



Frequently Asked Questions (FAQs) on IFSC Insurance Intermediary Offices (IIIOs)

(updated as on January 10, 2024)

Disclaimer: These FAQs are not the interpretation of law but intend to provide a clarity on the concepts related to the IFSCA (Insurance Intermediary) Regulations, 2021 (“IIIO Regulations”). Any queries about the IIIO Regulations may be addressed to IFSCA. In case of any disparity between these FAQs and the provisions of relevant Acts/regulations/rules, the later shall prevail.

1.	Is there a specific regulatory framework for undertaking insurance intermediation business in IFSCs?
	The undertaking of (re)insurance intermediation business in an International Financial Services Centre (IFSC) is subject to the provisions of the International Financial Services Centres Authority Act, 2019 (50 of 2019) (hereinafter, “the IFSCA Act”) and the Insurance Act, 1938 (4 of 1938) (hereinafter, “the Insurance Act”). In exercise of the powers conferred by these Acts, the International Financial Services Centers Authority (“IFSCA” or “Authority”) has developed regulatory framework, including regulations, circulars and guidelines which enable eligible entities to undertake the business of (re)insurance intermediation from IFSCs after registering themselves as an International Financial Service Centre Insurance Intermediary Office (IIIO) with the Authority.
2.	What is an IIIO?
	According to clause (s) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an International Financial Service Centre Insurance Intermediary Office, or IIIO in short, is a financial institution under clause (c) of sub-section (1) of Section 3 of the IFSCA Act that is registered by the Authority to carry on the activities of an intermediary or insurance intermediary as may be specified by the Authority.
3.	What are the regulations and guidelines for registration and/or operation of IIIOs?
	For registration as an IIIO, entities are required to apply under the IFSCA (Insurance Intermediary) Regulations, 2021 (hereinafter, “IIIO Regulations”) read with IFSCA (Operations of International Financial Services Centers Insurance Intermediary Offices) Guidelines (hereinafter, “IIIO Guidelines”).
4.	What are the objectives of these Regulations?
	These regulations aim to put in place the process of registration and operations of insurance intermediaries in an IFSC under the regulatory purview of the IFSCA Act.
5.	Who is eligible to apply for registration as an IIIO?
	As per clause (b) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an application can be made by any of the following – i. an intermediary or insurance intermediary registered with the Insurance Regulatory and Development Authority of India (IRDAI); ii. a foreign insurance intermediary registered with home country regulatory or supervisory authority; iii. an Indian company incorporated under the Companies Act, 2013, or a firm or a co-operative society; or iv. a body corporate incorporated under the laws of any country outside India.

6.	What are the modes of setting up presence in an IFSC?
	There are two modes of establishing presence in an IFSC: 1. In an incorporated form 2. In an unincorporated form (<i>i.e.</i> branch form)
7.	Are there any eligibility conditions for obtaining registration as an IIIO?
	Yes. The eligibility conditions for registration of IIIOs are broadly summarized below: Requirements for setting up presence in an IFSC in an unincorporated form: 1. <u>If applicant is registered as an intermediary or insurance intermediary with IRDAI</u> a. It holds a valid certificate of registration issued by IRDAI, which is not withdrawn, cancelled or suspended; b. It has acted as an insurance intermediary in such category for which it is registered; and c. It has obtained a “No-objection Certificate” from IRDAI to establish branch office in IFSC; 2. <u>If applicant is registered or licensed as an insurance intermediary in a jurisdiction outside India</u> a. It holds a valid certificate of registration issued by its home country regulatory or supervisory authority, which is not withdrawn, cancelled or suspended; b. It has acted as an insurance intermediary in such category for which it is registered; c. It should be from a FATF compliant jurisdiction or country; d. It should be registered or certified in a national regulatory environment with whom the Government of India has signed Double Taxation Avoidance Agreement; and e. It has obtained “No-objection certificate” from its home country regulatory or supervisory body to establish a branch office in IFSC. 3. The applicant has to fill Form A for registration. Requirements for setting up presence in an IFSC in an incorporated form: An entity which is a company incorporated under the Companies Act, 2013 or a firm or a co-operative society or a body corporate incorporated under the law of any country outside India shall meet the following requirements: 1. The applicant shall have minimum net worth or paid-up equity capital, whichever is applicable, as specified in the IIIO Regulations; 2. The applicant is from a FATF compliant jurisdiction or a country; and 3. The applicant is registered or certified in a National Regulatory Environment with whom the Government of India has signed Double Taxation Avoidance Agreement. 4. The applicant has to fill Form B for registration.

