



RBI/FED/2015-16/5
FED Master Direction No. 9/2015-16

January 1, 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.FEMA.12/2000-RB, dated May 3, 2000](#). 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

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Master Direction - Insurance

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 [Notifications No. 1](#) and [12/2000-RB dated May 3, 2000](#), as amended from time to time.

2. Memorandum of Foreign Exchange Regulations relating to Life Insurance in India

a. Introduction

Life 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 [Notifications No. 1](#) and [12/2000-RB dated May 3, 2000](#).

b. Scope of Memorandum

Foreign Exchange Regulations governing issue of life insurance policies in rupees and foreign currencies to non-residents, collection of premia, settlement of claims, maintenance and operations of foreign currency accounts abroad, reinsurance, investment of surplus funds abroad and allied matters are set out in this Memorandum. The receipt and payment of foreign exchange shall be as per [Notification FEMA 14/2000-RB dated May 3, 2000](#) i.e. Foreign Exchange Management (Manner of Receipt and Payment) Regulations. For current account transactions, insurers may be guided by the rules notified by Government of India vide G.S.R. 381(E) dated May 3, 2000, as amended from time to time and the various notifications issued under FEMA 1999 by Reserve Bank.

c. Definitions

For the purpose of this Memorandum the terms "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).

"Foreign nationals" will have the same meaning as defined in Regulation 4 of [FEMA Notification No. 12/2000-RB dated May 3, 2000](#).

"Person of Indian Origin" will have the same meaning as defined in [FEMA Notification No.5 /RB-2000 dated May 3, 2000](#).

d. Issue of policies and collection of premia

i. Residents

1. Policies may be issued in foreign currency to resident persons of Indian nationality or origin who have returned to India after being non-resident provided the premia 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.
2. Policies denominated in foreign currency or rupees may be issued to foreign nationals not permanently resident in India provided the premia are paid out of foreign currency funds or from their income earned in India or repatriable superannuation/pension fund in India.
3. 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.

ii. Non Residents

1. Insurers may issue policies denominated in foreign currency through their offices in India or abroad to non-residents provided the premia are collected in foreign currency from abroad or out of NRE/FCNR accounts of the insured or his relatives held in India.
2. For policies denominated in rupees issued to non-residents, funds held in NRO accounts can be accepted towards payment of premia.

3. Policies issued to Indian nationals and persons of Indian origin resident abroad by overseas offices of insurers 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 premia 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.

e. 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 premia has been paid in foreign currency in relation to the total premia payable.
- ii. Non-resident beneficiaries of insurance claims/maturity /surrender value settled in foreign currency may be permitted to credit the proceeds to NRE/FCNR account, if they so desire.
- iii. Resident beneficiaries of insurance claims/maturity/surrender values settled in foreign currency may be permitted to open and credit the proceeds thereof to their RFC (Domestic) Account.
- iv. Non-Resident Indian policy holders who are beneficiaries of insurance claims/maturity or surrender value settled in foreign currency in respect of policies issued by Insurance Companies in India and registered with IRDA may be permitted to credit the proceeds to the RFC Account opened by them on their becoming residents.

- v. Claims/maturity proceeds/surrender value in respect of rupee life insurance policies issued to non-resident Indians for which premia 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 non-resident assignees/nominees.
- vi. 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.

f. Commission to overseas agents

Insurers 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 premia 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.

g. Reinsurance

In terms of the existing instructions, reinsurance arrangements for the insurance companies registered with IRDA are to be decided by the companies themselves on an annual basis and approved by the respective insurance company's Board in consultation with IRDA. Authorised dealers, designated by these insurance companies may allow remittances for the reinsurance arrangements in accordance with the terms and conditions laid down by the respective Board of insurance companies.

h. Foreign currency accounts

Insurers 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 regulations laid down in this Memorandum. Insurers 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.

