

KEY CONCEPTS

■ Insurance ■ Reinsurance ■ Managing General Agent ■ Lloyd's and Lloyd's IFSC ■ Assigned Capital ■ Available Solvency Margin ■ Domestic Tariff Area ■ Net Owned Fund

Learning Objectives

To understand:

- Basic concepts of insurance and reinsurance in an IFSC
- Regulatory role of IFSCA in insurance and reinsurance
- Entities eligible to operate as IFSC Insurance Offices (IIOs)
- Process of setting up and registering an IIO
- Permissible insurance and reinsurance activities in an IFSC
- Capital, solvency, and governance requirements for IIOs
- Re-insurance strategies and their objectives

Lesson Outline

- Key Concepts
- Regulatory Framework
- Setting up of an IFSC Insurance Office
- Procedure for Registration
- Permissible Activities
- Basic Regulatory and Governance Requirements
- Re-insurance Strategy and Objectives of Re-insurance Programme
- Lesson Round-up
- Glossary
- Test Yourself
- List of Further Readings

INSURANCE & REINSURANCE - KEY CONCEPTS

To understand insurance and reinsurance activities in an International Financial Services Centre (IFSC), it is important to become familiar with certain key terms and concepts used in the regulatory framework prescribed by the IFSCA.

International Financial Service Centre Insurance Office (IIO)

An IIO is a financial institution, which means a unit set up in an IFSC that is engaged in rendering financial services in respect of any financial product such as securities, contracts of insurance, deposits, credit arrangements, that is registered with the IFSCA to undertake permitted insurance or reinsurance activities in an IFSC.

An IIO may operate as:

- A place of business of an Indian insurer
- A branch office of a foreign insurer or reinsurer
- An MGA or Lloyd's IFSC entity

No insurance or reinsurance activity can be carried out in an IFSC without registration as an IIO.

Insurance

Insurance is a financial arrangement under which an insurer agrees to provide financial protection against specified risks in exchange for a premium. In an IFSC, insurance business may include:

- Life Insurance Business
- General Insurance Business
- Health Insurance Business

Insurance contracts entered into by IFSC Insurance Offices (IIOs) are regulated by the IFSCA and must comply with the conditions laid down in the Registration of Insurance Business Regulations, 2021.

Reinsurance

Reinsurance means the insurance of part of one insurer's risk by another insurer who accepts the risk for a mutually acceptable premium. The primary objective of reinsurance is to:

- Spread risk
- Improve financial stability of insurers
- Enhance underwriting capacity

An IIO registered to transact reinsurance business may be permitted to do so

- from the cedents based in the IFSC,
- in relation to risk emanating from other SEZs and
- from outside India
- from insurers operating in DTA subject to the IRDAI (Re-insurance) Regulations, 2018

Applicant

An Applicant refers to any eligible entity seeking registration to operate insurance or reinsurance business in an IFSC. This includes:

- Indian insurers registered with IRDAI

- Foreign insurers or foreign reinsurers
- Society of Lloyd's on behalf of Members of Lloyd's
- Branch Office of foreign insurer or Lloyd's India registered by the IRDAI
- Public company or a wholly owned subsidiary of an insurer or a Reinsurer which is formed and registered under the Companies Act, 2013
- Managing General Agents (MGAs) who has a valid binding agreement with a Foreign Insurer or Foreign Re-insurer
- Body corporate incorporated under the law of any country outside India not being of the nature of a private company
- Insurance co-operative societies.

Each Applicant must meet eligibility, capital, and governance requirements prescribed by IFSCA .

Managing General Agent (MGA)

MGA means

- a body corporate incorporated outside India that is authorized to undertake insurance or re-insurance or both pursuant to a binding agreement with a Foreign Insurer or Foreign Re-insurer; or
- a company incorporated under the Companies Act, 2013 that is authorized to undertake business of insurance or re-insurance or both pursuant to a binding agreement with a Foreign Insurer or Foreign Reinsurer.

Lloyd's and Lloyd's IFSC

Lloyd's means the society of underwriters incorporated in the United Kingdom as Lloyd's. Lloyd's IFSC means the branch office of the Lloyd's granted certificate of registration by the IFSCA under the Registration of Insurance Business Regulations, 2021 to transact insurance or re-insurance business.

Domestic Tariff Area (DTA)

The Domestic Tariff Area (DTA) means the whole of India (including the territorial waters and continental shelf) but does not include the areas of the Special Economic Zones.