8.	Who is an authorized verifier?
	According to clause (c) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an authorised verifier means a person employed by the insurance intermediary for insurance solicitation and procurement through telemarketing and distance marketing mode.
9.	Who is a Broker Qualified Person?
	According to clause (e) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, a Broker Qualified Person means an individual who is an employee or director of the insurance broker engaged in solicitation and procurement of insurance business and who has undergone training and passed the examination as specified by Authority for them.
10.	Who is an insurance intermediary?
	According to clause (r) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an intermediary or insurance intermediary shall collectively refer to insurance broker, corporate agent, insurance surveyor and loss assessor, third party administrator and such other intermediary as may be specified by the Authority from time to time.
11.	Who is an insurance broker?
	According to clause (o) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an insurance broker means a person registered with the Authority under the IIIO Regulations, who is a direct broker, a reinsurance broker or a composite broker.
12.	Who is a composite broker?
	According to clause (g) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, a composite broker means an insurance broker registered with the Authority who for a remuneration and/or a fee, solicits and arranges insurance and/or re-insurance for its clients with insurers and/or reinsurers, and/or provide risk management services, as permitted under the IIIO Regulations.
13.	Who is a direct broker?
	According to clause (i) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, a direct broker means an insurance broker registered with the Authority who for a remuneration and/or a fee, solicits and arranges insurance business for its clients with insurers, and/or provide risk management services as permitted under IIIO regulations.
14.	Who is a reinsurance broker?
	According to clause (z) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, a reinsurance broker means an insurance broker registered with the Authority who for a remuneration and/or a fee, solicits and arranges reinsurance for its clients with insurers

	and/or reinsurers, and/or provide risk management services, as permitted under IIIO Regulations.
15.	What is Insurance self-network platform?
	According to clause (p) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an insurance self-network platform means an electronic platform setup by an intermediary or insurance intermediary for the purpose of distribution, procurement or solicitation of insurance or reinsurance business.
16.	Who is an insurance surveyor and loss assessor?
	According to clause (t) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, an insurance surveyor and loss assessor means a person registered with the Authority under the IIIO Regulations for providing services relating to losses under contracts of insurance.
17.	Who is a Principal officer? Is s/he the same as Branch Head?
	According to clause (x) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, a Principal officer means an employee of the IIIO who is responsible for the decisions made by such intermediary for its management, administration and operations and in case of IIIO registered as a branch office, the same shall be construed as Branch Head.
18.	What is meant by risk management?
	According to clause (aa) of sub-regulation (1) of Regulation 3 of the IIIO Regulations, Risk Management means providing insurance risk management services viz. risk assessment, risk advisory, risk mitigation or risk minimisation by an insurance broker to its clients for the benefit of its client.
19.	What are the different categories of insurance intermediary under which an applicant can apply under the IIIO regulations?
	According to sub-regulation (1) of Regulation 4 of IIIO Regulations, an application for the grant of certificate of registration to act as an insurance intermediary can be made for any one of the following categories, namely – a. Insurance distributor: i. Composite Broker; ii. Corporate Agent; iii. Direct Broker; iv. Reinsurance Broker; b. Insurance claim service provider:

