

INVESTMENT REGULATIONS 2016

Investments Regulations

- The Investment Regulation provides proactive and dynamic investment management system; envisages monitoring the Investment Operations to assist in management's decision making and measurement to support effective monitoring of the Investment Practices

Broad Structure of Investment Regulation

- Pattern of investments - Shareholders funds / Policyholders Funds
- Pattern of investments - as applicable to Life/Pension/ULIP
- Prudential and Exposure norms
- Rating Requirements
- Placement of Audit Report before the Audit Committee of the Board
- Broad category of Investments—

Broad Structure of Investment Regulation(contd..)

- Outsourcing
- Investment Policy
- Model Code of Conduct
- Systems requirements
- Definition of Infrastructure compliance
- Quarterly & other Investment Returns to the Regulator
- Segregation of duties in Front, Mid and Back office with independent reporting to the

Broad Structure of Investment Regulation(contd..)

- Sub limits prescribed for various types of investments, i.e.
 - (i) Central Govt. Securities/State Govt. Securities
 - (ii) Non Convertible Debentures
 - (iii) CBLO
 - (iv) Fixed Deposits
 - (v) Fixed Interest Derivatives
 - (vi) Repo and Reverse Repo on Corporate Bonds

Pattern of Investments

Life Fund:

No	Type of Investment	Percentage to funds
(i)	Central Government Securities	Not less than 25%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 50%(incl (i) above)
(iii)	Approved Investments	Not exceeding 50%
(iv)	Other Investments	Not exceeding 15%
(v)	Investment in Housing & Infrastructure (as per respective Housing sector Norms)	Total Investment in housing and infrastructure (i.e.,) investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 15% of the fund under Regulation 4(a)

Pattern of Investments (contd..)

Pension , General and Annuity Fund:

No	Type of Investment	Percentage to funds
(i)	Central Government Securities	Not less than 20%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 40%(incl (i) above)
(iii)	Approved Investments	Not exceeding 60%

Pattern of Investments (contd..)

Pattern of Investment will not be applicable for Shareholders' funds held in business beyond required solvency margin, and not taken in calculation of solvency margin. Such excess shall be:

- *made after fully complying with investment in Central Government Securities, State Government and Other Approved Securities and in Housing & Infrastructure Investments from funds representing solvency margin.*

Exposure Norms

Investee Company Exposure:

- Investment in equity, preference shares, convertible debenture:- Exposure at any point of time should not exceed 10% of outstanding equity shares (face value) or 10% of the amount of the fund whichever is lower.
- Investment in Debt/ loans/CPs and any other

Exposure Norms(contd..)

Non-Promoter Group Exposure:

Total investments made in entire “Group of the Investee Company” are the lower of: The total investable amount under this Regulation will be 15% of investment Assets of the fund or 15% of investment assets in all Company belonging to the group, whichever will be lower

Promoter Group Exposure:

Total investments made in all “Companies falling

Exposure Norms(contd..)

Industry Sector Exposure:

Investment made by the insurer in any industrial sector [except Financial and Insurance Activities sector as per National Industrial Classification (All Economic Activities) - 2008]:

- Shall not exceed the lower of 15% of the amount under this Regulation (or) 15% of investment Asset of the fund.

Other Norms

Rating Criteria:

- All investments under 'Approved Investments' should be made only in rated instruments, if such instruments are capable of being rated?
- At the time of purchase, all Corporate Bonds rated below AA (A+ with the prior approval of the Board of the Insurer) or its equivalent and P1 or

Other Norms (Contd..)

AT1 Bonds Investments:

Particulars/Criteria	Features/Validation
Asset type	Equity
Rating	Only AA and above(at the time of investment)
IPO Investment pre-requisite	Offer Document should have provision for listing in at least one of the exchanges
IPO Limit	10% of the IPO size
Issuer Limit	In any particular bank : 10% of total o/s AT1 Bonds at any point in time
Issuer Bank's CET requirement	Common Equity Tier 1 Capital (CET) including Conversion Buffer is more than 1% ; minimum prescribed by RBI only at the time of investment
Dividend criteria	Investment in AT1 bonds Only in Issuer Banks which has declared dividend for preceding 2 yrs
Regulations	Clauses applicable to equity investment as per Investment Regulation 2016 and Master Circular; however cannot invest in promoter group or corporate agent of the insurer
Valuation	As per Fimmda or applicable Market Yield Rates published by rating agency registered with SEBI
Reporting	Concurrent Auditor to confirm the compliance for this investment as per this circular

IRDA Forms

IRDA Forms has to be submitted every quarter in both physical and electronic(BAP) format.