



CIRCULAR

AMENDMENTS TO INVESTMENTS MASTER CIRCULAR

The Authority received few representations from insurance companies to relax/amend certain provisions of Investment – Master Circular / Circulars and criteria for classification of investment in equity shares as approved investment. After due consideration of the representations, the Authority hereby approves the following amendments to the Investment Master Circular / Circulars.

1. DIVIDEND CRITERIA FOR CLASSIFICATION OF EQUITY EXCHANGE TRADED FUNDS

Para No 1.3.a.3 of Investments - Master Circular is substituted with the following modified para to relax the norm by permitting certain percentage of constituent stocks which need not fulfil the dividend criteria to classify investment in Equity ETF as “Approved Investment”.

“1.3.a.3. At least 85% securities in the equity basket shall be compliant with respect to dividend distribution norms as per Regulation 3 (A)(5) of IRDAI (Investment) ,2016 to qualify as a part of “Approved Investment”.

2. INVESTMENT IN MUTUAL FUNDS

Para No 1.3.c.7 of Investments - Master Circular shall be replaced with the following modified para to align the exposure limits applicable to Life Insurers with that of General Insurers:

1.3.c.7- The investment in Gilt / G Sec / Liquid /Debt/ Income Mutual Funds (all taken together) at any point of time, shall be as under:

“Investment Assets” as per Regulation 2(i) of IRDAI (Investment) Regulations, 2016	Percentage to Investment Assets
Less than Rs. 50,000 Crores	10%
More than Rs. 50,000 Crores and Less than Rs.,2,50,000 Crores	7%
More than Rs. 2,50,000 Crores	5%

3. LONG TERM BONDS BY BANKS - FINANCING OF INFRASTRUCTURE AND AFFORDABLE HOUSING

Point no: 1.6.c.1 of the Investments - Master Circular is deleted so that the exposure to Long Term Bonds by Banks for financing of Infrastructure and affordable housing shall not be part of exposure to BFSI. However, conditions indicated in Para 1.6.c.2 and 1.6.c.3 shall continue to apply.

4. INVESTMENT IN “ADDITIONAL TIER I (BASEL III COMPLIANT) PERPETUAL BONDS

Para Nos 1.6.d.3, 1.6.d.4 and 1.6.d.5 of Investments - Master Circular are substituted with the following modified paras to enable insurers to invest in banks despite non declaration of dividend.

“1.6.d.3: The aggregate value of AT1 Bonds held in a particular Bank, at any point of time, shall not exceed 10% of the total outstanding AT1 Bonds, of that particular Bank.

1.6.d.4: The Common Equity Tier I Capital (CET) including Capital Conservation Buffer, of the issuer Bank shall be more than 9% of the total risk weighted assets of the bank at the time of investment in AT1 Bonds of such Bank.

1.6.d.5: a. The issuer bank should not have cancelled/deferred any coupon payment on its debt instruments including AT1 bonds in the preceding three financial years.

b. The issuer bank shall have reported net profit after tax for the preceding two years and having a positive accumulated profit as per the latest audited balance sheet.

c. The issuer bank has not reported any divergence in the asset classification and provisioning, identified by RBI, in its latest audited balance sheet”

5. SEPARATE LIMITS FOR DEBT INSTRUMENTS AND UNITS OF INVIT / REIT

To provide (i) separate limits for investments in Units and (ii) Debt instruments and higher limits for debt instruments at single InvIT/REIT level, the following additional paras are included in Cir no: IRDAI/F&I/CIR/INV/098/04/2021 Dt. 22nd April, 2021 before para (a).

1. The debt Instruments shall be issued by listed InvITs/REITs and rated “AAA” at the time of Investment.

2. The public holding in the InvIT/REIT shall not be less than 30% of the total outstanding units of the InvIT/REIT at the time of Investment.

Further, the existing point no. (c) and (d) of Cir no: IRDAI/F&I/CIR/INV/098/04/2021 Dt. 22nd April, 2021 shall be substituted with the following:

c.) No Insurer shall invest more than 20% of the outstanding debt instruments (including the current issue) in a single InvIT/REIT.

d.1) The investment in Debt Instruments of REITs shall not exceed 3% of total fund size of the insurer at any point of time. d.2) The investment in Debt Instruments of InvITs shall be subject to sectoral limits applicable to Infrastructure Sector.

6. DIVIDEND CRITERIA FOR EQUITY INVESTMENT UNDER “APPROVED INVESTMENT”

The relaxation provided under circular no: IRDAI/F&I/CIR/INV/51/03/2022 Dt. 24th March, 2022 to classify investments in Preference Shares and Equity Shares as part of “Approved Investment” if dividend is paid on such Shares “for at least 2 years out of 3 consecutive years immediately preceding” instead of “for at least 2 consecutive years immediately preceding” (as required under Regulation 3(a)(4) and 3(a)(5) of IRDAI (Investment) Regulations, 2016) shall continue beyond 30th September, 2022.

Sd/-

(Ammu Venkataramana)

General Manager (Finance & Investments)