भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2012-13/466
DNBS (PD) CC.No.322/03.10.001/2012-13 **April 1, 2013**

All NBFCs

Dear Sirs,

Core Investment Companies – Guidelines on Investment in Insurance

At present NBFCs venturing into insurance are guided by the circular DNBS(PD).CC.No.13/02.01/99-2000 dated June 30, 2000 on amendment to NBFC Regulations which contains the 'Guidelines for entry of NBFCs into Insurance'. In view of the unique business model of Core Investment Companies (CICs), it has been decided to issue a separate set of guidelines for their entry into insurance business.

2. While the eligibility criteria, in general, are similar to that for other NBFCs, no ceiling is being stipulated for CICs in their investment in an insurance joint venture. Further it is clarified that CICs cannot undertake insurance agency business. The Guidelines are enclosed for meticulous compliance.

3. CICs exempted from registration with RBI do not require prior approval provided they fulfil all the necessary conditions of exemption as provided under/ in CC No.206 dated January 05, 2011. Their investment in insurance joint venture would be guided by IRDA norms.

Yours sincerely,

(Uma Subramaniam)
Chief General Manager-in-Charge

Guidelines for Entry of CICs into Insurance

1. Any Core Investment Company (CIC) registered with RBI which satisfies the eligibility criteria given below will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such a CIC can hold in the joint venture company will be as per IRDA approval.

2. The eligibility criteria for joint venture participant will be as under, as per the latest available audited balance sheet.

i. The owned funds of the CIC shall not be less than Rs. 500 crore;
ii. The level of net non-performing assets shall be not more than 1% of the total advances;
iii. The CIC should have registered net profit continuously for three consecutive years;
iv. The track record of the performance of the subsidiaries, if any, of the concerned CIC should be satisfactory;
v. The CIC shall comply with all applicable regulations including CIC Directions, 2011. Thus CICs-ND-SI are required to maintain adjusted net worth which shall be not less than 30% of aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items.

3. No CIC would be allowed to conduct such business departmentally. Further, an NBFC (in its group / outside the group) would normally not be allowed to join an insurance company on risk participation basis and hence should not provide direct or indirect financial support to the insurance venture.

4. Within the group, CICs may be permitted to invest up to 100% of the equity of the insurance company either on a solo basis or in joint venture with other non-financial entities in the group. This would ensure that only the CIC either on a solo basis or in a

joint venture with the group company is exposed to insurance risk and the NBFC within the group is ring-fenced from such risk.

5. In case where a foreign partner contributes 26 per cent of the equity with the approval of insurance Regulatory and Development Authority/Foreign Investment Promotion Board, more than one CIC may be allowed to participate in the equity of the insurance joint venture. As such participants will also assume insurance risk, only those CICs which satisfy the criteria given in paragraph 2 above, would be eligible.

6. CICs cannot enter into insurance business as agents. CICs that wish to participate in insurance business as investors or on risk participation basis will be required to obtain prior approval of the Reserve Bank. The Reserve Bank will give permission on case to case basis keeping in view all relevant factors. It should be ensured that risks involved in insurance business do not get transferred to the CIC.

<u>Notes:</u>

(1) Holding of equity by a promoter CIC in an insurance company or investment in insurance business will be subject to compliance with any rules and regulations laid down by the IRDA/Central Government. This will include compliance with Section 6AA of the Insurance Act as amended by the IRDA Act, 1999, for divestment of equity in excess of 26 per cent of the paid up capital within a prescribed period of time.

(2) CICs exempted from registration with RBI in terms of the Core Investment Companies(Reserve Bank) Directions, 2011 do not require prior approval provided they fulfil all the necessary conditions of exemption.

******