

CONSULTATION PAPER ON PROPOSED IFSCA CIRCULAR ON

Securitization requirements by overseas insurers or re-insurers for providing insurance covers to entities regulated by the IFSCA

The objective of this consultation paper is to seek comments / views/ suggestions from public on the proposed Securitization requirements by overseas insurers or re-insurers for providing insurance covers to entities regulated by the IFSCA.

1. The IFSCA has long-term goals to establish a strong global connect and focus on the needs of the Indian economy while also acting as an international financial platform for the region and the global economy at large.
2. The mandate of IFSCA is to develop a world-class regulatory ecosystem for financial products and services, with an objective of on-shoring the off-shore Indian businesses that are currently carried out in offshore financial centres, through establishing a globally competitive ecosystem by enabling world class regulatory environment and ensuring ease of doing business.
3. Insurance plays a significant role in supporting the financial ecosystem at GIFT-IFSC. The operations of regulated entities of the IFSCA (REs) providing financial services within IFSCA broadly depend on customized insurance products aligned with global best practices. Therefore, it is imperative for IFSC Insurance Offices (IIOs) to proactively address the evolving insurance needs of the entities in the GIFT-IFSC.
4. While existing IIOs are working towards developing appropriate insurance products, foreign insurers and re-insurers with expertise in product innovation are planning to establish offices at GIFT-IFSC. However, it has been observed that some REs are currently unable to access suitable insurance solutions for their specific business requirements. Consequently, IFSCA has been receiving requests from these REs to take out insurance policies from insurers or re-insurers whose principal place of business is located outside DTA India or GIFT-

IFSC (hereinafter referred as overseas insurer), as may be permitted under Section 2CB of the Insurance Act, 1938.

5. Upon reviewing these applications and considering the non-availability of suitable insurance products from existing IIOs, IFSCA has permitted such REs to take out insurance policies from overseas insurer, subject to the compliance with specific conditions.
6. With its long-term objective of integrating the IFSC financial ecosystem with global markets and attracting international investments, IFSCA encourages IIOs to develop and offer appropriate insurance products that meet the requirements of REs operating at GIFT-IFSC.
7. However, IFSCA remains committed to protecting the interests of its REs, ensuring business continuity, and achieving its vision of transforming IFSC into a global hub for insurance and re-insurance.
8. In view of the aforesaid draft circular is placed on the website of the IFSCA at <https://ifsc.gov.in/PublicConsultation>. General public and stakeholders are requested to forward their comments / suggestions through e-mail to Insurance Dept. at insurance-dept@ifsc.gov.in with copy to Mr. Bhaskar Khadakbhavi at bhaskar.khadakbhavi@ifsc.gov.in and Nitin Gupta at g.nitin@ifsc.gov.in by 19th March, 2025 in the attached format. It is further requested to provide comments in MS Word or MS Excel format only.

DRAFT - CIRCULAR

No. xx/IFSCA/Insurance/2024-25

Date: xx-xxx-xxxx

To,
All the entities regulated by the IFSCA

Subject: DRAFT - Securitization requirements by overseas insurers or re-insurers for providing insurance covers to entities regulated by the IFSCA.

1. Objective:

- a. The objective of the circular is to balance the need for flexibility in meeting the insurance requirements of Regulated Entities (REs) while maintaining robust safeguards to ensure financial stability.
- b. This circular aims to put in place a regulatory framework on securitization requirements to be fulfilled by overseas insurer, which provides insurance cover(s) to REs, pursuant to permission granted to such REs by the IFSCA, under Section 2CB of the Insurance Act, 1938.

2. Legal and Other Provisions

In exercise of the powers conferred under section 12 and 13 of the International Financial Services Centres Authority Act, 2019, the IFSCA issues this circular.

3. Applicability and commencement:

- a. This circular shall be applicable to all the entities regulated by the IFSCA.
- b. It shall come into force on such date as may be specified by the IFSCA.
- c. Illustrations on applicability of this circular–
 - (i) The RE, upon request, granted permission by the IFSCA, on or after the date of this circular comes into force, to take out insurance from overseas insurer, shall comply with provisions of this circular.
 - (ii) The RE, to whom permission has been already granted by the IFSCA prior to issue of this circular to obtain insurance cover for its Credit Finance (such as External Commercial Borrowings, Trade Credit, Loan, Advance etc. or any credit finance known by any other name) from overseas insurer, but disbursement of such Credit Finance or part of the Credit Finance is made on or after the date of this circular come into force, the provisions of this circular shall be applicable.

4. Securitization requirements for placement of direct insurance business with overseas insurer–

- a. The RE, pursuant to permission granted by the IFSCA under Section 2CB of the Insurance Act, 1938 for obtaining insurance cover from the overseas insurer, shall ensure that following securitization requirements for the insurance policies issued by such overseas insurer and liabilities accepted thereunder, are complied with,
- b. such securitization shall be either in form of Irrevocable Letter of Credit (LC), Bank Fixed Deposit (FD) or any other form of securitization as specified by the IFSCA from time to time,
- c. Fixed Deposit:
 - (i) An overseas insurer shall maintain FD of an amount equal to fifty *per cent.* (50%) of premium amount (exclusive of taxes, if any), collected for underwriting of the specific insurance policy, with any of the IFSC Banking Units (IBUs) other than the insured IBU, if any,
 - (ii) A FD maintained by the overseas insurer shall have lien of the IFSCA.
- d. Irrevocable Letter of Credit (LC) –
 - (i) the LC shall be issued through any IBU , other than insured IBU, if any,
 - (ii) the amount of LC shall be with reference to seventy-five *per cent.* (75%) of the aggregate of liabilities including IBNR reserves of the insurance contract between RE and the overseas insurer.
- e. The release of LC or FD as the case may be, will be subject to confirmation from the RE and overseas insurer, that the liabilities of the overseas insurer, under the concerned insurance contract have been fully discharged.

5. A copy of this Circular is available on the website of IFSCA at www.ifsc.gov.in.

xx/-
Authorized Signatory
Division of Insurance, IFSCA

Format for providing comments / suggestions

Proposed –

International Financial Services Centres Authority Circular on Securitization requirements by overseas insurers or re-insurers for providing insurance covers to entities regulated by the IFSCA.

Inputs / Comments suggested by (Name of Person / Entity):

Page No. of Draft Circular	Clause No.	Sub-Clause No. /Para No.	Comments / Suggestions / Suggested modifications	Rationale

***** End *****