

## Insurance & Reinsurance - India

### IRDA relaxes foreign reinsurance limits

Contributed by **Tuli & Co**

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While the government continues to make assurances that the 26% foreign investment limit in the insurance industry will be lifted, a modest change has recently been made to reinsurance limits. This is one of a number of changes made by the Insurance Regulatory and Development Authority (IRDA) to the insurance regulatory framework in the past year, whether through amendments to existing regulations or the introduction of new regulations.

The IRDA (General Insurance – Reinsurance) Regulations 2013 replace the 2000 regulations of the same name. The new regulations introduce a relaxation for reinsurance purchased outside India from 10% to 20%, although the precise level will depend on the credit rating of the reinsurer concerned, as follows:

- 10% for reinsurers with a Standard & Poor's (S&P) rating of BBB or equivalent;
- 15% for reinsurers with an S&P rating between BBB and AA or equivalent; and
- 20% for reinsurers with an S&P rating better than AA or equivalent.

As with the earlier regulations, domestic insurers can cede higher limits for specialised lines, with the approval of the IRDA. However, the overriding objective remains the maximisation of retentions within India and the development of capacity within India by granting opportunities to Indian insurers and reinsurers first, before turning to overseas reinsurers.

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