	i. Surveyor and Loss Assessor; ii. Third Party Administrator.
20.	What are the legal forms under which a broker can establish as an IIIO in IFSC?
	Various legal forms of establishing an IIIO are stated in clause (a) of sub reg. 5 of reg. 4 of IIIO regulations. The following legal forms are permitted for registration as a Composite Broker, Direct Broker, or a Reinsurance broker: i. A company incorporated under the Companies Act, 2013; ii. A co-operative society registered under the Co-operative Societies Act, 1912 or under any other law for the time being in force in any State relating to co-operative societies or under the Multi-State co-operatives societies Act, 1984; iii. A limited liability partnership formed under the Limited Liability Partnership Act, 2008; or iv. Any other legal form as may be specified by the Authority.
21.	What are the legal forms under which a corporate agent can establish as an IIIO in IFSC?
	Various legal forms of establishing an IIIO are stated in clause (b) of sub reg. 5 of reg. 4 of IIIO regulations. The following legal forms are permitted for registration as a Corporate Agent: i. A company incorporated under the Companies Act, 2013; ii. A co-operative society registered under the Co-operative Societies Act, 1912 or under any other law for the time being in force in any State relating to co-operative societies or under the Multi-State co-operatives societies Act, 1984; iii. A limited liability partnership formed under the Limited Liability Partnership Act, 2008; iv. A banking company as defined in clause (4A) of Section 2 of the Insurance Act; v. A banking unit set up in IFSC; vi. A regional rural bank established under Section 3 of Regional Rural banks Act, 1976; vii. A micro lending finance organization covered under the cooperatives society Act, 1912 or a Non-banking financial company registered with RBI; or viii. Any other legal form as may be specified by the Authority.
22.	What are the legal forms under which a Third Party Administrator can establish as an IIIO in IFSC?
	Various legal forms of establishing an IIIO are stated in clause (c) of sub reg. 5 of reg. 4 of IIIO regulations. The following legal forms are permitted for registration as a Third Party Administrator - i. A company incorporated under the Companies Act, 2013; ii. Any other legal form as may be specified by the Authority.

23.	What are the legal forms under which a surveyor and loss assessor can establish as an IIIO in IFSC?
	Various legal forms of establishing an IIIO are stated in clause (d) of the sub reg. 5 of reg. 4 of IIIO regulations. The following legal forms are permitted for registration as a surveyor and loss assessor - - A company incorporated under the Companies Act, 2013; - A limited liability partnership formed under the Limited Liability Partnership Act, 2008; - Any other legal form as may be specified by the Authority.
24.	Does the certificate of registration granted to a IIIO have perpetual validity?
	No. According to sub-regulation (3) of Regulation 7 of IIIO Regulations, the certificate of registration granted to a IIIO shall be valid for a period of three (3) years from the date of its issuance unless it is revoked or cancelled by the Authority.
25.	Can Authority refuse granting of registration?
	Yes, according to sub-regulation (5) of Regulation 7 of IIIO Regulations, the following process is to be adopted: - If, after considering the application, the Authority is of the opinion that registration cannot be granted, it shall communicate the deficiencies to the applicant giving it thirty (30) days' time to rectify them. - If the applicant fails to rectify such deficiencies to the satisfaction of the Authority within the specified time, the Authority may refuse to grant registration and shall communicate the same to the applicant, giving reasons for such refusal. - However, no such refusal shall be made by the Authority without giving the applicant an opportunity to make written submissions on the grounds on which the registration is proposed to be refused.
26.	What is the scope of business for IIIO?
	Regulation 8 of IIIO Regulations inter-alia provides the scope of operations of an IIIO as under - - IIIO registered as direct insurance broker is permitted to perform the activities of direct insurance business from and within the IFSC, from other SEZs in India and from outside India; - IIIO registered to solicit direct insurance business, shall not solicit direct insurance business from the Domestic Tariff Area (DTA) in India except in accordance with Section 2CB of the Insurance Act; - IIIO registered as composite broker or reinsurance broker is permitted to perform the activities of reinsurance broker or composite broker within the IFSC, in other SEZs in India, DTA and outside India; - No IIIO shall be permitted to transact a class of business, which is not permitted in its certificate as issued by the Authority;

