability for Outstanding Claims and includes incurred but not reported (‘IBNR’), incurred but not enough reported (‘IBNER’), unexpired risk reserve (‘URR’), premium deficiency reserve (‘PDR), catastrophe reserve (‘CR'), and other liabilities net off other assets.
Q4	**What is meant by shareholders’ funds?**
	As per clause (x) of sub-regulation (1) of Regulation 4 of F&A Regulations, Shareholders' Funds shall mean share capital plus all reserves and surplus (except revaluation reserve and fair value change account) net of accumulated losses and miscellaneous expenditure to the extent not written off as at the Balance Sheet date. However, for IIOs in an unincorporated form, ‘assigned capital’ shall be reckoned instead of ‘share capital’.
Q5	**What accounting standards are applicable on an IIO?**
	As per Regulation 5 of F&A Regulations, an IIO set up in an unincorporated form, shall prepare its financial statements in accordance with the accounting standards applicable to its Parent Entity. An IIO set up in an incorporated form, shall prepare its financial statements in accordance with the accounting standards issued by the Institute of Chartered Accountants of India (ICAI), except that: (1) Cash Flow Statements shall be prepared only under the Direct Method as provided under Accounting Standard 3 (AS 3); (2) Segment Reporting shall be prepared in accordance with Accounting Standard 17 (AS 17), irrespective of the requirements regarding listing and turnover mentioned therein; (3) Accounting Standard 13 (AS 13) on Accounting for Investments shall not be

	applicable; Provided that the Authority may specify the transition to IFRS or any other accounting standard, as and when it deems fit.
Q6	**Do all IIOs have to prepare and present financial statements as per the F&A regulations?**
	As per Regulation 5-6 of F&A Regulations, IIOs set up in an incorporated form shall adhere to the accounting principles, standards and disclosures or other requirements, as specified under F&A Regulations. IIOs set up in an unincorporated form, shall prepare its financial statements in accordance with the accounting standards applicable to its Parent Entity. Further, as per sub-regulation (1) Regulation 7 of F&A Regulations, all IIOs (incorporated or otherwise) shall present their financial statements in such form and manner as specified by the Authority.

h) <u>IFSCA (Re-insurance) Regulations, 2023 (hereinafter referred as "RI Regulations")</u>

Q1	What is the objective of these regulations?
	These regulations aim to provide framework for oversight and control of inward and outward arrangement of re-insurance business by IIOs.
Q2	**What is meant by Alternate Risk Transfer?**
	As per clause (c) of sub-regulation (1) of Regulation 3 of RI Regulations, 'Alternate Risk Transfer' or 'ART' means non-traditional structured re-insurance solutions tailored to suit specific needs and profile of an IIO, Indian insurer, foreign insurer or foreign reinsurer.
Q3	**Who is a cedant?**
	As per clause (f) of sub-regulation (1) of Regulation 3 of RI Regulations, cedant means an IIO who underwrites direct insurance business and contractually cedes a part of its risk to a re-insurer.
Q4	**What is meant by cession?**
	As per clause (g) of sub-regulation (1) of Regulation 3 of RI Regulations, cession means the part of risk passed to a re-insurer by the cedant.
Q5	**What is a cover note?**
	As per clause (h) of sub-regulation (1) of Regulation 3 of RI Regulations, cover note means a written document, detailing the terms and conditions of the re-insurance contract, issued by a re-insurer, composite or re-insurance broker authorised by the re-insurer to the cedant or retrocessionaire.
Q6	**What is meant by DTA?**
	As per clause (i) of sub-regulation (1) of Regulation 3 of RI Regulations, 'Domestic Tariff Area' or 'DTA' means the whole of India (including the territorial waters and continental shelf) but does not include the areas of the Special Economic Zones established under The Special Economic Zones Act, 2005 (28 of 2005).
Q7	**What is meant by fronting?**
	As per clause (h) of sub-regulation (1) of Regulation 3 of RI Regulations, fronting means a process of transferring risk in which an IIO cedes or retro-cedes most or all of the assumed risk to a re-insurer or retrocessionaire.
Q8	**What is an insurance pool?**

