

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Exposure Draft

Hyderabad, the 25th November, 2022

Insurance Regulatory and Development Authority of India (Re-insurance) (Amendment) Regulations, 2022

F. No. IRDAI/ Reg/ / /2022 In exercise of the powers conferred by Section 114A of the Insurance Act, 1938, read with Sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 the Authority in consultation with the Insurance Advisory Committee, hereby makes amendment to the following Regulations.

- a. Insurance Regulatory and Development Authority of India (Re-insurance) Regulations, 2018
- b. Insurance Regulatory and Development Authority of India (Registration and Operations of Branch Offices of Foreign Re-insurers other than Lloyd's) Regulations, 2015
- c. Insurance Regulatory and Development Authority of India (Lloyd's India) Regulations, 2016

1. Short Title and commencement:

- i. These Regulations may be called the Insurance Regulatory and Development Authority of India (Re-insurance) (Amendment) Regulations, 2022.
- ii. These Regulations shall come into force from 1st April, 2023.

2. **Objective:** The objective of these amendments is to harmonize the provisions of various regulations applicable to Indian Insurers and Indian Re-insurers including Foreign Re-insurance Branches (FRBs) and Lloyd's India and to enhance ease of doing business.

CHAPTER - I

AMENDMENT TO THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (RE-INSURANCE) REGULATIONS, 2018

3. In Regulation 1, sub-Regulation (4) shall be inserted, namely:
These Regulations shall be reviewed once every three years from the date of notification of the Insurance Regulatory and Development Authority of India (Re-insurance) (Amendment) Regulations, 2022 unless a review, repeal or amendment is warranted earlier.
4. In Regulation 3, Clause (C) of sub-Regulation (2) is deleted and replaced by the following :
"Every Indian Re-insurer including Foreign Re-insurance Branches (FRBs) shall maintain a minimum retention within India of 50% of Indian reinsurance business underwritten. Any retrocession to an IIO up to 20% of Indian reinsurance business underwritten shall be reckoned towards the required minimum retention of 50%."

5. In Regulation 3, Clause (b) of sub-Regulation (3)(A) is deleted and replaced by the following:

“submit to the Authority, no later than 45 days before the commencement of the Financial Year, its proposed Re-insurance programme for the forthcoming Financial Year in the summary format as may be specified by Authority.”
6. In Regulation 3, clause (c) of sub-Regulation 3 (A), the following is substituted for ‘within 30 days of the commencement of the Financial Year’

‘within 45 days of the commencement of the Financial Year’
7. In Regulation 3, Clause (c) (i) of sub-Regulation (3)(A) shall be substituted namely:

‘its Board approved Final Re-insurance Programme specifically highlighting the variation, if any, from the expiring Re-insurance Programme as well as from the proposed Re-insurance Programme submitted under 3 (3) (A) (b).’
8. In Regulation 3, clause (e) of sub-Regulation (3) A is inserted:-

‘Within 90 days from the commencement of Financial Year, submit to the Authority a certification from the CEO of the Insurer confirming that all Re-insurance Treaty Agreements associated with the Re-insurance Programme of the Financial Year have been received in original, duly stamped and signed, from all Re-insurers .’
9. In sub-Regulation (5) of Regulation 3, the words “each and every reinsurance contract,” are deleted.
10. In Regulation 5, Clauses A, B and C of sub-Regulation (1) are deleted and replaced with the following: -

“1. Seeking lead reinsurance support:

Every Cedant shall abide by the following provisions whilst seeking best re-insurance terms:

 - A. Every Cedant shall firstly obtain lead terms from at least 3 “Category 1” (as per Clause (a) of sub-Regulation (2)(A) of Regulation 5) reinsurers. In the event a Cedant has been unable to secure lead terms from 3 “Category 1” reinsurers, the Cedant shall maintain on record the evidence of having approached all “Category 1” reinsurers.
 - B. No Cedant shall seek terms from CBRs/IIOs having credit rating below ‘A-’ from Standard & Poor’s or an equivalent credit rating from any other major International Rating Agency.
 - C. Other than for facultative reinsurance protection, no Cedant shall seek terms from any Indian Insurer, which is not registered with the Authority exclusively to transact reinsurance business. “
11. The following explanation is inserted under sub-Regulation 5(1):

