

**Foreign Exchange Management (Insurance)
Regulations, 2000 - Life Insurance Memorandum (LIM)
A.P.(DIR Series) Circular No.72 (January 17, 2003)**

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai-400 001**

January 17, 2003

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To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

**Foreign Exchange Management (Insurance)
Regulations, 2000 - Life Insurance Memorandum (LIM)**

Attention of authorised dealers is invited to the Notification No.FEMA 12/2000-RB dated May 3, 2000 viz., Foreign Exchange Management (Insurance) Regulations, 2000. The Memorandum of Exchange Control Regulations relating to Life Insurance in India ([LIM](#)) since brought out is enclosed. The major changes in procedure as per Memorandum are summarised in the [Annexure](#).

2. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.
3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

ANNEXURE
[A.P.(DIR Series) Circular No.72
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Major changes effected in the revised LIM

Sr. No.	Subject Matter	Changes
1.	Scope of Memorandum	The earlier instructions of LIM covered only LIC which was the only institution permitted to undertake the business of Life Insurance. The present instructions contained in the Memorandum are applicable to LIC as well as Life Insurance Companies which are registered with IRDA.
2.	Re-insurance Arrangement	The re-insurance arrangement of Life Insurance Companies registered with IRDA are to be decided by the Company's Board themselves and IRDA is to be

		kept informed. Authorised Dealers designated by these insurance companies are now permitted to make remittances falling due under such approved re-insurance arrangements.
3.	Settlement of claims in foreign currency favouring residents and crediting the same to RFC Accounts.	In the LIM issued under FERA, residents were not permitted to retain any receipts in foreign currency as the same had to be surrendered to the authorised dealer within 7 days. Under FEMA resident beneficiaries of foreign currency life insurance policies are being permitted to retain the proceeds in foreign currency in RFC Accounts.
4.	Permitting credit of foreign currency claims favouring non-residents to NRE/ FCNR Accounts.	In the revised LIM the proceeds of policies denominated in foreign currency or the rupee policies for which premia are paid in foreign currency or out of NRE/FCNR Accounts are now permitted to be credited to NRE/FCNR Account of non-resident without prior approval of Reserve Bank .
5.	Restrictions on issue of rupee policies to foreign nationals	The restrictions on issue of rupee policies maturing within 7 years to foreign nationals not permanently resident in India have been withdrawn.
6.	Export of Policies	The restrictions in regard to export of policies have been withdrawn under revised LIM.
7.	Instructions addressing Exchange Control concerns	The revised LIM is modified in such a manner whereby only issues of exchange control concern are addressed. Other operational instructions not relating to exchange control have been excluded.

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LIM

Memorandum of Foreign Exchange Regulations Relating to Life Insurance in India

1. Introduction

Life insurance business in India can be undertaken by insurance companies registered with Insurance Regulatory and Development Authority (IRDA) and as per the regulations notified by Reserve Bank of India under Notifications No. 1 and 12/2000-RB dated May 3, 2000.

2. Scope of Memorandum

Exchange Control Regulations governing issue of life insurance policies in rupees and foreign currencies to non-residents, collection of premia, settlement of claims, maintenance and operations of foreign currency accounts abroad, reinsurance, investment of surplus funds abroad and allied matters are set out in this Memorandum. The receipt and payment of foreign exchange shall be as per Notification FEMA 14/2000-RB dated May 3, 2000 i.e. Foreign Exchange Management (Manner of Receipt and Payment) Regulations. For current account transactions, insurers may be guided by the rules notified by Government of India vide G.S.R. 381(E) dated May 3, 2000, as amended from time to time and the various notifications issued under FEMA 1999 by Reserve Bank.

3. Definitions

For the purpose of this Memorandum the terms "Person resident in India", "Person resident outside India" and "foreign currency" will have the same meaning as defined under Foreign Exchange Management Act, 1999 (42 of 1999).

"Foreign nationals" will have the same meaning as defined in Regulation 4 of FEMA Notification No. 12/2000-RB dated May 3, 2000.

"Person of Indian Origin" will have the same meaning as defined in FEMA Notification No.5 /RB-2000 dated May 3, 2000.

