



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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RBI/FED/2015-16/5

FED Master Direction No. 9/2015-16

January 1, 2016

(Updated as on November 17, 2016)

To,

All Authorised Persons in Foreign Exchange

Madam / Sir,

### Master Direction - Insurance

Issuance of insurance is regulated under sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999, (42 of 1999), read with [Notification No.1/2000-RB dated May 03, 2000](#) and [12\(R\)/2015-RB, dated December 29, 2015](#). These Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

2. Within the contours of the Regulations, Reserve Bank of India also issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/ constituents with a view to implementing the regulations framed.

3. This Master Direction consolidates the existing instructions on the subject of "Insurance" at one place. Reporting instructions, if any, can be found in Master Direction on Reporting ([Master Direction No. 18 dated January 01, 2016](#)).

4. It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

Yours faithfully,

(A.K.Pandey)  
Chief General Manager

## Master Direction - Insurance

INDEX	
Sr. No.	Contents
1.	Introduction
2.	Foreign Exchange Regulations relating to General / Health / Life Insurance from Insurers outside India.
3.	Foreign Exchange Regulations relating to General/ Health Insurance from insurers in India
4.	Foreign Exchange Regulations relating to Life Insurance from insurers in India

### 1. Introduction

Life insurance and general insurance business in India can be undertaken by insurance companies registered with Insurance Regulatory and Development Authority (IRDA) and as per the regulations notified by Reserve Bank of India under [Notification No.1/2000-RB dated May 03, 2000](#) and [12\(R\)/2015-RB, dated December 29, 2015](#), as amended from time to time.

### 2. Foreign Exchange regulations relating to General / Health / Life Insurance from Insurers outside India.

#### A.1 General/ Health Insurance policies from Insurers outside India.

- i) A person resident in India may take or continue to hold a health insurance policy issued by an insurer outside India provided aggregate remittance including amount of premium does not exceed the limits prescribed by RBI under the Liberalised Remittance Scheme (LRS) from time to time.
- ii) Units located in SEZs may take or continue to hold general/health insurance policies from insurers outside India subject to IRDAI Guidelines and Central Government rules provided the premium is paid by the units out of their foreign exchange balances.
- iii) No person shall take out or renew any policy of insurance in respect of any property in India or any ship or other vessel or aircraft registered in India with an insurer whose principal place of business is outside India without permission of Insurance Regulatory and Development Authority of India (IRDAI).

## **A.2 All risk insurance policies**

Insurance on Indian marine hulls covering All Risks against war and other allied risks (arising out of civil commotion, political or labour disturbances etc.) is required to be obtained only from the Insurers in India.

### **B. Life insurance policy from insurer outside India by Residents**

- (i) A person resident in India may take or continue to hold a life insurance policy issued by an insurer outside India, provided that the policy is held under a specific or general permission of the Reserve Bank of India.
- (ii) A person resident in India may continue to hold any life insurance policy issued by an insurer outside India when such person was resident outside India. If the premium due on a life insurance policy has been paid by making remittance from India, the policy holder shall repatriate to India through normal banking channels, the maturity proceeds or amount of any claim due on the policy, within a period of seven days from the receipt thereof.

## **3. Foreign Exchange Regulations relating to General/ Health Insurance from insurers in India**

### **3.1 Definitions**

- i) "Person resident in India" and "Foreign Currency" will have the same meaning as defined under Foreign Exchange Management Act, 1999.
- (ii) "Insurers" means the Indian Insurance Companies as defined in Section 3(9) of The Insurance Laws (Amendment) Act, 2015 and registered with Insurance Regulatory and Development Authority of India (IRDAI) to carry out general/health insurance/reinsurance business in India.

### **3.2 Payment of insurance premium in foreign exchange.**

Payment of premium in foreign exchange means and includes payment of premium in foreign exchange and/or payment of premium in INR derived by sale of foreign exchange to an authorised dealer or an authorised money-changer. Appropriate documentary evidence may be insisted upon at the time of accepting payment.