Net Owned Fund (NOF)

Net Owned Fund (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.

Note: NOF should be computed based on last audited Balance Sheet. Any capital raised after date of the Balance Sheet, should not be accounted for calculating NOF.

Assigned Capital

An Indian Insurer desirous of setting up place of business, a Foreign Insurer, a Foreign Re-insurer or MGA or Lloyd's desirous of setting up branch office in an IFSC shall maintain a minimum assigned capital in any freely convertible foreign currency equivalent to USD 1.5 million.

Available Solvency Margin

Available Solvency Margin means the excess of value of assets over the value of life insurance liabilities and other liabilities of policyholders' fund and shareholders' funds.

REGULATORY FRAMEWORK

The regulatory framework for insurance and reinsurance activities in an International Financial Services Centre (IFSC) in India is governed by the International Financial Services Centres Authority (IFSCA).

The key regulation governing insurance operations in an IFSC is the IFSCA (Registration of Insurance Business) Regulations, 2021, as amended from time to time. These regulations lay down the eligibility conditions, registration process, permissible activities, governance norms, and supervisory powers of the Authority.

Role of IFSCA in Insurance and Reinsurance

IFSCA acts as a single unified regulator for all insurance and reinsurance entities operating in an IFSC. Its role includes:

- Granting registration to eligible insurers and reinsurers
- Regulating operations of IFSC Insurance Offices (IIOs)
- Ensuring financial soundness, solvency, and governance standards
- Monitoring compliance with international best practices
- Protecting policyholders' and market interests

Through this framework, IFSCA aims to promote IFSCs as globally competitive insurance and reinsurance hubs while maintaining strong regulatory oversight.

Entities Covered under the Regulatory Framework

The regulatory framework applies to a wide range of entities that may operate in an IFSC, including:

- Indian insurers and reinsurers
- Foreign insurers and foreign reinsurers
- Managing General Agents (MGAs)
- Lloyd's and Lloyd's IFSC
- Public companies and wholly owned subsidiaries
- Insurance co-operative societies
- Other eligible body corporates

Each category of applicant is subject to specific eligibility and operational requirements as prescribed under the Registration of Insurance Business Regulations, 2021.

Requirement of Registration

Registration with IFSCA is mandatory.

No person or entity is allowed to commence insurance or reinsurance business in an IFSC without obtaining a Certificate of Registration from the IFSCA.

This requirement ensures that only entities with adequate financial strength, governance structure, and regulatory compliance record are permitted to operate in the IFSC ecosystem.

Regulatory Objectives

The regulatory framework has been designed to achieve the following objectives:

- Establish a transparent and predictable regulatory environment
- Encourage participation of global insurers and reinsurers
- Ensure capital adequacy and solvency
- Maintain high standards of corporate governance
- Prevent money laundering and terrorist financing
- Align IFSC insurance regulation with international standards

These objectives support the long-term development of IFSCs as international insurance and reinsurance centres.

Supervisory and Enforcement Powers

IFSCA is empowered to:

- Inspect and investigate the affairs of IIOs
- Call for information and records
- Issue guidelines, circulars, and clarifications
- Take disciplinary action, including suspension or cancellation of registration
- Permit surrender of registration subject to conditions

These powers enable IFSCA to ensure continuous compliance and protect the integrity of the IFSC insurance market.

Significance of the Regulatory Framework

The regulatory framework for insurance and reinsurance in IFSCs strikes a balance between ease of doing business and robust regulation. By providing flexibility in currency operations, global participation, and governance norms while maintaining strict oversight, IFSCA creates a secure and competitive environment for international insurance business in India.

SETTING UP OF AN IFSC INSURANCE OFFICE

Registration

To ensure that only qualified and properly supervised entities operate within the IFSC, the IFSCA requires all insurance and reinsurance providers to obtain formal registration before commencing business.

1) Requirement of Registration

No person or entity may commence the business of insurance or reinsurance in the IFSC unless they have obtained registration from the IFSCA in accordance with the provisions Registration of Insurance Business Regulations, 2021.

This ensures that all participants meet minimum standards of financial soundness, governance, and operational capability.

2) Application for Registration

An Applicant including Lloyd's seeking registration must make an application in the forms as specified by the IFSCA.

These forms outline the information, documents, and declarations required for assessment by the IFSCA.

