Item no. 9

Relaxation of Dividend criteria-Equity shares - Approved Investment

The Life Insurance Council has requested for relaxation for Dividend Criteria required in classifying Equity Shares under "Approved Investment" by insurers due to the extraordinary situation arising out of COVID-19. On the same issue, General Insurance Council has had earlier made a request on 30th Dec, 2019 for restoration of the earlier provisions of Insurance Act, 1938.

Regulation 3 (a) (4) and (5) of IRDAI (Investment) Regulations, 2016 specifies the following criteria to classify Insurers Investment in Preference Shares / Equity Shares under "Approved Investment":

"Regulation 3 (a) (4): preference shares of any company which has paid dividends on its equity shares for at least two consecutive years immediately preceding;

Regulation 3 (a) (5): equity shares of any listed company on which not less than ten percent dividends have been paid for at least two consecutive years immediately preceding;"

1. In the wake of COVID-19 pandemic and consequent economic disruption, RBI vide its Circular: RBI/2019-20/218 DOR.BP.BC.No.64/21.02.067/2019-20 Dt. 17th April, 2020 directed Banks not to make any further dividend pay-outs from the profits of financial year ended 31st March, 2020.

2. Since economic disruption due to the COVID-19 pandemic has also affected insurance companies, IRDAI vide Circular No: IRDA/F&A/CIR/MISC/099/04/2020 Dt. 24th April, 2020 directed Insurers to align the dividend pay-out for the FY 2019-20 to be in conformity with strategies that ensures adequate capital and resources and to take a conscious call to refrain from paying dividend from profits of the financial year ending 31st Mar, 2020, till further instructions.

3. The prolonged lock down and business disruptions owing to COVID-19 pandemic has made many corporates very cautious in declaring dividend for FY 2019-20 to preserve their financial resources.

4. In the above-mentioned scenarios, the non-payment of dividends for the years 2019-20 may not reflect the intrinsic fundamentals of the company and needs to be treated as an abnormal event.

5. Thus, the Authority may by virtue of Regulation 14 (2) of IRDAI (Investment) Regulations, 2016 approve substitution of the criteria of *"for at least 2 consecutive years immediately preceding"* required in Regulation 3 (a) (4) and 3 (a) (5) with *"for at least 2 years out of 3 consecutive years immediately preceding"* to classify Investments in Preference Shares and Equity Shares under "Approved Investment" with effect from 1st April 2020 for a period of one year i.e., till 31.03.2021.

Submitted for approval of the Authority.