	5. The TPAs, Surveyors and Loss Assessors registered as IIIO, shall not render services for the policies other than those issued by an IFSC Insurance Office (IIO) and an insurer domiciled outside India. However, TPA can service foreign travel policies and health policies issued by Indian insurers covering medical treatment or hospitalization outside India.
27.	Can an IIIO do business in any currency?
	According to sub-regulation (7) of Regulation 8 of IIIO Regulations, all financial transactions of the IIIO shall be carried out in freely convertible foreign currency other than Indian Rupee.
28.	What is the procedure to renew a license upon expiry?
	1. An application for renewal of registration may be considered if the application is filed within a period of sixty (60) days from the date on which the registration ceases to remain in force along with the applicable additional fee by way of penalty, and the Authority is satisfied with the reasons for delay and have condoned the same; 2. A renewal application received after sixty (60) days from the date on which the registration ceases to remain in force will be considered only after a lapse of twelve (12) months from the date of submission of the late application. However, during the interregnum, the certificate of the IIIO shall cease to exist and it shall not solicit any new business, except servicing the existing policies till the expiry of the contract.
29.	Is there any timeline defined to commence a business after the registration is granted by the authority?
	Yes, according to sub-regulation (4) to (6) of Regulation 12 of the IIIO Regulations, an IIIO shall commence business, for which it has been registered, within one hundred eighty (180) days from the date of grant of certificate by the Authority. However, if an IIIO is not able to commence business within the specified period, it can, before the expiry of the time, but at least thirty (30) days in advance, make an application, for an extension of time to the Chairperson of the Authority. On receipt of the application, the Chairperson of the Authority, shall examine it and communicate the decision there on, in writing. No extension of time shall be granted by the Chairperson of the Authority beyond eighteen (18) months from the date of grant of certificate under these Regulations.
30.	Does an IIIO need to have a professional indemnity insurance?
	Yes, according to Regulation 14 of the IIIO Regulations: 1. Every IIIO shall purchase and maintain at all times a professional indemnity insurance cover as specified in SCHEDULE-IV of the IIIO Regulations throughout the validity of its Registration.

	2. In appropriate cases the Authority may allow a newly registered IIIO to purchase such a policy within twelve (12) months from the date of grant of certificate. 3. IIIO established in a branch form shall comply with the professional indemnity policy requirements at its head office and shall have endorsement on such policy to the effect that liabilities if any, arising out of operations at the IFSC branch office are also covered in such policy.
31.	Which financial statements does an IIIO need to prepare?
	An insurance intermediary shall prepare following financial statements for every financial year – i. a balance sheet as at the end of each financial year; ii. a profit and loss account for that period, which shall be maintained on accrual basis; iii. a statement of cash/fund flow (direct method); iv. Additional statements on its business as may be specified by the Authority.
32.	Which accounting year is followed by IIIOs?
	According to the explanation provided under clause (iv) of sub-regulation (1) of Regulation 21 of IIIO Regulations, an accounting year shall refer to a period of twelve (12) months commencing from 1st April and ending on the 31st March. However, for an IIIO set up in an unincorporated entity form (branch form), it shall refer to the financial year followed by its home country's regulatory or supervisory authority.
33.	Which accounting standards will apply for preparing financial statements by IIIOs if it is setup as a branch?
	According to sub-regulation (2) of Regulation 21 of IIIO Regulations, an IIIO which is established in the branch form shall prepare and maintain the financial statements in accordance with the accounting standards as applicable for its applicant, as specified by their home country regulatory or supervisory authority.
34.	Is there any limit on business emanating from a single client?
	Yes, according to sub-regulation (1) of Regulation 22 of IIIO Regulations, the business of the insurance intermediary shall be carried in such a manner that not more than 50 percent of the remuneration shall emanate from any one client in a financial year.
35.	If the Principal Officer/ Branch Head of IIIO is proposed to be changed, does that require approval of the Authority?
	Yes, according to clause (i) of sub-regulation (1) of Regulation 25 of IIIO Regulations, an insurance intermediary shall take prior approval of the Authority for any proposed change of Principal Officer/ Branch Head.