	As per clause (m) of sub-regulation (1) of Regulation 3 of RI Regulations, insurance pool means a joint underwriting operation of insurance or re-insurance business, in which the participating IIOs assume a predetermined share in all business written.
Q9	**What is meant by a contract of reinsurance?**
	As per clause (s) of sub-regulation (1) of Regulation 3 of RI Regulations, re-insurance contract refers to a commercial agreement which is legally binding on all the parties evidenced by a Re-insurance Slip or Cover Note or any other suitable document.
Q10	**What is a reinsurance slip?**
	As per clause (t) of sub-regulation (1) of Regulation 3 of RI Regulations, re-insurance slip refers to a document which provides the abridged details of the risk, terms and conditions offered for re-insurance. As per Regulation 5 of RI Regulations, any contract classified as a re-insurance contract shall have the following characteristics – (1) It shall meet the risk transfer requirements for particular accounting year (2) It protects the ceding insurer or retrocessionaire from negative financial impacts arising from the underlying insurance business ceded.
Q11	**What is meant by retrocession?**
	As per clause (w) of sub-regulation (1) of Regulation 3 of RI Regulations, retrocession means a re-insurance transaction whereby a part of assumed re-insured risk is further ceded to another re-insurer.
Q12	**What is meant by a reinsurance treaty?**
	As per clause (h) of sub-regulation (1) of Regulation 3 of RI Regulations, treaty means a re-insurance contract between a cedant and a re-insurer, or between a re-insurer and a retrocessionaire which stipulates the technical particulars and financial terms applicable to the re-insurance of defined class(es) or segment(s) of business.
Q13	**What is a re-insurance strategy and re-insurance programme?**
	As per sub-regulation (1) of Regulation 4 of RI Regulations, every IIO shall develop and document its Re-insurance Strategy and Re-insurance Programme (RSRP) which shall form an integral part of the IIO’s overall underwriting strategy and risk management philosophy.

	Further, as per sub-regulation (2) of Regulation 4 of RI Regulations, the policies and procedures for selecting and monitoring re-insurance arrangements as well as management responsibilities and controls including re-insurance management systems shall be included in the RSRP.

i) <u>IFSCA (Assets, Liabilities, Solvency Margin and Abstract of Actuarial Report for Life Insurance Business) Regulations, 2023 (hereinafter referred as "ALSM LI Regulations")</u>

Q1	What is the objective of these regulations?
	These regulations aim to specify the requirements related to capital, solvency and submission of abstract of actuarial report by an IIO for undertaking Life Insurance Business.
Q2	**Are these regulations applicable for all IIOs?**
	As per Regulation 2 of ALSM LI Regulations, these regulations shall be applicable to IIOs undertaking life insurance business. However, for an IIO set up in an unincorporated form, solvency margin and related requirements under these regulations shall not be applicable and such IIO shall comply with related requirement as stipulated under sub-regulation (4) of regulation 17 of the IFSCA (Registration of Insurance Business) Regulations, 2021. In any case, the reporting formats specified under these regulations shall continue to be applicable for all IIOs.
Q3	**What are mathematical reserves?**
	As per clause (k) of sub-regulation (1) of Regulation 4 of ALSM LI Regulations, mathematical reserves means the provision made by an insurer to cover liabilities (excluding liabilities which have fallen due and liabilities arising from deposit back arrangement in relation to any policy whereby an amount is deposited by re-insurer with the cedant) arising under or in connection with policies or contracts of life insurance business. Mathematical reserves also include specific provision for adverse deviations of the bases such as mortality and morbidity rates; interest rates and expense rates; and any explicit provision made in the valuation of liabilities in accordance with the regulations.
Q4	**What do you mean by 'sum at risk'?**
	As per clause (s) of sub-regulation (1) of Regulation 3 of ALSM LI Regulations, 'Sum at risk', in relation to a life insurance policy, means – (i) the amount payable, in any case in which an amount is payable on death or any other contingencies covered, in a manner other than as in (ii) below, (ii) the present value of the benefit, where the benefit under the policy in question consists of making payment of annuity, in lump sum, or in instalments or any other kind of periodic payments, on death or any other contingency, in terms of the policy,