Explanation:

(i) Provisions related to Lloyd's

All regulatory provisions concerning:

- Lloyd's
- Lloyd's IFSC
- Registration of a Service Company of Lloyd's IFSC

are detailed in the Second Schedule of Registration of Insurance Business Regulations, 2021.

This includes eligibility criteria, operational requirements, reporting obligations, and governance standards specific to the Lloyd's market structure.

(ii) Provisions Related to Managing General Agents (MGAs) and Foreign Insurers/Reinsurers

Regulatory provisions applicable to:

- MGAs
- The Foreign insurer or Foreign reinsurer they represent
- Their requirements for registration in the IFSC

are set out in the Third Schedule of Registration of Insurance Business Regulations, 2021.

These provisions govern the conditions under which such entities may operate through MGAs within the IFSC framework.

Eligibility Conditions for Registration

- 1) An Indian insurer or re-insurer, desirous of setting up a place of business in an unincorporated form in an IFSC, must meet with the following requirements –
 - a) The Applicant is duly registered with IRDAI for undertaking the business of insurance or re-insurance in India
 - b) The Applicant has been granted a No Objection Certificate by the IRDAI to set up place of business in an IFSC
 - c) The Board of the Applicant must submit a reporting structure of the officials
 - d) The Applicant has a satisfactory track record in respect of regulatory and supervisory compliance
 - e) The Board of the Applicant undertakes to meet all liabilities arising out of IIOs insurance or re-insurance business
 - f) The Board of the Applicant undertakes to comply with the assigned capital, solvency and other requirements as may be specified by the IFSCA from time to time.
- 2) A foreign insurer or foreign re-insurer or MGA or Lloyd's, desirous of setting up a branch in an unincorporated form in an IFSC, shall meet with the following requirements –

- a) the Applicant is registered or licensed for transacting insurance or re-insurance business, or both, in its home country or country of its incorporation or domicile
 - b) the 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) the Applicant desirous to transact re-insurance business shall comply with the Net Owned Fund requirement specified under the Insurance Act, 1938
 - d) the Board of the Applicant undertakes to comply with the assigned capital, solvency and other requirements as may be specified by the IFSCA from time to time
 - e) the Board of the Applicant undertakes to meet all liabilities arising out of IIO insurance or re-insurance business
 - f) the Applicant has a 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
 - g) the Applicant is registered or certified in a national regulatory environment with which the Government of India has signed a Double Taxation Avoidance Agreement
 - h) the Board of the Applicant shall submit a reporting structure of the officials
 - i) the Applicant has a minimum credit rating having at least good financial security characteristics from any of the internationally renowned credit rating agencies for the last three years.
 - j) the Applicant shall submit all the details and information as may be required and shall comply with any additional requirements as may be specified by the IFSCA. In case the Applicant is an MGA and the relevant Foreign Insurer or Foreign Re-insurer, the IFSCA may advice to comply with applicable requirements.
- 3) 'Branch Office of foreign insurer' or 'Lloyd's India' registered by the IRDAI and desirous of setting up an office in an unincorporated form in an IFSC, must meet with the following requirements:
- a) the Applicant of the 'Branch Office of foreign insurer' or 'Lloyd's India' has been granted No Objection Certificate by the regulatory or supervisory authority of its country of incorporation, to set up an IIO in India
 - b) the Board of the Applicant of the 'Branch Office of foreign insurer' or 'Lloyd's India' shall undertake to comply with the assigned capital, solvency and other requirements as may be specified by the IFSCA from time to time
 - c) the Board of the Applicant of the 'Branch Office of foreign insurer' or 'Lloyd's India' undertakes to meet all liabilities arising out of business undertaken by the IIO
 - d) the Board of the Applicant of the 'Branch Office of foreign insurer' or 'Lloyd's India' shall submit to the Authority a reporting structure of the officials
 - e) the Applicant must submit all the details and information as may be required and shall comply with additional conditions as may be specified by the IFSCA.
- 4) A public company or a wholly owned subsidiary of an insurer or a re-insurer, desirous of setting up an IIO in an IFSC, must be a company limited by shares, which is formed and registered under the Companies Act, 2013.
- 5) 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, 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.

- 6) 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, must meet the following requirements:
 - a) It establishes its place of business in an IFSC, under the provisions of the Companies Act, 2013
 - b) It is registered or certified in a national regulatory environment with which the Government of India has signed a Double Taxation Avoidance Agreement.
- 7) The 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.
- 8) 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.
- 9) Notwithstanding anything, the IFSCA may specify such additional eligibility conditions and may require additional details and information to be submitted by a particular class of Applicants as it deems fit or may relax any of these eligibility conditions stated in these regulations, for reasons recorded in writing.

