October – December 2024

With the objective to strengthen the insurance sector, the 8th Bima Manthan, held in November 2024, focused on equipping India's insurance industry for future challenges and aligning it with global standards. Key discussions included the implementation of the Indian Risk-Based Capital regime, Risk-Based Supervisory Framework, and Indian Accounting Standards. Updates on the Bima Sugam digital platform underscored its potential to enhance accessibility and transparency. The event reinforced a collective commitment to achieving the vision of "**Insurance for All by 2047"**.

In line with this vision, the Government of India is considering amendments to the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999. The proposed changes aim to improve accessibility, affordability, and efficiency in the insurance sector. In November 2024, the Ministry of Finance invited stakeholders' comments on proposals such as raising the Foreign Direct Investment limit to 100%, reducing the net owned fund requirement for foreign reinsurers, allowing multi-class insurance businesses, and empowering the Insurance Regulatory and Development Authority of India ("**IRDAI**") to specify lower entry capital for underserved markets. These measures are designed to protect policyholders' interests, increase insurance penetration, and foster economic growth.

According to news reports, the Parliamentary Committee has approved these reforms, and the Insurance Bill may be introduced in the upcoming parliamentary session.

This newsletter captures key regulatory developments in the insurance sector from October to December 2024, highlighting various measures introduced to promote ease of doing business and safeguard policyholders' interests.

Investment of funds of unit linked insurance business

The International Financial Services Centres Authority ("**IFSCA**"), *vide* notification dated October 17, 2024, has issued the IFSCA (Investment by International Financial Services Centre Insurance Office) (Amendment) Regulations, 2024, amending the IFSCA (Investment by International Financial Services Centre Insurance Office) Regulations, 2022. Some of the key amendments are as follows:

1. Regulation 9A is inserted in relation to dealings with the investment of the funds pertaining to unit linked insurance products by International Financial Services Centre Insurance Office ("**IIO**"). Every IIOs must invest and keep invested its funds of unit linked business as per the pattern of investment subscribed by the policyholders, where the units are linked to categories of assets which are both marketable and readily feasible.
2. Matrix 1A under Regulation 9A prescribes the exposure limits for investment of unit linked business assets in entities, group and industry. These limits are applicable at the level of individual segregated fund as set out below:

Sl. No.	Overall exposure by an insurer	Maximum investment by an insurer as a % of the total unit linked business assets
1.	A single entity (investee)	10
2.	Within the IIO's own group	5
3.	To any other single group	15
4.	To a particular industrial sector	15

3. For the investments in passively managed/index-based mutual funds and exchange traded funds, the above-mentioned exposure norms (other than within the IIO's own group) will apply only after (the earlier of): (a) 3 (three) years from the date of launch of individual segregated unit linked fund; or (b) the assets under management of an individual segregated unit linked fund becomes equal to or more than USD 25,000,000 (US Dollars twenty-five million).
4. Regulation 9B is inserted in relation to the investment of retained premiums by IIOs in Domestic Tariff Area ("**DTA**"). The type of investment assets and the maximum exposure limits for such investment by IIOs in DTA must be in accordance with the prescribed Matrix IB as set out below:

Sl. No.	Type of Investment Asset	Maximum Exposure Limit (%)
1.	Securities of Central Government of India	10
2.	Corporate bonds	15
3.	SEBI approved Alternative Investment Funds	10
4.	Immovable property including Real Estate Investment Trusts	5
5.	Infrastructure including Infrastructure Investment Trusts and instruments for financing Infrastructure Assets	5
6.	Money markets instruments for short period	90
7.	Investment in 'equity', preference shares, convertible debentures	25
8.	Investment in debt	90

Streamlining the registration process for insurance businesses within the IFSCA

IFSCA, *vide* notification dated October 17, 2024, has issued the IFSCA (Registration of Insurance Business) (Amendment) Regulations, 2024 amending the IFSCA (Registration of Insurance Business) Regulations, 2021. Some of the key amendments are as follows:

