



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

Ref: IRDA/F&I/INV/CIR/ 054 /03/2013

18 March, 2013

The CEOs of all Insurers

Sub: Permission of Insurers to invest in Category I Alternative Investment Funds.

The Authority vide circular ref no. IRDA/Cir/008/2008-09 dated 30th July, 2008 permitted Insurers to invest in Venture Funds engaged in infrastructure Projects. The said circular prescribed the category in which the investments made in Venture Funds to be categorized, the exposure limits for investments in Venture Funds etc. Vide circular ref. no. IRDA/F&I/Cir/Inv/203/2011 dated 30th August, 2011, the Authority permitted the Insurers to invest in Venture Funds engaged in Micro, Small and Medium Enterprises also.

SEBI Venture Capital Funds) Regulations, 1996 (herein after referred as Venture Fund Regulations) are now replaced with SEBI (Alternative Investment Funds) Regulations, 2012 (hereinafter referred as Alternative Fund Regulations) vide notification dated 21st May, 2012. The Venture Funds registered under Venture Fund Regulations will continue to be regulated by the said regulations till they wound up or obtain re-registration under the Alternative Fund Regulations as prescribed.

In light of the above, the Authority permits Insurers to invest in Alternative Investment Funds subject to the following:

- A. The investments in Category I Alternative Investment Funds are permitted under the Head "Other Investments". Further, such Investments should be restricted to Infrastructure Funds and SME Funds as defined in the Alternative Fund Regulations.

As per the Alternative Fund Regulations, Category I Alternative Investment Fund invests in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME funds, social venture funds, infrastructure funds and such other Alternative Investment Funds as may be specified under the Alternative Investment Fund Regulations.

Page 1 of 2

- B. Insurers should ensure that such Category I Funds should not invest in securities of companies incorporated outside India as Insurers are prohibited for investment of funds outside India vide sec. 27C of the Insurance Act, 1938.
- C. The sponsor of such Alternative Investment Fund should not be in the promoter group of the Insurer.
- D. The Fund shall not be managed by an Investment Manager who is either directly or indirectly controlled or managed by the Insurer or its promoters.
- E. The Investments in Alternative Investment Funds should be clubbed with the investments in Venture Funds and reported to the Authority in the quarterly Investment returns under the category code 'OVNF'.
- F. Investment in the Alternative Investment Fund along with the existing investments in Venture Funds shall be subject to the following exposure norms:

| S.No. | Type of Insurer | Exposure Limits |
|-------|---------------------------|--|
| 1 | Life Insurance Company | 3 % of respective Fund (or) 10% of Alternative Investment Fund's size, whichever is lower. |
| 2 | General Insurance Company | 5% of Investment Assets (or) 10% of Alternative Investment Fund's size, whichever is lower. |


R.K. NAIR
MEMBER (F &I)