

**-COPY OF-
IRDA CIRCULAR
NO. IRDA/F&A/CIR/DRSH/183/08/2011
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**APPROVAL FOR REGISTRATION OF TRANSFER OF SHARES UNDER
SECTION 6A OF THE INSURANCE ACT, 1938**

A. Introduction:

Section 6A (4) of the Insurance Act, 1938 provides that a public company which carries on life insurance business shall maintain, in addition to maintaining the register of members, a register of shares in which shall be entered the name, occupation and address of the beneficial owner of each share, and shall incorporate therein any change of beneficial owner declared to it within fourteen days from the receipt of such declaration. Sub-section (b)(ii) and (iii) of the said section further provide that the company shall not register any transfer of its shares—

(ii) where, after the transfer, the total paid-up holding of the transferee in the shares of the company is likely to exceed five per cent of its paid-up capital or where the transferee is a banking or an investment company, is likely to exceed two and a half per cent of such paid-up capital, unless the previous approval of the Authority has been obtained to the transfer; and

(iii) where, the nominal value of the shares intended to be transferred by any individual, firm, group, constituents of a group, or body corporate under the same management, jointly or severally exceeds one per cent of the paid-up equity capital of the insurer, unless the previous approval of the Authority has been obtained for the transfer.

Sub-section (11) of the said section, further provides that the provisions of the abovesaid sub-section shall apply *mutatis mutandis* to insurers carrying on general insurance business.

Further, the Insurance Act requires that any change in the shareholding pattern of an insurance company which 'exceeds 1 per cent' should have the explicit previous approval of the Authority. Thus, any issue of shares which would result in change in the shareholding pattern approved either at the time of Registration (Issue of R3) or at any subsequent time thereafter, which results in a change which exceeds one per cent, requires the specific previous written approval of the Authority.

B. Previous Written Approval of the Authority:

No registration of transfer of shares of the insurer as specified under the provisions of section 6A(4) of the Insurance Act, 1938 and/or issue of capital which would result in change in the shareholding pattern of the insurance company, as indicated at clause A above, shall be made except with the previous written approval of the Authority.

C. Approval of the Authority:

The entities which require the previous approval of the Authority under the provisions of section 6A of the Insurance Act, 1938 shall make an application to the Authority in Form

'A'. The Application shall be accompanied by the requisite documents listed in the Annexure to Form 'A' providing complete details of the proposed transferee/shareholder, its financial strength, sources of funds from which the proposed investment is intended to be made, and such other information as may be prescribed by the Authority (in case of a corporate, details of the directors, shareholders, key managerial personnel, memorandum and articles of association, financial statements for the previous five years, requisite board approvals and statutory approvals shall be furnished, as applicable).

D. Criteria for Consideration for Approval:

The Authority shall carry out the requisite due diligence of the proposed transferee/shareholder prior to grant of approval for registration of transfer of shares under the provisions of section 6A(4) of the Insurance Act, 1938 and/ or for issue of shares to the proposed transferee/shareholder.

E. Conditions for approval:

While according its approval, the Authority shall make such stipulations on the proposed transferee/shareholder as it may consider appropriate, including but not limited to:

- (i) Minimum lock-in period;
- (ii) Bringing in additional capital in proportion of its shareholding at periodic intervals to ensure that the insurance company is compliant with the regulatory solvency requirements at all times; and
- (iii) Compliance with all regulatory stipulations placed on the promoters while granting R3 to the said insurance company.

F. Timelines for approval by the Authority:

The Authority shall process and grant approval on the application as expeditiously as possible, and the applicant company shall ensure prompt response to the queries and requests for information from the Authority for processing the application.