1. at the time of making the application, the applicant must opt for a category under Regulation 5(2)(A) *(Offer for Participation under Procedures for Re-insurance placements) of* the IRDAI (Re-insurance) Regulations, 2018, under which it intends to participate in reinsurance business emanating from the DTA; and
2. certain forms, such as FORM-A (*application by an Indian insurer or Indian re-insurer for grant of certificate of registration as IIO*), FORM-B (*application by a foreign insurer or foreign re-insurer for grant of certificate of registration as an IIO*), FORM-C (*joint application by an managing general agent and foreign insurer or foreign reinsurer for grant of certificate of registration as an IIO*) and FORM-D (*application by an public company, wholly owned subsidy of insurer or re-insurer, insurance co-operative society, body corporate incorporated outside India for grant of certificate of registration as IIO*) in the First Schedule relating to application for registration and FORM A

(*certificate of registration*) and FORM B (*joint certificate of registration for managing general agent and relevant foreign insurer or foreign re-insurer*) in Fourth Schedule relating to certificate of registration, are omitted, pursuant to the introduction of Single Window IT Systems (SWITS) by the IFSCA.

Please click here to access the consolidated IFSCA (Registration of Insurance Business) Regulations, 2021 (*updated as on October 17, 2024*).

Improving processes for claims for relief against environmental damages

The Ministry of Environment, Forest and Climate Change ("**MoEFCC**"), *vide* notification dated December 17, 2024, has issued the Public Liability Insurance (Amendment) Rules, 2024, amending the Public Liability Insurance Rules, 1991. Some of the key provisions are as follows:

1. Rule 3 is revised to specify that applications for property restoration can be made to the collector in Form I. Further, it is clarified that an application for claim for restoration of the property may also be filed by a person who holds an interest in the affected public property, and can demonstrate a direct and substantial connection with that property;

2. Rule 3A is inserted outlining the process for allocating funds from the Environmental Relief Fund ("**Fund**") for environmental damage restoration. The Central Pollution Control Board ("**CPCB**") or State Pollution Control Boards ("**SPCBs**") must apply to the Central Government in Form II for allocation of funds from the Fund. The Central Government will determine the amount to be allocated from the Fund, which cannot exceed 10% of the amount available in the Fund, and an order in this regard will be issued in Form III;

3. Rule 5A is inserted mandating industrial units to publicise among the affected persons their right to claim for relief in case of an accident occurring in any industrial unit;

4. Rule 9 is substituted to specify that the notice of intent to make a complaint of an alleged offence under Section 18(b) of the Public Liability Insurance Act, 1991 must be sent through registered speed post or electronic mail using Form IV, to the CPCB or to the secretary to the Government of India in the MoEFCC (in case the offence is committed in Union Territory) or to the SPCB or to the secretary of the State Government in charge of the Department of Environment and Forest (in case offence is committed in the State);

5. the maximum insurance policy limit under Section 4(2A) of the Public Liability Insurance Act, 1991 is increased to INR 250,00,00,000 (Indian Rupees two hundred and fifty crore) per incident (*earlier this was INR 5,00,00,000 (Indian Rupees five crore)*) and INR 500,00,00,000 (Indian Rupees five hundred crore) for multiple accidents in a policy year (*earlier this was INR 15,00,00,000 (Indian Rupees fifteen crore)*). The owner is liable to reimburse or provide relief for the loss or damage in accordance with the amounts specified in the Second Schedule of the amended rules; and

6. Rules 12 to 16 are inserted outlining the process for filing complaints (Form V), manner of holding inquiries (involving issuance of notice by the adjudicating officer in Form VI and evidence submission in Form VII), transfer of complaint, extension of time and issuing orders or fines. The adjudicating officer is required to complete the proceeding within 6 (six) months of the issuance of the notice.

Insurance Practice

JSA is a trusted advisor to leading insurers, reinsurers, brokers, underwriters and consultants on complex transactions, disputes, financing and regulatory and commercial matters. The team with domain-expertise in the sector has an unparalleled ability to assist insurance companies in their Indian operations. JSA has been keenly involved in advising private players both in life and non-life insurance sectors on diverse matters relating to: (a) Regulatory approvals; (b) Compliance requirements; (c) M&A transactions; (d) corporate and regulatory issues; (e) Litigation relating to insurance claims.

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