i. Investments abroad

Renewal of existing investments, reinvestment of redemption proceeds of existing investments and fresh investments out of funds held abroad, in Government/Semi-Government securities and bank deposits may be made by insurers freely without prior approval of Reserve Bank provided they are for meeting statutory requirements in the foreign country concerned. All other investments will require prior approval of Reserve Bank.

j. Utilisation of foreign currency funds

- i. Insurers may freely use their foreign currency balances for meeting all the normal expenses of their overseas offices inclusive of taxes and other dues in connection with maintenance and upkeep of buildings and properties held by them in foreign countries as well as purchase of cars for official use.
- ii. Insurers may also freely use their overseas funds for settlement of provident fund, gratuity and other retirement benefits of retiring employees of overseas offices.
- iii. Insurers 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.

3. Memorandum of Foreign Exchange Regulations relating to General Insurance in India

a. Introduction

General insurance business in India is undertaken by insurance companies which are registered with Insurance Regulatory and Development Authority (IRDA).

b. Scope of Memorandum

- i. Foreign Exchange regulations governing general insurance business written in India are set out in this Memorandum.
- ii. Directions contained in this Memorandum have been issued under Section 10(4) and Section 11(1) of Foreign Exchange Management Act 1999 (42 of 1999).

c. Definitions

For the purpose of this Memorandum, the terms "Person resident in India" and "Foreign Currency" will have the same meaning as defined under Foreign Exchange Management Act, 1999.

d. Bank Encashment Certificates

Where Insurers have been permitted to issue policies expressed in foreign currency against premium payable in foreign currency, they should insist on submission of suitable document to satisfy themselves that the premium has been received by foreign exchange remittance through banking channels or in rupees derived by sale of foreign exchange to an authorised dealer in foreign exchange or an authorised money-changer.

e. Direct Insurance outside India by Residents

- 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 limit prescribed under the Liberalised Remittance Scheme.
- ii. 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 IRDA.
- iii. A person resident in India may take or continue to hold a general insurance policy other than referred in (i) and (ii) above, issued by an insurer outside India, provided that, the policy is held, under a specific or general permission of the Central Government.

- iv. A person resident in India may continue to hold any general insurance policy issued by an insurer outside India when such person was resident outside India.

Provided further that where the premium due on a general 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.

f. Transactions 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 organisations in these two countries are treated as resident in India for purposes of transactions in Indian rupees. Payment of claims to such persons against marine or non-marine policies may be freely made in rupees. Payments in foreign currency towards claims under marine or non-marine policies will require prior approval of Reserve Bank, except where premiums thereon were also collected in foreign currency.

g. Exemption to units located in SEZ

Authorised dealers are free to allow remittances towards premium for general insurance policies taken by units located in SEZs from insurers outside India provided the premium is paid by the units out of their foreign exchange balances.

h. Rejection Risk Insurance

Authorised dealers may allow remittance on behalf of their exporter clients towards premium for the rejection risk insurance policies taken by them for export of sea-food and other perishable food/food products from an insurer outside India.

- i. The Memorandum is divided into four parts as under
 - Part A – Marine Insurance
 - Part B – Non-marine insurance
 - Part C - Reinsurance
 - Part D - Foreign Currency Accounts and investments abroad

Part A – Marine Insurance

A.1 Currency in which Marine Policies may be issued

- i. Marine insurance policies on coastal shipments may be issued only in Indian rupees.
- ii. Marine insurance policies on shipments between India and other countries as also between two points outside India may be issued in rupees or in any foreign currency

A.2 Premiums on Marine Policies covering exports

Payment of premium on a marine insurance policy on exports from India may be accepted in rupees provided exporter furnishes to the insurer a certificate to the effect either (a) that insurance charges on the shipment in question have to be borne by him in terms of contract with overseas buyer and that he is not making the payment on behalf of any non-resident or (b) that he is defraying insurance charges on the shipment in question on account of overseas buyer of the goods and he undertakes to add the amount in the invoice and recover the payment so made from the buyer in an approved manner.