PROCEDURE FOR REGISTRATION

- 1) An Applicant, including Lloyd's, seeking registration as an IIO may make an application in the relevant form.
- 2) After considering the application the IFSCA, if satisfied, may grant certificate of registration in subject to the conditions as specified under the Regulations or such other additional conditions as it may deem fit. The registration granted remains valid unless it is revoked or cancelled by the IFSCA.
- 3) If, after considering the application, the IFSCA is of the opinion that registration cannot be granted, it shall communicate the deficiencies to the Applicant, giving it thirty days' time to rectify them.
- 4) If the Applicant fails to rectify such deficiencies to the satisfaction of the IFSCA within the specified time, the IFSCA may refuse to grant registration and must communicate the same to the Applicant, giving reasons for such refusal. No such refusal shall be made by the IFSCA without giving the Applicant an opportunity to make written submissions on the grounds on which the registration is proposed to be refused.

PERMISSIBLE ACTIVITIES

- 1) An IIO registered with the IFSCA must carry any of the following class of businesses as may be permitted by the IFSCA, subject to such conditions as may be specified:
 - a) Life Insurance Business
 - b) General Insurance Business
 - c) Health Insurance Business
 - d) Re-insurance Business

The IIO registered as a place of business of an Indian Insurer or Branch Office of a Foreign Insurer or Re-insurer must be permitted to transact such class of business which is permitted to the Applicant by its home country regulatory or supervisory authority.

Further that at the time of making the application, the applicant shall opt for the category as specified under the Insurance Regulatory and Development Authority of India (Re-insurance) Regulations, 2018, under which it intends to participate in reinsurance business emanating from the DTA.

- 2) An IIO conducts its business in any freely convertible foreign currencies other than INR, with such persons, whether resident in India or otherwise, as may be permitted by the IFSCA.
- 3) An IIO shall not engage itself in any business other than for which the registration has been granted by the IFSCA.
- 4) An IIO registered to transact direct insurance business permitted to do so within the IFSC, from other SEZs and also from outside India.
- 5) The IIO registered to transact direct insurance business must not write direct insurance business from the DTA except in accordance with the Insurance Act, 1938.
- 6) In the case of re-insurance business, the IIO –
 - a) may accept re-insurance business from the cedents based in the IFSC, in relation to risk emanating from other SEZs and re-insurance business from outside India
 - b) may accept re-insurance business from the insurers operating in DTA in accordance with the order of preference for cession specified in the IRDAI (Re-insurance) Regulations, 2018.
- 7) An IIO may render such other insurance or re-insurance business-related services as may be specified by the IFSCA. The applicant must obtain prior approval of the IFSCA for rendering such services, subject to such conditions as may be specified.

BASIC REGULATORY AND GOVERNANCE REQUIREMENTS

An IIO shall follow the following basic regulatory requirements or such other requirements as may be specified by the Authority –

1) Net Owned Funds (NOF):

- i) an Applicant, being a foreign company engaged in re-insurance business through a branch established in an IFSC shall comply with Net Owned Funds requirement prescribed under of the Insurance Act, 1938
- ii) an Applicant may demonstrate compliance with the NOF requirement in any freely convertible foreign currency
- iii) the NOF must be maintained by the Applicant at all times during the subsistence and validity of the certificate. The Applicant is an MGA, the relevant Foreign Insurer or Foreign Re-insurer shall comply with the NOF requirements. Further, where the Applicant is other than a public company, the NOF shall be as specified by the IFSCA.

2) Assigned Capital:

An Indian Insurer desirous of setting up a place of business, a Foreign Insurer, a Foreign Re-insurer or MGA or Lloyd's desirous of setting up a branch office in an IFSC shall maintain a minimum assigned capital in any freely convertible foreign currency equivalent to USD 1.5 million. Provided that –

- i) The assigned capital must be earmarked and held by the Applicant in the home country, country of its incorporation or domicile
- ii) Such assigned capital must be invested as per the requirements of its home country regulatory or supervisory authority

- iii) The assigned capital, including additional assigned capital, if any, as mandated by the IFSCA, must be maintained by the Applicant at all times during the subsistence and validity of registration of IIO. Further, where the Applicant is an MGA, the relevant Foreign Insurer or Foreign Re-insurer must comply with the Assigned Capital requirements.