Explanation 1: The minimum credit rating stated under sub-Regulation 5(1)(B) shall not be applicable, if an IIO is a subsidiary /branch of an Indian Insurer.
12. In Regulation 5, Clause (A) sub-Regulation (2) is deleted and replaced with the following: -

“ Offer for Participation:

A. Every Cedant shall secure maximum participation by ‘Category 1’ Reinsurers in order to maximise retention within Indian market while fulfilling the minimum necessary placement with the lead Reinsurer quoting the best terms. Every Cedant shall abide by the following provisions whilst seeking placement:

- a) Category 1: Indian Reinsurers, FRBs (including Lloyd’s India) and IIOs;
- b) Category 2: CBRs with rating A+ & above from Standard & Poor’s or an equivalent credit rating from any other major International Rating Agency and which retains minimum 50% of the premium in India in the manner as specified by the Authority;
- c) Category 3: Other Indian Insurers (only in respect of per-risk Facultative placements) and other CBRs.”

Explanation 1:

Other than for facultative reinsurance protection, no Cedant shall seek participation from any Indian Insurer, which is not registered with the Authority exclusively to transact reinsurance business.

Explanation 2: There shall be no priority of Insurers/Re-insurers within any Category.

Explanation 3: A Cedant may opt to not offer participation to a Reinsurer which whilst declining or not quoting lead terms has also notified its declinature to participate.

13. In Regulation 6, sub-Regulation(1) is deleted and replaced by the following: -

“Cession limits:

Re-insurance placements with CBRs by the Indian Insurers transacting other than life insurance business shall be subject to the following overall cession limits during a Financial Year.

Rating of the CBR as per Standard & Poor or equivalent	Maximum overall cession limits allowed per CBR
Greater than A+	such amount* as may be specified by the Authority from time to time or 30%, whichever is higher
Greater than BBB+ and up to and including A+	20%
BBB & BBB+	10%

*At present Rs. 200 crs

Explanation: The above percentages are to be calculated on the total reinsurance premium ceded outside India to all CBRs.”

14. In Regulation 6, sub-Regulation 1A is inserted, namely:

1A. The per CBR limit in the sub-Regulation 6(1), is not applicable for the Re-insurance placements with Category 2 CBR as specified in Reg.5(2)(A).

15. In Regulation 12, sub-Regulation (4) is inserted:

“(4) The Chairperson of the Authority may issue guidelines on issuance of File Reference Number (FRN) to CBR, conditions of renewal of FRN (Regulation 4), ART (Regulation 8), concentration limits of CBR in India, the manner in which Category 2 CBRs retains premium as per Reg. 5, sub regulation (2)(A) (b) and regulatory framework of domestic Insurance Pools”.

CHAPTER - II

AMENDMENT TO THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (REGISTRATION AND OPERATIONS OF BRANCH OFFICES OF FOREIGN REINSURERS OTHER THAN LLOYD’S) REGULATIONS, 2015.

a. After Regulation 4, the following explanation shall be inserted, namely:

“Explanation: Any retrocession to IIO up to 20% of Indian reinsurance business underwritten shall be reckoned towards the required minimum retention of 50%.”

b. In Regulation 5, sub-Regulation (g) shall be substituted, namely:

“(g) The applicant shall infuse a minimum assigned capital of Rupees Fifty crore into the branch office”

c. In Regulation 11, clause (a) of sub-Regulation (2) shall be substituted, namely:

“(a) Documentary proof of evidence of having Rupees Fifty crore or more assigned capital”

CHAPTER - III

AMENDMENT TO THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (LLOYD’S INDIA) REGULATIONS, 2016.

a. After Regulation 8, the following explanation shall be inserted, namely:

“Explanation: Any retrocession to an IIO up to 20% of Indian reinsurance business underwritten shall be reckoned towards the required minimum retention of 50%.”

Debasish Panda (Chairman)

Annexure B

Format for Suggestion on Draft Insurance Regulatory and Development Authority of India (Re-insurance) (First Amendment) Regulations, 2022

Name and contact number:				
Designation and Organisation:				
Sr.	Wordings of the Regulation as per Exposure Draft	Page No. and Para No.	Comments	Rationale for Comments