36.	If the IIIO proposes to undergo any merger/amalgamation, does that need approval of the Authority?
	Yes, according to sub-regulation (2) of Regulation 26 of IIIO Regulations, no scheme of amalgamation or merger or acquisition or transfer of business of the IIIO shall be implemented by an insurance intermediary without the prior approval of the Authority except when the intermediary is established as a branch office in the IFSC and the business to be transferred is not transacted by the IIIO. However, in case of such IIIO (who is established as branch in an IFSC), it shall inform the Authority about changes effected by way of scheme of amalgamation or merger & acquisition within thirty (30) days of such change.
37.	Can IIIO sell insurance through digital modes?
	Yes, according to sub-regulation (1) of Regulation 27 of IIIO Regulations, an IIIO may enter into an agreement with insurers for sale of insurance products online by linking to the web portals of the insurers or by establishing insurance self-network platform.
38.	How much capital is specified as minimum requirement for setting up as IIIO?
	<u>If setup in an incorporated form:</u> 1. Direct Insurance Broker – USD 100,000 2. Reinsurance Broker – USD 550,000 3. Composite Insurance Broker – USD 675,000 <u>If setup in an unincorporated/ branch form:</u> 1. Direct Insurance Broker – USD 10,000 2. Reinsurance Broker – USD 55,000 3. Composite Insurance Broker – USD 67,500
39.	What are the activities and functions of an Insurance Broker?
	Schedule II of the IIIO Regulations inter-alia outline the activities and functions of an Insurance Broker which are as follows: 1. General activities and functions: i. Familiarize itself with the client's business and risk management or retention philosophy; ii. Render advice on appropriate insurance cover and terms; iii. Maintain a database of available insurance and reinsurance markets; iv. Act promptly on instructions from a client and provide it with written acknowledgements and progress reports; v. Negotiate with an insurer/reinsurer on client's behalf; vi. Maintain proper records of claims;

- vii. Maintain a register of its broking staff;

2. Risk Management Services

- i. An insurance broker may charge the client fee for the services rendered by it to the client for risk management services or other similar services;
- ii. The insurance broker can undertake this activity only for commercial risks based on the written confirmation from client for those fees;
- iii. The Insurance broker cannot receive both the remuneration and reward and fees for the same risk management services;
- iv. The insurance broker shall obtain a written mandate from the client to offer risk management services and shall keep a record of risk management services offered to the client;
- v. In case the insurance broker does not have the necessary skills and resources, it may engage external experts or specialists for undertaking the risk management services or such other similar services.
- vi. The insurance broker shall be responsible for all acts of the external experts for undertaking risks management services.

3. Co-broking:

- i. Two or more registered insurance brokers can jointly handle the broking of insurance requirements of any client with the written consent of the client.
- ii. The client may appoint more than one insurance brokers in writing to jointly handle the broking of its insurance requirements and may also decide the manner in which the remuneration or fee payable on the business be shared among them.
- iii. The way the remuneration is shared among the co-brokers shall be disclosed to the insurer.

4. Direct Co-broking:

- i. The insurer will be guided by the instructions of the client with regard to payment of remuneration to each co-broker for their share.
- ii. Co-broking is not permitted for individual and retail lines of insurance business.

5. Reinsurance Co-broking:

- i. The insurer will be guided by the instructions of the client with regard to payment of remuneration to each co-broker for their share or to the lead co-broker who will then be responsible to pay the other co-brokers.
- ii. The name and other particulars of the foreign reinsurance co-broker shall be disclosed to the insurer.