

The Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade, FDI policy section has amended the para 5.2.22 of the Foreign Direct Investment policy of 2017 vide its Press Note No. 1(2020 Series) dated 21st February, 2020.

The key amendments are mentioned below:

I. Through the said amendment, the department has divided the sector mentioned in 5.2.22.1 in two parts (5.2.22.1 and 5.2.22.2) and changed the percentage of FDI cap as shown in table below:

Particulars			Particulars		
Before Amendment			After Amendment		
Sector/Activity	% of Equity/ FDI Cap	Entry Route	Sector/Activity	% of Equity/ FDI Cap	Entry Route
5.2.22.1 (i) Insurance Company (ii) Insurance Brokers (iii) Third Party Administrators (iv) Surveyors and Loss Assessors (v) Other Insurance Intermediaries appointed under the provisions of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)	49%	Automatic	5.2.22.1 Insurance Company	49%	Automatic
			5.2.22.2 Intermediaries or insurance intermediaries Including Insurance Brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors and such other entities as may be notified by the Insurance Regulatory and Development Authority of India from time to time	100%	Automatic

II. The existing para 5.2.22.2 stating “other conditions” shall be re-numbered as 5.2.22.3 and following clause (g), (h) has been substituted and a new clause (i) has been inserted:

- (g) The foreign equity investment cap of 100 percent shall apply on the same terms as applicable to insurance companies; to Insurance Brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors and such other entities as may be notified by the Insurance Regulatory and Development Authority of India from time to time. However, the condition of Indian owned and controlled i.e. control shall remain at all times in the

hands of resident Indian entities, shall not be applicable to Intermediaries or insurance intermediaries and composition of Board of directors and key management persons shall be as specified by the concerned regulators from time to time.

- (h) The FDI proposals shall be allowed under the automatic route subject to verification by the authority and the foreign investment in Intermediaries or insurance intermediaries shall be governed by the same terms as provided in rule 7 and 8 of the Indian insurance companies (foreign investment) rules, 2015 as amended from time to time. Provided that where an entity like a bank, whose primary business is outside the insurance area, is allowed by the Authority of India to function as an insurance intermediary, the foreign equity investment caps applicable in that sector shall continue to apply, subject to the condition that the revenues of such entities from the primary (i.e., non-insurance related) business must remain above 50 percent of their total revenues in any financial year.
- (i) The insurance intermediary that has majority shareholding of foreign investors shall undertake the following:
 - i. be incorporated as a limited liability company under the provisions of the Companies Act, 2013;
 - ii. at least one among the chairman of the Board of Directors or Chief Executive Officer or Principal Officer or Managing Director of the insurance intermediary shall be resident Indian citizen;
 - iii. shall take prior permission of the authority for repatriating dividend;
 - iv. shall bring in the latest technological, managerial and other skills;
 - v. shall not make payments to the foreign group or promoter or subsidiary or interconnected or associate entities beyond what is necessary or permitted by the authority;
 - vi. shall make disclosures in the formats to be specified by the authority of all payments made to its group or promoter or subsidiary or interconnected or associate entities;
 - vii. composition of Board of Directors and key management persons shall be as specified by the concerned regulators;
- (j) The provisions of the paragraph (i) (b) and (d) of Annexure 9 relating to 'Banking- Private Sector' shall be applicable in respect of bank promoted insurance companies.
- (k) Terms 'Control', 'Equity Share Capital', 'Foreign Direct Investment' (FDI), 'Foreign Investors', 'Foreign Portfolio Investment', 'Indian Insurance Company', 'Indian Company', 'Indian Control of an Indian Insurance Company', 'Indian Ownership', 'Non-resident Entity', 'Public Financial Institution', 'Resident Indian Citizen', 'Total Foreign Investment' will have the same meaning as provided in Notification No. G.S.R 115 (E), dated 19th February, 2015 issued by Department of Financial Services and regulations issued by Insurance Regulatory and Development Authority of India from time to time.

The link of the amendment is as follows:

https://dipp.gov.in/sites/default/files/pn1_2020.pdf