

**Approval for Setting up a subsidiary to carry out the business of Pension Fund-
Max Life Insurance Co. Ltd**

An application has been received from Max Life seeking Authority's approval in terms of IRDAI Circular Ref No: 006/IRDA /F&A /CIR/ MAY-09 dated 11th May, 2009 for setting up a 100% subsidiary for Pension Fund Management under the Pension Fund Regulatory and Development Authority Act, 2013 through an initial investment of Rs.55 Crore.

1. As per the provisions of above circular, which *inter-alia* states the following:

The Authority had examined the various legal and regulatory issues relating to insurance companies (a) setting-up subsidiaries to take up operations as PFMs and (b) acting as PoP, and it has been decided that presently

- *Life Insurance Companies **may** set-up fully owned subsidiaries to act as PFMs*
- ***No** non-life Insurance Company would be permitted to act as PFMs;*
- ***No** Insurer may act as PoP.*

*The decision of the Authority to permit life insurance companies to set-up subsidiaries for PFM is, however, subject to approval **on a case to case basis**. Any life insurance company intending to set-up a subsidiary to carry out PFM function must take the explicit prior approval of the Authority. Further, while approving the application for setting-up 100 subsidiary of the insurance company for PFMs operations, the Authority would at the minimum impose the following conditions:-*

- *The capital requirements of the subsidiary would be met through the Shareholders' Funds. In effect, it would be the promoters of the insurance company, who would be meeting the capital and operating expenses requirements on an on going basis such that the networth requirements of the PFM are met by the shareholders on a continuing basis with no impact on the Policyholders' A/c.*
- *The investment in the subsidiary would be held as a non admitted asset in the insurance company's accounts would not be considered for the purpose of computation of solvency margin.*

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- *The investment in the subsidiary would be carried at the book value of the subsidiary for the purposes of preparation of the financials of the insurance company.*
 - *As per Authority's interpretation of the New Pension Scheme(NPS), the returns to the respective subscribers would be based on the NAV of the units held by them and there are no guarantees on the pension funds to be managed by the respective PFM. However, in case of any extraordinary lapses and contingencies, that affect the interests of the subscribers, the resultant losses would be funded through the Shareholders' A/c., of the insurance company. In effect, the promoters of the insurer would meet all such losses. Under no circumstances would the Policyholders' Funds be accessed for the said purpose.*
 - *In the event of the PFM considering management of any guaranteed products, specific and prior approval of the Authority would be required.*
 - *The Authority may impose any further conditions as it may consider necessary from time to time.*
2. Max Life has net worth of Rs.2884.64 Crore as on 31.03.2021. For last five years the insurer has reported net profits. The above referred circular provides that the investment in such subsidiary shall not be counted for the purpose of determining solvency. The proposed investment would reduce the Solvency Margin of insurer from 2.11 to 2.09.
3. In the past, the Authority granted approval for setting of Pension Fund Manger(PFM) by the Life Insurance companies viz., ICICI PFM, HDFC PFM, Aditya Birla PFM and India First Life Insurance Co. Ltd, however India First Life Insurance Co. Ltd has not set up PFM till date.
4. We may advise that the present investments and the future capital infusion in the Pension Fund shall be made out of shareholders funds beyond solvency margin(SHFBSM)

The approval may be granted to Max Life Insurance Co. Ltd to set up the PFM subject to the conditions specified above.

Placed for consideration of the Authority.