

International Financial Services Centres Authority

Fourteenth Authority Meeting held on 24th March 2023

Gist of Agenda item: **IFSCA (Assets, Liabilities, and Solvency Margin) Regulations, 2023**

Section 1: Introduction:

- (a) The International Financial Services Centres Authority (IFSCA) is the unified regulator for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSCs) in India.
- (b) To facilitate the growth of insurance & reinsurance sector and to provide best in class regulatory framework, which is at par with top international jurisdictions, IFSCA has already issued many regulations in past. In order to further strengthen the regulatory framework and to promote ease of doing business so far as Assets, Liabilities, and Solvency Margin of IIOs is concerned, IFSCA is proposing to notify comprehensive regulations. These regulations provide for the regulatory requirements towards maintenance of capital and solvency margins for transacting insurance business by IIOs registered with the Authority.
- (c) This memorandum seeks approval of the Authority to notify the following regulations:
 - a. International Financial Services Centres Authority (Assets, Liabilities, Solvency Margin and Abstract of Actuarial Report for Life Insurance Business) Regulations, 2023 (“ALSM LI Regulations”)
 - b. International Financial Services Centres Authority (Assets, Liabilities, and Solvency Margin of General, Health and Re-insurance business) Regulations, 2023 (“ALSM GI Regulations”)

Section 2: Proposal

The proposed Regulations, *inter alia*, include the following

(a) Applicability

- (i) For an IIO that is set up in an unincorporated form in the IFSC and if its home country Sovereign Credit Rating, provided by any international rating agency recognized by the International Association of Insurance Supervisors (IAIS),

falls within RC¹ 1 to RC 6, it shall be allowed to maintain its capital in accordance with the home country regulations.

- (ii) For an IIO set up in an incorporated form in the IFSC; and an IIO set up in an unincorporated form in the IFSC but the Sovereign Credit Rating by any international rating agency recognized by the International Association of Insurance Supervisors (IAIS) of their home country is RC 7 or below; the capital requirements as prescribed under these Regulations shall be followed.

(b) Reporting Requirements

- (i) The IIOs registered with the Authority shall comply with all the reporting requirements under these regulations. All reporting under these Regulations shall be in USD Millions, unless specified otherwise.
- (ii) Both these Regulations have three Schedules as follows:
 - i. Schedule I provides for valuation of assets and format for statement of admissible assets.
 - ii. Schedule II provides for determination of amount of liabilities and statement of admissible liabilities.
 - iii. Schedule III provides for determination of solvency margin.
- (iii) All IIOs are further required to submit an Annual Actuarial Report prepared by the Appointed Actuary as per the guidelines to be issued subsequently by the Authority.

- (c) **Control level of solvency** has been specified and fixed as a minimum solvency ratio of 150%.

Section 3: Purpose/Justification:

- (a) The aspects of assets, liabilities, and solvency margin of IIOs registered with the IFSCA are currently regulated under Insurance Regulatory and Development Authority of India (IRDAI) Regulations. With the issuance of these two regulations, the relevant IRDAI regulations will cease to apply;
- (b) IFSCA recognizes that the Insurers and Reinsurers are one of the most important segments of an International Financial Services Centre, providing insurance solutions to global clientele. Keeping this in mind, IFSCA proposes to enact a comprehensive regulatory framework regarding aspects of assets, liabilities, and solvency margin by

¹ Where RC stands for Rating Category

the IIOs in IFSCs, focusing on ease of doing business and by adopting international best practices being followed by regulators globally.

Section 4: Consultations with Stakeholders:

- (a) As per provisions of the IFSCA (Procedure for making Regulations) Regulations, 2021, the consultation paper was placed on the website of the Authority on 29th December 2022 inviting inputs / comments of the general public / stakeholder by 19th January 2023.
- (b) In all, 14 comments were received on both the above regulation from the following four (04) entities viz; ICICI Lombard GIC Ltd., Star Union Dai-ichi Life Insurance, The New India Assurance Co. Ltd., and Swiss Reinsurance Company Ltd, India Branch.
- (c) The gist and proposed action on the comments received for each set of Regulation is placed in Annexure II.

Section 5: Proposal

Approval of the Authority is sought for notifying the draft ALSM LI and ALSM GI regulations in the Official Gazette, after carrying out changes, if any, of drafting and consequential nature. The Authority is further requested to authorize the Chairperson to take such necessary, consequential and incidental steps to operationalize the proposed Regulations.