NOTES:

A. Overseas buyers may sometimes approach insurers directly or through their overseas offices/agents for extension of cover for additional risks or for extended transit risks necessitated by circumstances not envisaged when the marine insurance was originally covered in India with the insurers. Such extensions may be made by insurers provided the additional premiums are collected from overseas buyers in foreign currency.

B. Certain countries operate restrictions requiring importers in their countries to obtain marine insurance cover from local insurers, settlement under which may not be possible in the event of cargo getting lost before reaching port of destination due to Foreign Exchange regulations governing remittances against imports into those countries. Insurers may issue in such cases, contingency marine insurance policies to exporters to protect their interest till goods are paid for. The policies should be issued with a condition that they will not be assignable to overseas buyer or any other non-resident party. Claims on such policies should be paid only to exporters in India.

A.3 Premiums on Marine Policies covering imports

- i. Payment of premium on a marine insurance policy on imports into India may be accepted in rupees provided importer furnishes to the insurer a certificate to the effect that (a) the insurance charges are required to be borne by him in terms of the contract with the overseas seller and (b) where the import is made against an Import Licence, he undertakes to ensure that the amount of insurance premium is endorsed on the import licence in due course.
- ii. In case of imports by the public sector (viz. Central Government, any State Government, Statutory or public bodies and Government undertakings), payment of insurance premium in rupees may be freely accepted.
- iii. In all other cases, where payment of premium in respect of imports is offered in rupees, prior approval of Reserve Bank will be required. Applications for the purpose should be made by letter (in duplicate) furnishing full particulars.

A.4 Premiums on Marine Policies covering shipments between countries outside India

- i. Premiums on marine insurance policies covering shipments between countries outside India must ordinarily be received in foreign currency, but payment in rupees may be accepted provided a certificate from an authorised dealer in foreign exchange is produced to show that the rupees are derived by a remittance from abroad in an approved manner.

NOTE:

Overseas offices of the insurers may grant marine insurance cover for trade between China and third countries and receive premium/settle claims through foreign currency accounts maintained by their overseas offices without prior approval of Reserve Bank.

- ii. Sometimes, firms and companies in India finance merchanting trade i.e. goods shipped from one foreign country to another and financed by an intermediary in India. In some of these cases goods may be purchased on f.o.b./c.& f. terms and/or sold on c.i.f. terms, the marine insurance cover being arranged by the intermediary in India. Insurance companies registered with IRDA may issue policies covering transit risks between the loading and the destination ports in rupees or in any foreign currency in such cases, against payment of premium in rupees by the intermediary, after satisfying themselves that the contract provides for marine insurance being taken by the intermediary.

A.5 Claims against Marine Policies

Claims against marine insurance policies, when payable to persons, firms or companies in India should be paid only in rupees, irrespective of the currency in which relative policies had been issued. Where claimant is not a resident of India, insurers may settle the claim out of foreign currency balances held by them, provided they are satisfied that ownership of the goods lost, damaged etc., vests in such claimant and that the latter is not making the claim merely as agent of the real owner of the goods in India.

A.6 Remittance of claims on exports

- i. In the case of marine claims against exports, remittances of claim will be permitted by authorised dealers in foreign exchange on application on form A2 provided the insurer has satisfied himself that the ownership of the goods on which claim has arisen vests in the non-resident claimant. Applications should be supported by following documents:
 - a. Statement of claim duly certified by an official authorised by the insurance company registered with IRDA for this purpose.

- b. Insurance policy.
- c. Survey report or other customary proof of loss.
- d. Bill of lading/airway bill.
- e. Certified copy of invoice.
- f. Any other documents ordinarily required to support the claim.

Where original documents are not available for any reason, photo copies may be produced to authorised dealer together 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.

NOTE: Insurers may settle claims in rupees 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 non-resident claimant. A certificate indicating full particulars of the transaction including number of relative GR/PP form 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.

- ii. Claims against marine insurance policies covering exports may also be settled through the overseas claims settling agents, if so desired by insurers. 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.

