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## Update

# Update on 49% cap and Lloyd's entry into India

The long awaited Insurance Laws (Amendment) Bill (the Bill) will finally become a law in India as it has been passed by the Parliament of India. The Bill will replace the Insurance Law (Amendment) Ordinance, 2014, which was promulgated by the President of India on December 26, 2014 after the Bill could not be passed in the previous session of the Parliament. The Bill amends three Acts, namely: the Insurance Act, 1938; the General Insurance Business (Nationalisation) Act, 1972; and the Insurance Regulatory and Development Authority Act, 1999.

### Highlights

1. **Increase in foreign equity cap to 49%**
   The Bill increases the maximum permitted limit of foreign equity in Indian insurance companies from 26% to 49%. The limit shall be a composite cap – either as a direct investment or by a portfolio, or a combination of both. The management and control of the insurance companies shall remain with Indian companies. The term "control" has been defined to mean "the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements."

2. **Lloyd's of London to be treated as a foreign company**
   To facilitate the entry of Lloyd's of London covered under the Lloyd's Act 1871 of the United Kingdom, the Bill amends the definition of "foreign company" which would now include a company or body established under a law of any country outside India and includes Lloyd's of London established under the Lloyd's Act 1871 or any of its members.

3. **Registration requirements for doing Insurance business in India**
   Every insurer is required to be registered in order to carry on insurance business in India. Under the Bill, public companies, co-operative societies, foreign companies operating through a branch and statutory bodies established by acts of Parliament have to be registered to carry on insurance. In order to be registered, each category of insurer requires a minimum amount of capital: for life insurance, general insurance and health insurance, the minimum paid up capital required is Rs 1 billion (around USD 16 million) and for reinsurance business, the minimum paid up capital required is Rs 2 billion (around USD 32 million). Such paid-up equity capital would not include the preliminary expenses incurred for formation and registration of the (re)insurance company.

4. **Branches for reinsurance business in India**
   The Bill permits foreign reinsurers to open branches only for reinsurance business in India. The provisions prohibiting an insurer to invest directly or indirectly outside India the funds of policyholder would apply to such branches.

With the approval of the Parliament, the Bill shall be now submitted to the President for his assent on receipt of which it will be notified and effective as a law.

## Further information

If you would like further information on any issue raised in this update please contact:

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