### **3.3 General/ Health Insurance policies by Indian Residents**

Resident of India may take general/health insurance policy permitted by IRDAI from Indian insurer on payment of premium in INR, where claims arising under the policies outside India are to be settled in foreign currency.

### **3.4 General/Health Insurance policies by Residents outside India.**

Resident outside India may take general/health insurance policy as permitted by IRDAI from Indian Insurers. Claims arising under the policies are to be settled in INR if payment of premium is in INR and in any currency if payment of premium is in foreign currency. However, Insurance cover on risks inside India (including All Risks Insurance) on assets in India owned by Indian branches/offices of foreign companies, banks, etc., may be issued only in INR.

### **3.5 Transaction in Nepal and Bhutan**

Indians, Nepalese and Bhutanese resident in Nepal and Bhutan as well as offices and branches of Indian, Nepalese and Bhutanese firms, companies or other organizations in these two countries are treated as resident in India for purpose of transactions in INR. Payment of claims to such persons against general/health insurance policies may be freely made in INR. Payments in foreign currency towards claims under general/health insurance policies will require prior approval of Reserve Bank, except where premium thereon was also collected in foreign currency.

### **3.6 Settlement of claims in foreign currency**

A.D. Banks may allow foreign currency remittance for claims under IRDAI permitted general/ health insurance policies issued by Indian insurers where settlement of claims is assured in foreign currency subject to following conditions.

- i) The claim has been admitted by the competent authority of the insurer;
- ii) The claim has been settled as per the surveyor's report wherever applicable and other substantiating documents;
- iii) Claims on account of reinsurance are being lodged with the reinsurers and will be received as per reinsurance agreement;
- iv) The remittance is being made under the policy to the beneficiary who is resident outside India. For resident beneficiaries the claim may be settled in INR equivalent of foreign currency due. Under no circumstances payment in foreign currency be made to a resident beneficiary;
- v) In case of settlement of claims of import into India, Insurance company is satisfied that:-

- (a) Remittance in foreign exchange is not already made by Importer and
  - (b) If Import is made against Import Licence, the amount of insurance policy premium is endorsed on the import licence;
- vi) In case of settlement of insurance claims of export from India, Insurance company is satisfied that the payment is received in foreign exchange by the Indian exporter;
  - vii) In case of settlement of insurance claims in respect of assets located outside India owned by residents of India, permission of Reserve Bank of India for holding the property had been obtained, (wherever necessary);
  - viii) Claims arising outside India against policies issued under Employers' Liability Act and Merchant Shipping Act may be paid in appropriate foreign currency. Remittances will be allowed for meeting specific claims on application by the Insurers furnishing full details of the claims;
  - ix) In case of cashless international health insurance products remittances may be allowed to the hospital which has provided the treatment/Third Party Administrator with which the insurer or the hospital has entered into a contractual arrangement in accordance with applicable IRDAI regulations or to the insured person resident outside India.

Note:

- (a) Where original documents are not available for any reason, photo copies may be accepted with reasons for non-availability of the original documents. This provision does not apply to remittances for replenishment of foreign currency balances which will require specific approval of Reserve Bank of India.
- (b) Claims may be settled in INR in favour of Indian exporters even in cases where title to the goods has passed to foreign buyer, if a request to that effect has been made by the claimant resident outside India. A certificate indicating full particulars of the transaction including number of relative EDF form (wherever applicable) and amount paid in settlement of claim should be issued to the exporter to enable the latter to obtain necessary approval from Reserve Bank for making replacement shipments;

- (c) Authorised dealers have been permitted to open revolving letters of credit in favour of established claims-settling agents abroad and reimburse claims under the credit on verification of the necessary documentary evidence viz. statement of claim, survey report or other documentary evidence of loss/damage, original policy or certificate of insurance etc.

### **3.7 Re-Insurance**

Reinsurance arrangements of the insurers registered with IRDAI are to be decided by the companies themselves on an annual basis, which is to be approved by the respective insurer's Board in compliance with IRDAI Regulations. Authorised dealer, designated by these insurers may allow remittances falling due under such approved reinsurance arrangements by the insurers in accordance with the terms and conditions laid down by their Boards.

