

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

NOTIFICATION

New Delhi, the 30th March, 2002

Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2002

F.No. IRDA/Reg./03/2002.—In exercise of the powers conferred by sections 27A, 27B, 27D and 114A of the Insurance Act, 1938 (4 of 1938), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations to amend the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, namely:—

- 1 (1) These regulations may be called the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2002.
- (2) They shall come into force on the date of their publication in the Official Gazette.
- 2 Note 7 after Regulation 4 which is applicable to both Regulation 3 and Regulation 4 of the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001 is being substituted by the following: -
7. "Investments in equity shares listed on a registered stock exchange should be made in actively traded and liquid instruments viz. equity shares other than those classified as thinly traded as per guidelines governing Mutual Funds issued by SEBI from time to time."
- 3 Regulation 5 shall be amended to read as follows: -

"5. EXPOSURE/ PRUDENTIAL NORMS

Without prejudice to anything contained in sections 27A and 27B of the Act, every insurer shall limit his investments based on the following exposure norms:

<i>Type of Investment</i>	<i>Limit for Investee Company</i>	<i>Limit for the entire group to which the Investee Company belongs</i>	<i>Limit for the Industry Sector to which the Investee Company belongs</i>
(a) All investments in Equity / Preference Shares of the Company (b) Debentures (Convertible / partly convertible/non-convertible) (c) Short/ Medium/ Long term loans (d) Any other permitted investments as per the Act/Regulation	In the case of Indian Insurance Companies: Exposure at any point of time not to exceed 10% of the subscribed share capital, free reserves and debentures/ bonds of the investee company or the 10% of the Insurer's total assets in case of non-life insurers and 10% of the Controlled funds in case of Life insurers, whichever is less.	Exposure at any point of time not to exceed 10% of the aggregate subscribed share capital, free reserves and debentures of all the group companies in which investments including investments under considerations, have been or proposed to be made by the insurer or the 10% of the total assets in case of Non-Life Insurers and 10% of the Controlled Funds in case of Life Insurers whichever is less.	Investment by the insurer in any industrial sector would not exceed 10% of its total investment exposure to the industrial sector as a whole. (Classification of Industrial sector to be done on the lines of classification in Industries done' by CMIE (Centre for Monitoring Indian Economy)

Notes

1. Subject to exposure limits as per Insurance Act, 1938, investment in equity including preference shares, investment in equity convertible part of debentures should not exceed 50% of the above exposure norms as mentioned in the table. A similar 50% of exposure norms limit would also apply to investment in immovable property.
2. Subject to exposure limits mentioned in the table above, an Insurer shall not have investments of more than 5% in aggregate of its Controlled funds in the case of a life insurer or 5% in aggregate of its assets in the case

of non-life insurer in the companies belonging to the promoters' groups. For the purposes of this regulation "group" will have the same meaning as in the MRTP Act, 1969. All investments in this category would specifically be referred to the Authority.

3. The percentage of 10% of the total assets in the case of Non-Life insurers and 10% of the Controlled Fund in case of Life insurers can be raised to 15% in each case subject to specific approval of IRDA."
4. In the case of existing insurers: The limits mentioned above as applicable to the Indian Insurance Companies, shall stand modified as under:-
 - a) exposure at any point of time not to exceed 20% of the subscribed share capital, free reserves and debentures/ bonds of the investee company or 5% of the Controlled funds of the life insurer or 10% of the general insurers total assets.
 - b) The limit prescribed in respect of exposure to the industrial sector shall stand increased to 20% in the case of investments in Financial Institutions.

N. RANGACHARY, Chairman

[No. ADVT-III/IV/Exty./61/02]