	less in either case, the mathematical reserves in respect of that policy.
Q5	**What reporting is envisaged under these regulations?**
	As per sub-regulation (1) of Regulation 5 of ALSM LI Regulations, an IIO shall prepare and submit to the Authority the following statements with such periodicity as may be specified: (a) A statement of admissible assets in FORM ALSM-L-A, as specified under Schedule- I. (b) A statement of the amount of liabilities in FORM ALSM-L-L, as specified under Schedule- II. (c) A statement of solvency margin in FORM ALSM-L-SM1, FORM ALSM-L-SM2 and FORM ALSM-L-SM3, as specified under Schedule- III Further, as per sub-regulation (2) of Regulation 5 of ALSM LI Regulations, an IIO shall also submit – (a) Annual Actuarial Report prepared by the Appointed Actuary to the Authority in accordance with and in such manner as may be specified; (b) Valuation of Assets & Liabilities and the computation of solvency margin duly certified by Appointed Actuary; (c) such other reports as may be directed by the Authority Further, as per Explanation to Regulation 5 of ALSM LI Regulations, these requirements shall be applicable even in cases where the capital is being maintained in accordance with the home country regulations.
Q6	**What is the manner of valuing the assets?**
	As per Schedule – I of ALSM LI Regulations, the following assets shall be placed with value zero – (a) Movable and Immovable property excluding financial instruments and any other asset as may be specified by the Authority; (b) Agents' and Intermediaries' balances and outstanding premiums in India, to the extent they are not realised within a period of thirty days; (c) Agents' and Intermediaries' balances and outstanding premiums outside India, to the extent they are not realisable; (d) Sundry debts, to the extent they are not realisable; (e) Advances and receivables of an unrealisable character;

	(f) Furniture, fixtures, dead stock, and stationery; (g) Deferred expenses; (h) Debit balance of Profit and loss appropriation account and any fictitious assets other than prepaid expenses; (i) Reinsurer's balances outstanding for more than ninety days; (j) Leasehold improvements; (k) Goods and Service Tax Unutilized Credit outstanding for more than ninety days; (l) Any other assets, as may be specified by the Authority from time to time. All other assets of the IIO shall be valued in accordance with the applicable regulations and any instructions issued by the Authority in this regard.
Q7	**What is the method of determination of Mathematical Reserves?**
	Please refer to para 2(1) of Schedule – II of ALSM LI Regulations.
Q8	**What is meant by Available Solvency Margin?**
	As per para 1(1) of Schedule – III of ALSM LI Regulations, Available Solvency Margin means the excess of value of assets (as furnished in Form ALSM -L-A) over the value of life insurance liabilities (as furnished in Form ALSM -L-L) and other liabilities of policyholders' fund and shareholders' funds.
Q9	**What is meant by solvency ratio?**
	As per para 1(2) of Schedule – III of ALSM LI Regulations, solvency ratio means the ratio of Available Solvency Margin to Required Solvency Margin as specified in Form ALSM-L-SM3.
Q10	**What is meant by Control Level of Solvency?**
	As per para 1(3) of Schedule – III of ALSM LI Regulations, Control level of Solvency refers to the specified level of solvency margin to be maintained by the IIO, without prejudice to taking any other remedial measures as deemed fit. Currently, the control level of solvency is specified as a minimum solvency ratio of 150%.

j) IFSCA (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023 (hereinafter referred as "ALSM GI Regulations")

Q1	What is the objective of these regulations?

	These regulations aim to specify the requirements related to capital and solvency for undertaking general, health, or re-insurance business by IIOs.
Q2	**Are these regulations applicable for all IIOs?**
	As per Regulation 2 of ALSM GI Regulations, these regulations shall be applicable to IIOs undertaking general, health, or re-insurance business. However, for an IIO set up in an unincorporated form, solvency margin and related requirements under these regulations shall not be applicable and such IIO shall comply with related requirement as stipulated under sub-regulation (4) of regulation 17 of the IFSCA (Registration of Insurance Business) Regulations, 2021. In any case, the reporting formats specified under these regulations shall continue to be applicable for all IIOs.
Q3	**What are incurred but not enough reported reserves?**
	As per clause (f) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, incurred but not enough reported reserves or IBNER reserves means the reserves reflecting the expected changes in the estimates of reported claims as on the accounting date.
Q4	**What are incurred but not reported reserves?**
	As per clause (g) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, incurred but not reported reserves or IBNR reserves means the estimate made for reopened claims, provision for incurred but not reported claims, provision for claims in transit as on the accounting date and includes allocated loss adjustment expenses (ALAE) and incurred but not enough reported reserves.
Q5	**What is ALAE?**
	As per clause (b) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, ALAE or allocated loss adjustment expenses mean the expenses which are directly attributable to a specific claim.
Q6	**What is outstanding claim reserves?**
	As per clause (j) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, outstanding claim reserves means the provision made in respect of all outstanding reported claims as on the accounting date and includes allocated loss adjustment expenses.