3) Paid-up Equity Capital:

A Public Company, a Wholly Owned Subsidiary of an insurer or a re-insurer, an insurance co-operative society or a Body Corporate seeking registration from the IFSCA must comply with paid-up equity capital requirements as prescribed under the Insurance Act, 1938.

4) Solvency Margin Requirement:

- i) An Applicant registering an IIO as 'place of business' of Indian Insurer, 'branch office' of the foreign insurer, foreign re-insurance, MGA, or Lloyd's shall maintain such solvency margin for its IIO, as stipulated by its home country regulatory or supervisory authority.

Provided that –

- a) Such solvency margin must be maintained in the home country, country of its incorporation or domicile
 - b) The assets backing such solvency margin must be invested as per the requirements of its home country regulatory or supervisory authority
 - c) The assets backing such solvency margin shall remain unencumbered at all times during the subsistence and validity of the certificate
 - d) The IIO furnishes a quarterly certificate issued by the Appointed Actuary of the Applicant, to the effect that assets, liabilities and solvency margin on behalf of IIO are being maintained at Head Office of the Applicant. Further, where the Applicant is an MGA, the relevant Foreign Insurer or Foreign Re-insurer comply with the Solvency Margin requirements.
 - ii) A public company, a wholly owned subsidiary of an insurer or a re-insurer, an insurance co-operative society or a body corporate registering an IIO in an IFSC, maintain such solvency margin as may be specified by the IFSCA.
- 5) An IIO must comply with provisions of the Act rules, regulations, circulars and guidelines issued thereunder.

6) Commencement of Business Operations -

- i) An IIO shall commence business, for which it has been registered, within twelve months from the date of grant of the Certificate of Registration by the IFSCA. If an IIO is not able to commence business within the specified period of twelve months, it can, before the time limit expires, but at least thirty days in advance, must make an application for extension of time to the Chairperson of the IFSCA.
 - ii) On receipt of the application, the Chairperson of the IFSCA shall examine it and communicate the decision thereon, in writing. No extension of time must be granted by the Chairperson of the IFSCA beyond eighteen months from the date of grant of certificate of registration.
- 7) An Applicant desirous of setting up a place of business or branch, including Applicant of Service Company of Lloyd's IFSC or MGA shall, with prior permission of the IFSCA, appoint a Principal Officer for the IIO or Service Company of Lloyd's IFSC, who must be responsible for the day-to-day administration of the IIO as well as for its regulatory compliances -

- i) An Applicant, other than Lloyd's, for its IIO shall appoint –
 - a) Principal Officer
 - b) An Officer in charge of underwriting of risk, having relevant experience
 - c) An officer in charge of finance and accounts, having relevant experience
 - ii) An Applicant of Lloyd's IFSC shall appoint –
 - a) Principal Officer
 - b) An officer in charge of finance and accounts having relevant experience. An officer in charge of finance and accounts of Lloyd's IFSC must also be responsible for finance and accounts-related matters of the Service Companies of Lloyd's IFSC
 - iii) An Applicant of Service Company of Lloyd's IFSC shall appoint –
 - a) Principal Officer
 - b) An Officer in charge of underwriting of risk having relevant experience.
 - iv) The above-mentioned officers shall –
 - a) be in direct employment of the IIO or the Service Company of Lloyd's IFSC as the case may be, and shall be resident in India
 - b) satisfy the 'fit and proper' criteria as specified by the IFSCA.
- 8) The Applicant, other than those mentioned in sub-regulation (7) of Regulation 17, with prior permission of the Authority, must:
- i) appoint at least the following Key Managerial Persons (KMP) who will be responsible for the day-to-day administration and regulatory compliance of the IIO:
 - a) a Chief Executive Officer
 - b) a Chief Finance Officer
 - c) a Chief Underwriting Officer
 - ii) the IIO shall appoint such additional Key Managerial Persons as may be specified by the IFSCA from time to time
 - iii) The above-mentioned Key Managerial Persons shall:
 - a) be in direct employment of the IIO and resident in India
 - b) satisfy the 'fit and proper' criteria as specified by the IFSCA
- 9) The IIOs must comply with such re-insurance and retrocession-related requirements as may be specified by the IFSCA from time to time.
- 10) An IIO must maintain its books of accounts, records and documents in such form and manner as may be specified by the IFSCA
- 11) An IIO must comply with the Know Your Customer (KYC) and Anti-Money Laundering (AML) guidelines as may be issued by the IFSCA from time to time.
- 12) Reporting requirements:**
- i) Every IIO must furnish information relating to its operations to the IFSCA, in such manner, interval and in such form, as may be specified by the IFSCA

- ii) Every financial reporting by an IIO to the IFSCA shall be in USD, unless otherwise specified by the IFSCA.