A.7 Payment in Foreign Currency of certain import claims

Although it is a basic rule that marine claims on imports should be settled locally in rupees in favour of importer in cases where ownership of the goods lost, damaged, etc. vests in the importer, insurers may settle claims from their foreign currency balances in favour of overseas suppliers in the following categories of imports, in order to facilitate early replacement of the lost, damaged, etc. goods, on request being received in this regard from importers:

- a. Imports by Government Departments and public sector undertakings
- b. Imports by private sector undertakings against foreign credits provided the terms of the foreign credit require that insurance cover should be taken in foreign currency for replacement of lost/damaged goods.
- c. In all other cases, where the ownership of the goods lost/damaged, etc. vests with the overseas supplier and no payment has been made towards any part of the cost of the goods.

These provisions are applicable not only to marine policies, but also to marine cum erection policies, whether issued separately or combined.

A.8 Claims on policies covering Merchanting Trade

Claims arising from marine insurance policies covering merchanting trade financed through India may be settled by insurers from their foreign currency balances

only if –

- a. the ownership of the goods vests with the overseas party and
- b. where the claim is proposed to be settled in favour of the overseas supplier, payment for the goods has not been made to the supplier and where claim is proposed to be settled in favour of the overseas buyer, payment for the goods has been received by the Indian intermediary from the buyer.

Part B - Non-Marine Insurance

B.1 Assets in India

Insurance cover on risks inside India (including All Risks Insurance) on assets in India owned by residents of India may be issued only in rupees. This is also applicable to assets of Indian branches/offices of foreign companies, banks, etc.

B.2 Assets outside India

Non-marine risks in respect of assets outside India owned by residents of India may be covered in rupees or in foreign currency provided that in respect of immovable property held outside India by Indian nationals, permission of Reserve Bank for holding the property had been obtained, (where necessary). Settlement of claims under such policies should be made only in rupees locally. Foreign currency policies providing for payment of claims in foreign currency in the foreign country may,

however, be issued only if the premiums are paid in foreign currency out of eligible foreign currency assets held by Indian nationals/persons of Indian origin who have returned to India from abroad after a minimum continuous stay abroad for at least one year or out of funds held in their RFC accounts with authorised dealers in India. Issue of foreign currency policies in other cases will require prior approval of Reserve Bank.

B.3 Policies in foreign currency approved by Reserve Bank-

i. Settlement of claims

Request for issue of policies in foreign currency which are not covered by the above guidelines are examined on merits by RBI. For such requests where RBI grants specific approval for issue of policy in foreign currency, acceptance of premium in foreign currency and settlement of claim in foreign currency, insurers may approach A.D. for remittance of claims under policies subject to the following conditions :-

- a. the policy has been issued in foreign currency with specific approval of RBI;
 - b. the claim has been admitted by the competent authority of the insurance company.
 - c. the claims has been settled as per the surveyors report and other substantiating documents;
 - d. claims on account of reinsurance are being lodged with the reinsurers and will be received as per reinsurance agreement;
 - e. the remittance is being made to the non-resident beneficiary under the policy. For resident beneficiaries the claim may be settled in Rupee equivalent of foreign currency due. Under no circumstances payment in foreign currency be made to a resident beneficiary.
- ii. Insurers may submit, to the Regional Office of RBI under whose jurisdiction it operates, a report on quarterly basis of the claims settled in foreign currency along with supporting documents of each claim settled by them. These reports

may be submitted within 15 days from the end of each quarter of the calendar year.