Q7	**What is premium deficiency reserve?**
	As per clause (k) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, premium deficiency reserve means the reserve held in excess of the unearned premium reserve, which allows for any expectation that the unearned premium reserve will be insufficient to cover the cost of claims and related expenses incurred during the period of unexpired risk.
Q8	**What is unearned premium reserve?**
	As per clause (m) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, unearned premium reserve means an amount representing that part of the premium written which is attributable and to be allocated to the succeeding accounting periods representing the unexpired portion of the risks on the policies.
Q9	**What is unexpired risk reserve?**
	As per clause (n) of sub-regulation (1) of Regulation 4 of ALSM GI Regulations, unexpired risk reserves means the reserves in respect of the liabilities for unexpired risks and determined as the aggregate of unearned premium reserve and premium deficiency reserve.
Q10	**What reporting is envisaged under these regulations?**
	As per sub-regulation (1) of Regulation 5 of ALSM GI Regulations, an IIO shall prepare and submit to the Authority the following statements with such periodicity as may be specified: (a) A statement of admissible assets in FORM ALSM-GI-A, as specified under Schedule- I. (b) A statement of the amount of liabilities in FORM ALSM-GI-L, as specified under Schedule- II. (c) A statement of solvency margin in FORM ALSM-GI-SM, as specified under Schedule- III Further, as per sub-regulation (2) of Regulation 5 of ALSM GI Regulations, an IIO shall also submit – (a) Annual Actuarial Report prepared by the Appointed Actuary to the Authority in accordance with and in such manner as may be specified; (b) Valuation of Assets & Liabilities and the computation of solvency margin duly certified by Appointed Actuary; (c) such other reports as may be directed by the Authority Further, as per Explanation to Regulation 5 of ALSM GI Regulations, these requirements shall be applicable even in cases where the capital is being maintained in accordance with

	the home country regulations.
Q11	**What is the manner of valuing the assets?**
	As per Schedule – I of ALSM GI Regulations, the following assets shall be placed with value zero – (a) Movable and Immovable property excluding financial instrument and any other asset as may be specified by the Authority; (b) Agents' and Intermediaries' balances and outstanding premiums to be payable by policyholders from outside India, to the extent they are not realisable; (c) Sundry debts, to the extent they are not realisable; (d) Advances and receivables of an unrealisable character; (e) Furniture, fixtures, dead stock, and stationery; (f) Deferred expenses; (g) Debit balance of Profit and loss appropriation account and any fictitious assets other than prepaid expenses; (h) Co-insurer's balances outstanding for more than ninety days; (i) Re-insurer's balances outstanding for more than 180 days; (j) Leasehold improvements; (k) Goods and Service Tax Unutilized Credit outstanding for more than ninety days; (l) Any other assets, as may be specified by the Authority from time to time. All other assets of an insurer shall be valued in accordance with the applicable regulations and any instructions issued by the Authority in this regard.
Q12	**What is the method of determination of various reserves?**
	Please refer to Schedule II of ALSM GI Regulations
Q13	**What is meant by Available Solvency Margin?**
	As per para 1(1) of Schedule – III of ALSM GI Regulations, Available Solvency Margin means the excess of value of assets (as furnished in Form ALSM -GI-A) over the value of liabilities (as furnished in Form ALSM-GI-L) with further adjustments as provided in Table IB of Form ALSM-GI-SM.
Q14	**What is meant by solvency ratio?**

	As per para 1(2) of Schedule – III of ALSM GI Regulations, Solvency ratio means the ratio of Available Solvency Margin to Required Solvency Margin as specified in Table IB.
Q15	**What is meant by Control Level of Solvency?**
	As per para 1(3) of Schedule – III of ALSM GI Regulations, Control level of Solvency refers to the specified level of solvency margin to be maintained by the IIO in accordance with sub-section (3) of Section 64VA of the Insurance Act, 1938, on the breach of which the Authority shall act in accordance with sub- section (4) of section 64VA of the Insurance Act, 1938, without prejudice to taking any other remedial measures as deemed fit. Currently, the control level of solvency is specified as a minimum solvency ratio of 150%.

k) <u>IFSCA (Management Control, Administrative Control and Market Conduct of insurance business) Regulations, 2023 (hereinafter referred as “MGT Regulations”)</u>