13) Operational Requirements:

- i) An IIO must pay such fees and charges as may be specified by the IFSCA
- ii) 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 IFSCA.

14) Change in shareholding:

A public company granted registration as an IIO shall seek prior approval of the IFSCA for any change in the shareholding exceeding five per cent of its paid-up equity share capital, whether by way of transfer of existing shares or by way of fresh issue of shares to either new or existing shareholders. Any change in shareholding which is less than five per cent of its paid-up equity share capital will be made with prior intimation to the IFSCA.

- 15) Besides those requirements, an IIO must follow such prudential norms as may be specified by the IFSCA.

RE-INSURANCE STRATEGY AND OBJECTIVES OF RE-INSURANCE PROGRAMME

To provide framework for oversight and control of inward and outward arrangement of re-insurance business by IFSCA, the IFSCA (Re-insurance) Regulations, 2023 has been notified. As per regulations :-

1. Every IIO must develop and document its Re-insurance Strategy and Re-insurance Programme (RSRP), which forms an integral part of the IIO's overall underwriting strategy and risk management philosophy.
2. The policies and procedures for selecting and monitoring re-insurance arrangements as well as management responsibilities and controls including re-insurance management systems must be included in the RSRP.
3. An IIO, ceding or retroceding the risk shall inter-alia clearly document the risk concentration levels and cession or retrocession limits as per its risk appetite.
4. The senior management of the IIO or Parent Entity of the IIO, must –
 - a) develop, implement and maintain RSRP which is relevant to the operations of the IIO and ensure that the IIO has sufficient resources to meet their business obligations.
 - b) formulate operational policies and procedures for implementing the RSRP
 - c) develop clear methodologies for evaluating re-insurance arrangements of the IIOs, including but not limited to -
 - (i) identification of tolerance to risk
 - (ii) identification of the segment-wise risk retention levels vis-à-vis tolerance to risk with appropriate re-insurance arrangements
 - (iii) selection of the panel of re-insurers used, including consideration of diversification and credit worthiness of the re-insurers
 - (iv) management of all possible concentration of risks with respect to a particular industry, geographical region, product type, and/or single insured in the insurer's underwriting books

- (v) involvement of re-insurance brokers if any, including their role in structuring the reinsurance arrangements
 - (vi) the process for monitoring, reviewing and updating the RSRP
 - (vii) management of credit and liquidity risk
 - (viii) management of legal risk arising from the re-insurance contract
- d) develop robust internal control systems to ensure that all business activities are carried out in compliance with the RSRP
- e) develop effective reporting systems to satisfy the requirements specified by the Board. Here, the expression “senior management” means personnel of the IIO or Parent Entity of IIO, who are members of its core management team excluding Board of Directors, comprising all members of management one level below the executive directors, including the functional heads.
5. The Board of the IIO must approve accounting year wise RSRP within the timelines as may be specified by the IFSCA.
- In case of an IIO in an unincorporated form, its Parent Entity shall provide details of RSRP designed for the IIO.
6. The approved RSRP must be submitted to the IFSCA, as and when directed by it.

LESSON ROUNDUP

- Insurance and reinsurance in IFSCs can be carried out only through IFSCA-registered IFSC Insurance Offices (IIOs).
- An IIO may operate as a place of business of an Indian insurer, branch of a foreign insurer/reinsurer, MGA, or Lloyd’s IFSC entity.
- IFSCA acts as the single regulator for insurance and reinsurance activities in IFSCs.
- The governing law is the IFSCA (Registration of Insurance Business) Regulations, 2021.
- Registration with IFSCA is mandatory before commencing any insurance or reinsurance business.
- Eligible applicants include Indian and foreign insurers, reinsurers, MGAs, Lloyd’s, public companies, subsidiaries, co-operatives, and eligible foreign body corporates.
- IIOs may undertake life, general, health insurance, and reinsurance as permitted by IFSCA.
- Business must be conducted in freely convertible foreign currencies (other than INR).
- Direct insurance from the Domestic Tariff Area (DTA) is restricted and subject to applicable laws.
- Key financial requirements include Net Owned Funds, minimum assigned capital of USD 1.5 million, and solvency margins.
- Compliance with KYC, AML, reporting, accounting, and prudential norms is mandatory.
- Every IIO must frame and implement a Re-insurance Strategy and Re-insurance Programme (RSRP).
- The RSRP defines risk appetite, retention limits, choice of reinsurers, and risk management practices.
- The regulatory framework aims to promote IFSCs as globally competitive insurance and reinsurance hubs with strong regulatory oversight.