### **3.8 Remittance of Reinsurance Premium by IRDAI licensed brokers**

Wherever IRDAI licensed brokers arrange the reinsurance on behalf of insurers, brokers may remit the premium through the branch of the authorised dealer designated by the insurer in terms of para 9 above subject to the production of undernoted documents:

- i) Relative debit notes from overseas insurance company and/or Broker.
- ii) Detailed statement of premium settled by the individual insurer, along with a certificate to the effect that the amount of reinsurance business is within the overall limit approved by the insurer's Board and that the risks covered under the reinsurance arrangements are within the scope of the Reinsurance Programme, approved by the insurer's Board in compliance with IRDAI Regulations.
- iii) A certificate from the Chartered Accountant of the broker, prepared on the basis of certificates and statements obtained from the insurers, to the effect that the proposed remittance of reinsurance premium sought, is in agreement with the various statements/certificates obtained from the insurer/s.
- iv) Copy of approval letter from IRDAI for placing business outside India by direct insurance brokers.

### **3.9 Foreign Currency Accounts Abroad**

Insurers may open, hold and maintain with a bank outside India foreign currency accounts for facilitating transactions and expenses relating/incidental to general/health insurance / reinsurance business undertaken in foreign countries in accordance with regulations laid down. Insurers should endeavour to keep in their foreign currency accounts only the minimum balances required for normal business and transfer to India regularly all surplus funds held at foreign centres.

### **3.10 Investments Abroad**

General/health insurers may invest freely, out of their funds abroad, without prior approval of Reserve Bank of India subject to the following conditions:

- (i) Statutory requirement of host country concerned; and,
- (ii) IRDAI guidelines, if any, and in accordance with applicable FEMA regulations relating to investment abroad.

## **4. Foreign Exchange Regulations relating to Life Insurance from insurers in India**

### **4.1 Definitions**

- i) "Person resident in India", "Person resident outside India" and "foreign currency" will have the same meaning as defined under Foreign Exchange Management Act, 1999 (42 of 1999).
- ii) "Person of Indian Origin" will have the same meaning as defined in Notification FEMA 5(R)/2016-RB dated April 1, 2016.
- iii) 'Not permanently resident' means a person resident in India for employment of a specified duration (irrespective of length thereof) or for a specific job or assignment, the duration of which does not exceed three years.
- iv) "Insurer in India" means Life insurers registered with Insurance Regulatory and Development Authority of India (IRDAI) to carry out Life insurance business in India.

### **4.2 Issuance of policies and collection of premium.**

#### **a) Residents**

- (i) Policies may be issued in foreign currency to resident persons of Indian nationality or origin who have returned to India after being resident outside India, provided the premium are paid out of remittances from foreign

currency funds held by them abroad or from their Resident Foreign Currency (RFC) account with authorised dealers in India.

- (ii) Policies denominated in foreign currency or rupees may be issued to foreign nationals not permanently resident in India provided the premium is paid out of foreign currency funds or from their income earned in India or repatriable superannuation/ pension fund in India.
- (iii) Conversion of Rupee policies on the lives of persons resident in India into foreign currency or transfer of records of such policies to a country outside India is not permitted without prior approval of Reserve Bank.

**b) Residents outside India**

- (i) Insurer in India may issue policies denominated in foreign currency through their offices in India or abroad to residents outside India provided the premium are collected in foreign currency from abroad or out of NRE/FCNR accounts of the insured or his family members held in India.
- (ii) For policies denominated in rupees issued to residents outside India, funds held in NRO accounts can be accepted towards payment of premium.
- (iii) Policies issued to Indian nationals and persons of Indian origin resident abroad by overseas offices of Insurer in India may be transferred to Indian register, together with the actuarial reserves held against the policies, on the policy holders' return to India. Foreign currency policies in such circumstances shall be converted into rupee policies except in cases where the policy has been in force for at least 3 years prior to policy holder's return to India and the policy holder wishes to retain and continue the foreign currency policy. Requests received for payment in foreign currency towards premium on such policies may be permitted by authorised dealers provided the policy holder undertakes to repatriate to India the maturity proceeds or any claim amounts due on the policy through normal banking channels with in a period of seven days from the receipt thereof.