B.4 Baggage and valuables in transit

- i. Insurance cover on baggage or valuables in transit between India and other countries or between two countries outside India may be issued in rupees or in foreign currency.
- ii. Premiums on such policies may be collected in rupees only if the owner of the baggage or other valuables is either an Indian national or is normally resident in India. In other cases, premiums should be received in foreign currency or in rupees derived by surrender of foreign currency to an authorised dealer in foreign exchange or authorised money-changer; such payments should be supported by a certificate from the authorised dealer/money-changer in the prescribed form.
- iii. Claims on such policies may be paid only in rupees in India except where the policy holder is a person normally resident outside India and premiums against the policy had been collected either in foreign currency or in rupees derived by surrender of foreign currency. Remittances of claims in foreign currencies in other cases will require prior approval of Reserve Bank.
- iv. Remittances towards claims on personal baggage reshipped from India by foreign nationals on completion of their assignments in India may be allowed by insurers, if they are eligible for or have been accorded remittance facilities at the time of retirement from India.

B.5 War etc. Risks Insurance on Marine Hulls

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

B.6 Personal accident insurance

Personal accident policies may be issued only in rupees and claims thereon settled only in rupees, in case of Indian nationals and persons of Indian origin normally resident in India. In other cases, personal accident policies may be issued in foreign currency, provided premiums thereon are paid either in foreign currency or in rupees derived by surrender of foreign currency to an authorised dealer or authorised

money-changer. Claims in these cases may be settled in currency of the policy or in rupees as desired by the policy holder.

NOTE: Indian companies executing construction and turnkey contracts in foreign countries may at times desire to obtain personal accident cover from Indian insurers for the workmen and technical staff actually engaged in the overseas contracts providing for settlement of claims in foreign currency. Insurers may permit such insurance being taken provided premiums will be paid by remittances in foreign currency from out of the foreign currency earnings generated by the contracts. Claims in such cases may be settled in foreign currency or if so desired, in rupees locally.

B.7 Overseas medical insurance scheme for Indians travelling abroad

Policies may be issued in India under the Overseas Medical Insurance Schemes as approved by Reserve Bank to Indian residents travelling abroad for any approved visits viz. business, study tour, specialised training, conferences, employment or higher studies. Premiums on such policies, other than for visits for employment, may be collected in rupees and for employment in foreign currency. Insurers may also open a revolving letter of credit with an Indian bank in London for settlement of its share in the claims that may eventually arise under the policies.

B.8 Miscellaneous

- i. Insurers may issue product liability policies for exports and Errors and Omissions Policy in respect of computer software exports in foreign currency against receipt of premium in rupees and settle claims if any in foreign currency in respect of such policies.
- ii. Claims arising outside India against policies issued under Workmen's Compensation 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.

Part C - Reinsurance

C.1 As per the extant Govt. of India's instructions, reinsurance arrangements of the insurance companies registered with IRDA are to be decided by the companies themselves on an annual basis, which is to be approved by the respective insurance

company's Boards in consultation with IRDA. Authorised dealer, designated by these insurance companies 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.

C.2 Remittance of reinsurance premia by local brokers

Wherever local brokers arrange the reinsurance on behalf of insurers, local brokers may remit the premia through the branch of the authorised dealer designated by the insurance company in terms of para c.1 above subject to the production of undernoted documents:

- i. Relative debit notes from overseas insurance company.
- ii. Detailed statement of premia settled by the individual insurance company, along with a certificate to the effect that the amount of reinsurance business is within the overall limit approved by the insurance company's Board and that the risks covered under the reinsurance arrangements are within the scope of the Reinsurance Programme, approved by the insurance company's Board in consultation with IRDA.
- iii. A certificate from the Chartered Accountant of the local broker, prepared on the basis of certificates and statements obtained from the insurance companies, to the effect that the proposed remittance of reinsurance premia sought, is in agreement with the various statements/certificates obtained from the insurance company/companies.

Part D - Foreign Currency Accounts and investments abroad

D.1 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 insurance business undertaken in foreign countries in accordance with regulations laid down in this Memorandum. 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.

D.2 Investments abroad

Renewal of existing investments, reinvestment of redemption proceeds of existing investments and fresh investment out of funds abroad, in government/semi-Government securities and bank deposits may be made by insurers freely without prior approval of Reserve Bank, provided they are for meeting statutory requirements in the foreign country concerned. All other investments will require prior approval of Reserve Bank of India.