FORM A

The Chairman
Insurance Regulatory and Development Authority
Parishram Bhavan
3rd Floor
Basheer Bagh
Hyderabad-500 004

Dear Sir,

Application for Approval in terms of section 6A of the Insurance Act, 1938

- (1) In terms of the IRDA (Registration of Indian Insurance Companies) Regulations, 2000, M/s.has been granted Certificate of Registration No on(date) to carry on..... (life/general) insurance business. The company received its certificate of renewal of Registration *vide* no.....dated
- (2) As part of the registration requirements, the shareholding of the promoters was locked-in for a period ofyears,

effectivetoThe details of lock-in of the shareholding of the respective promoters of the insurance company are as under:

Sl. No.	Promoter Shareholder	No. of Shares held	Per cent of Total Shareholding	Lock-in period (No. of years)	Lock-in period ends on

(3) Post registration of the insurance company, the shares of promoters were transferred in favour of.....post grant of requisite approval by the Authority *vide* its letter No.....dated..... (where applicable).

While granting approval for transfer of the said shares, the Authority had stipulated a lock-in period on the incumbent transferee(s), as per details furnished as under:

Sl. No.	Promoter Shareholder	No. of Shares held	Per cent of Total Shareholding	Lock-in Period (No. of Years)	Lock-in Period ends on

(4) The.....insurance company hereby seeks approval of the Authority in terms of section 6A(4)(b)(ii)/(iii) of the Insurance Act, 1938 for (i) registration of transfer of shares held by the promoter(s) and /or (ii) allotment of shares on preferential basis through private placement as per details given below:

Sl. No.	Existing Promoter	No. of Shares Held	Per cent of Existing Shareholding	New Shareholder	No. of Shares Held Post Transfer/ Allotment	Per cent of Shareholding Post Transfer/ Allotment

The requisite documents as detailed at Annexure to the Form are attached herewith to facilitate processing of the application.

On receipt of approval from the Authority, the (insurance company)shall ensure compliance with all regulatory requirements, including but not limited to the Corporate Laws and any other stipulations as may be applicable.

Place:	Yours faithfully,
Date:	

(Signature of the Chief Executive Officer)

Designation

(Signature of the Chairman of the Board)

Designation

Annexure to the Application

1. Name of the Proposed Transferee/Shareholder:
(Name and Full address giving the details of the proposed Transferee/Shareholder)
2. Legal Form/Status:
(Individual/Corporate Entity/
LLP/Partnership, etc.)
3. No. and Date of Incorporation: (in case of other than individual)
4. Permanent Account Number under the Income-tax Act and name and address of Income-tax Circle
5. Letter of Consent of the proposed Transferee/Shareholder:
(In case of a corporate, Board resolution approving acquisition)
6. Copies of requisite approvals by the relevant jurisdiction/sector regulator as applicable
7. Copies of requisite approvals under Foreign Exchange Management Act, 2000 (FEMA)
8. Letter of Consent of the proposed Transferee/Shareholder confirming compliance with all stipulations as may be laid down by the Authority.
9. Confirmation from the insurance company (applicable only in case of unlisted entities) and the existing shareholders of the insurance company indicating that they have no concerns on the revised shareholding pattern.
10. Board Resolution of the applicant company seeking to issue shares, if applicable.
11. Declaration providing details of civil/criminal/regulatory action taken/pending against the proposed Shareholder/Transferee.
12. Details of any Agreements in place/proposed to be entered into with the insurance company:
13. Documents pertaining to the proposed Transferee/Shareholder (as applicable):
 - a. Memorandum and Articles of Association
 - b. List of Directors
 - c. Shareholding pattern/ details of partners
 - d. Key managerial personnel
 - e. Financial Statements for the previous five years
 - f. Brief note about the background, financial strength etc.
 - g. Income/Wealth tax statements
 - h. Details of Directorship/Partnership/Shareholding (equity holding of 1 per cent and above) in other entities

- i.* Any other information, which may be considered relevant
- j.* Self-Attested Affidavit confirming that the information furnished in Form A along with the attachments therewith is correct and complete, and nothing has been concealed or suppressed.