GLOSSARY

- **Assigned Capital:** Minimum capital required to be maintained by an Indian Insurer, Foreign Insurer, a Foreign Re-insurer or MGA or Lloyd's branch in an IFSC, currently equivalent to USD 1.5 million in a freely convertible foreign currency.
- **Cedent:** An insurer that transfers a portion of its risk to a reinsurer under a reinsurance arrangement.
- **Domestic Tariff Area (DTA):** The whole of India excluding areas designated as Special Economic Zones (SEZs).
- **Fit and Proper Criteria:** Standards prescribed by IFSCA to assess integrity, competence, financial soundness, and reputation of promoters, directors, and key managerial personnel.
- **Foreign Insurer / Foreign Reinsurer:** An insurance or reinsurance company incorporated and regulated outside India.
- **Freely Convertible Foreign Currency:** A foreign currency that can be freely exchanged internationally, used for conducting insurance business in IFSCs.
- **IFSC Insurance Office (IIO):** A registered unit in an IFSC authorised by IFSCA to carry out permitted insurance or reinsurance activities.
- **Insurance:** A contract under which an insurer provides financial protection against specified risks in exchange for a premium.
- **Lloyd's:** The society of underwriters incorporated in the United Kingdom that operates a specialist insurance market.
- **Lloyd's IFSC:** The branch office of Lloyd's registered with IFSCA to undertake insurance or reinsurance business in an IFSC.
- **Managing General Agent (MGA):** An entity authorised under a binding agreement with a foreign insurer or reinsurer to underwrite insurance or reinsurance business.
- **Net Owned Fund (NOF):** Sum of paid-up equity capital and free reserves, and securities premium account reduced by accumulated losses and book value of intangible assets.
- **Reinsurance:** Insurance of an insurer's risk by another insurer to spread risk and improve financial stability.
- **Re-insurance Strategy and Re-insurance Programme (RSRP):** A documented framework outlining IIO's risk retention, cession or retrocession limits, and reinsurance arrangements.

TEST YOURSELF

A. Very Short Answer Questions

1. What is an IFSC Insurance Office (IIO)?
2. Who is the regulator for insurance and reinsurance in IFSCs?
3. Name the regulation governing insurance business in IFSCs.
4. What is meant by reinsurance?
5. Expand the term MGA.

6. What is Domestic Tariff Area (DTA)?
7. What is Net Owned Fund (NOF)?
8. In which currency is insurance business conducted in IFSCs?
9. What is Assigned Capital?
10. What does RSRP stand for?

B. Short Answer Questions

1. Explain the concept of insurance in an IFSC.
2. What are the objectives of reinsurance?
3. List the different forms in which an IIO can operate.
4. Briefly explain the role of IFSCA in insurance regulation.
5. Who are eligible applicants for setting up an IIO?
6. Why is registration with IFSCA mandatory for insurance business?
7. List the permissible insurance and reinsurance activities of an IIO.
8. State the minimum assigned capital requirement for an IIO.
9. What are the basic governance requirements for an IIO?
10. Why is solvency margin important for insurance entities?

C. Long Answer / Descriptive Questions

1. Explain the regulatory framework governing insurance and reinsurance in IFSCs.
2. Discuss the procedure for registration of an IFSC Insurance Office.
3. Explain the eligibility conditions for Indian and foreign insurers to set up an IIO.
4. Describe the permissible activities of an IIO with respect to DTA and SEZs.
5. Explain the capital, solvency, and financial requirements applicable to IIOs.
6. Discuss the importance of governance and compliance requirements for IIOs.
7. Explain the concept, objectives, and components of a Re-insurance Strategy and Re-insurance Programme (RSRP).
8. How does the IFSC insurance framework promote global insurance and reinsurance business?

LIST OF FURTHER READING

- www.ifsc.gov.in