Q1	What is the objective of these regulations?
	These regulations aim to put in place the regulatory framework related to Management Control, Administrative Control and Market Conduct of insurance business carried out by an IIO or IIIO.
Q2	**Who are these regulations applicable upon?**
	As per Sub-regulation (3) of regulation 1 of MGT Regulations, these regulations shall be applicable to all IIOs and also to the International Insurance Intermediary Offices (IIIOs), to the extent specified hereunder.
Q3	**What is meant by confidential information?**
	As per clause (h) of sub-regulation (1) of Regulation 3 of MGT Regulations, (a) **<u>In relation to a foreign entity:</u>** It means the information obtained from a foreign entity that cannot be made available in public domain regarding which the concerned foreign entity has requested that secrecy be maintained either explicitly or under any agreement or Memorandum of Understanding to which both the foreign entity and the Authority are signatories, (b) **<u>In relation to domestic entity:</u>** It means the information defined as such in the applicable domestic laws.
Q4	**In whose custody the confidential information is kept?**
	As per clause (i) of sub-regulation (1) of Regulation 3 of MGT Regulations, the confidential information is kept in the custody of an officer, not below the rank of Deputy General Manager of the Authority.
Q5	**Who is a domestic entity?**
	As per clause (j) of sub-regulation (1) of Regulation 3 of MGT Regulations, domestic entity for the purposes of these regulations shall mean an entity registered with the Authority for carrying out insurance or re-insurance business in an IFSC.
Q6	**What all is included in expenses of management?**
	As per clause (k) of sub-regulation (1) of Regulation 3 of MGT Regulations, Expenses of management or ‘EoM’ includes all operating expenses such as commission, remuneration payable to the insurance agents, intermediaries or insurance intermediaries. Charges against profit such as income tax, wealth tax, service tax and other taxes borne by the IIO shall not form part of EoM.

Q7	**Who is a foreign entity?**
	As per clause (l) of sub-regulation (1) of Regulation 3 of MGT Regulations, foreign entity means an entity incorporated and registered outside India and includes a foreign financial regulatory authority.
Q8	**What is meant by the term information?**
	As per clause (m) of sub-regulation (1) of Regulation 3 of MGT Regulations, (a) **<u>In relation to a foreign entity:</u>** It means information in any material form relating to a foreign authority being a foreign financial regulatory authority and/or information relating to any other foreign financial entity. (b) **<u>In relation to domestic entity:</u>** It shall be as defined in Section 2 (f) of The Right to Information Act 2005.
Q9	**Who is a regulated entity?**
	As per clause (n) of sub-regulation (1) of Regulation 3 of MGT Regulations, regulated entity means an entity registered with the Authority for carrying insurance or reinsurance business in the IFSC and includes an entity which has applied for carrying out insurance or re-insurance business in the IFSC.
Q10	**Who is a requesting authority?**
	As per clause (o) of sub-regulation (1) of Regulation 3 of MGT Regulations, requesting authority means the authority making request to other authority for information under these regulations.
Q11	**Who is a requested authority?**
	As per clause (p) of sub-regulation (1) of Regulation 3 of MGT Regulations, requested authority means the authority to whom request for information is made under these regulations.
Q12	**In case of a merger, amalgamation or transfer involving an IIO, what provisions are stipulated?**
	As per Regulation 9 of MGT Regulations, in case of a merger, amalgamation or transfer involving an IIO, such IIO shall obtain prior approval of the Authority and shall also ensure that – (a) the available solvency margin of the proposed merged entity will not be lower than the required solvency margin; (b) the scheme is compliant with all applicable laws and regulations; and

	(c) the scheme does not compromise on the best interests of the policyholders.
Q13	**Can stipulations under these regulations over-ride the obligations under IAIS Multilateral Memorandum of Understanding (MMoU)?**
	No, as per sub-regulation (7) of Regulation 14 of MGT Regulations, in the event of any inconsistency between any clause or clauses of MGT regulations and the obligations cast on the IFSCA under the Multilateral Memorandum of Understanding with International Association of Insurance Supervisors (IAIS MMoU), the latter shall prevail to the extent of such inconsistency.
Q14	**If a change happens in shareholding pattern, what should an IIO do?**
	Please refer to Chapter – II of MGT Regulations.
Q15	**Does an IIO need a policy on EoM?**
	Yes, a Board approved policy on the matter is required. For details, please refer to Regulation 10 of MGT Regulations.
Q16	**Does an IIO need a policy on payment of commissions?**
	Yes, a Board approved policy on the matter is required. For details, please refer to Regulation 11 of MGT Regulations.
Q17	**Does an IIO need a policy on places of business?**
	Yes, a Board approved policy on the matter is required. For details, please refer to Regulation 12 of MGT Regulations.
Q18	**What stipulations are placed on outsourcing?**
	Please refer to Regulation 13 of MGT Regulations.
Q19	**How does sharing of confidential information concerning domestic or foreign entity happen?**
	Please refer to Regulation 14 of MGT Regulations.
Q20	**Is there any restriction on the advertising activities of an IIO?**
	Please refer to Regulation 18 of MGT Regulations.

Q21	**How do the regulations ensure policyholder protection?**
	Please refer to Regulation 19 of MGT Regulations.