**4.3. Settlement of claims**

- (i) The basic rule for settlement of claims on rupee life insurance policies in favour of claimants resident outside India is that payments in foreign



currency will be permitted only in proportion in which the amount of premium has been paid in foreign currency in relation to the total premium payable.

- (ii) Residents outside India who are beneficiaries of insurance claims/maturity/surrender value settled in foreign currency may be permitted to credit the same to NRE/FCNR account, if they so desire.
- (iii) (a) Resident beneficiaries of the insurance claims/ maturity/ surrender value settled in foreign currency may be permitted to open and credit the proceeds thereof to their RFC (Domestic) Account.  
(b) The Policy holder Indian residents who were outside India, and are the beneficiaries of insurance claims/maturity or surrender value settled in foreign currency in respect of policies issued by Insurer in India may be permitted to credit the proceeds to the RFC Account opened by them on their becoming residents.
- (iv) Claims/maturity proceeds/ surrender value in respect of rupee life insurance policies issued to Indians resident outside India for which premium have been collected in non-repatriable rupees may be paid only in rupees by credit to NRO account of the beneficiary. This would also apply in cases of death claims being settled in favour of resident outside India assignees/ nominees.
- (v) Claims/maturity proceeds/ surrender value in respect of rupee policies issued to foreign nationals not permanently resident in India may be paid in rupees or may be allowed to be remitted abroad, if the claimant so desires.

#### **4.4 Commission to overseas Agents**

Insurer in India may pay commission to their agents who are permanently resident outside India regardless of the fact that part of the business booked by them may be on the lives of persons resident in India and relative premium are paid in rupees in India. Remittances of commission from India to such agents abroad will be governed by instructions contained in Government Notification No.G.S.R. 381(E) dated May 3, 2000 relating to Current Account transactions as amended from time to time.

#### **4.5 Reinsurance**

In terms of the existing instructions, reinsurance arrangements for the insurance companies registered with IRDAI are to be decided by the companies themselves on an annual basis which is to be approved by the respective insurance company's Board in compliance with IRDAI Regulations. Authorised dealers, designated by these insurance companies may allow remittances falling due under such approved reinsurance arrangements by the insurer in accordance with the terms and conditions laid down by their Boards.

#### **4.6 Foreign Currency accounts**

Insurer in India may open, hold and maintain with a bank outside India foreign currency accounts for facilitating transactions and expenses relating /incidental to life insurance business undertaken in foreign countries in accordance with the above guidelines. Insurer in India should transfer to India regularly all surplus funds held at foreign centres and endeavour to keep in their foreign currency accounts only minimum balances required for normal business.

#### **4.7 Investments abroad**

Insurer in India invest freely, out of their funds abroad without prior approval of Reserve Bank subject to

- (i) Statutory requirement of host country concerned and
- (ii) IRDAI guidelines if any and in accordance with applicable FEMA regulations relating to investment abroad.

#### **4.8 Utilisation of Foreign Currency Funds**

- (i) Insurer in India may freely use its foreign currency balances for meeting all the normal expenses of its overseas offices inclusive of taxes and other dues in connection with maintenance and upkeep of buildings and properties held by insurers in foreign countries as well as purchase of cars for official use.
- (ii) Insurer in India may also freely use their overseas funds for settlement of provident fund, gratuity and other retirement benefits to retiring employees of overseas offices.
- (iii) Insurer in India may grant loans, without prior permission of Reserve Bank, to employees of their overseas offices (other than Indian nationals who had been deputed or posted from India) against provident fund balances held in the country concerned provided loan recoveries will be made in foreign currency.