4. Issue of policies and collection of premia

a) Residents

- (i) Policies may be issued in foreign currency to resident persons of Indian nationality or origin who have returned to India after being non-resident provided the premia are paid out of remittances from foreign currency funds held by them abroad or from their Resident Foreign Currency (RFC) account with authorised dealers in India.
- (ii) Policies denominated in foreign currency or rupees may be issued to foreign nationals not permanently resident in India provided the premia are paid out of foreign currency funds or from their income earned in India or repatriable superannuation/pension fund in India.
- (iii) Conversion of Rupee policies on the lives of persons resident in India into foreign currency or transfer of records of such policies to a country outside India is not permitted without prior approval of Reserve Bank.

b) Non Residents

- (i) Insurers may issue policies denominated in foreign currency through their offices in India or abroad to non-residents provided the premia are collected in foreign currency from abroad or out of NRE/FCNR accounts of the insured or his family members held in India.
- (ii) For policies denominated in rupees issued to non-residents, funds held in NRO accounts can be accepted towards payment of premia.
- (iii) Policies issued to Indian nationals and persons of Indian origin resident abroad by overseas offices of insurers may be transferred to Indian register, together with the actuarial reserves held against the policies, on the policy holders' return to India. Foreign currency policies in such circumstances shall be converted into rupee policies except in cases where the policy has been in force for at least 3 years prior to policy holder's return to India and the policy holder wishes to retain and continue the foreign currency policy. Requests received for payment in foreign currency towards premia on such policies may be permitted by authorised dealers provided the policy holder undertakes to repatriate to India the maturity proceeds or any claim amounts due on the policy through normal banking channels.

5. Settlement of claims

- (i) The basic rule for settlement of claims on rupee life insurance policies in favour of claimants resident outside India is that payments in foreign currency will be permitted only in proportion in which the amount of premia paid in foreign currency in relation to the total premia payable.
- (ii) Non-resident beneficiaries of insurance claims/maturity /surrender value settled in foreign currency may be permitted to credit the same to NRE/FCNR account, if they so desire.
- (iii) Resident beneficiaries of insurance claims/maturity/surrender values settled in foreign currency may be permitted to credit the same to RFC accounts, if they so desire.
- (iv) Claims/maturity proceeds/surrender value in respect of rupee life insurance policies issued to non-resident Indians for which premia have been collected in non-repatriable rupees may be paid only in rupees by credit to NRO account of the

beneficiary. This would also apply in cases of death claims being settled in favour of non-resident assignees/nominees.

- (v) Claims/maturity proceeds/surrender value in respect of rupee policies issued to foreign nationals not permanently resident in India may be paid in rupees or may be allowed to be remitted abroad, if the claimant so desires.

6. Commission to overseas Agents

Insurers may pay commission to their agents who are permanently resident outside India regardless of the fact that part of the business booked by them may be on the lives of persons resident in India and relative premia are paid in rupees in India. Remittances of commission from India to such agents abroad will be governed by instructions contained in Government Notification No.G.S.R. 381(E) dated May 3, 2000 relating to Current Account transactions as amended from time to time.

7. Reinsurance

In terms of the existing instructions, reinsurance arrangements for the insurance companies registered with IRDA are to be decided by the companies themselves on an annual basis and approved by the respective insurance company's Board in consultation with IRDA. Authorised dealers, designated by these insurance companies may allow remittances for the reinsurance arrangements in accordance with the terms and conditions laid down by the respective Board of insurance companies.

8. Foreign Currency accounts

Insurers may open, hold and maintain with a bank outside India foreign currency accounts for facilitating transactions and expenses relating/incidental to life insurance business undertaken in foreign countries in accordance with regulations laid down in the Memorandum. Insurers should transfer to India regularly all surplus funds held at foreign centres and endeavour to keep in their foreign currency accounts only minimum balances required for normal business.

9. Investments abroad

Renewal of existing investments, reinvestment of redemption proceeds of existing investments and fresh investments out of funds held abroad, in Government/Semi-Government securities and bank deposits may be made by insurers freely without prior approval of Reserve Bank provided they are for meeting statutory requirements in the foreign country concerned. All other investments will require prior approval of Reserve Bank.

10. Utilisation of Foreign Currency Funds

- (i) Insurers may freely use its foreign currency balances for meeting all the normal expenses of its overseas offices inclusive of taxes and other dues in connection with maintenance and upkeep of buildings and properties held by insurers in foreign countries as well as purchase of cars for official use.
- (ii) Insurers may also freely use their overseas funds for settlement of provident fund, gratuity and other retirement benefits to retiring employees of overseas offices.
- (iii) Insurers may grant loans, without prior permission of Reserve Bank, to employees of their overseas offices (other than Indian nationals who had been deputed or posted from India) against provident fund balances held in the country concerned provided loan recoveries will be made in foreign currency.