

File No. R-16015/1/2009-Ins.III
Ministry of Finance
Department of Financial Services

Jeevan Vihar Building, Parliament Street,
New Delhi, the 24th August, 2011

CIRCULAR

Subject: Disinvestment of holdings by Indian promoters in Insurance Companies

References have been received by the Department of Financial Services regarding scaling down of the shareholding of Indian promoters in Insurance Companies. After consultation with Ministry of Law and Justice and the Insurance Regulatory and Development Authority, it is clarified that:-

- a) Under Section 6AA of the Insurance Act, 1938, an Indian promoter can scale down its equity up to a level of 26% at any time after registration under the Act.
- b) The Indian promoter shall reduce its equity to a level of 26% after 10 years, if not done already, in a phased manner, for which rules are being issued separately.
- c) The limit of foreign direct investment shall be 26%.

Sd/-
(S.K. Mohanty)

Under Secretary to the Government of India

- i. **Finance Secretary**
- ii. **Chairman, IRDA**
- iii. **Chairman, SEBI**
- iv. **CMDs and CEOs of all Insurance Companies**
- v. **Secretary, Department of Industrial Policy and Promotion**
- vi. **Secretary, Department of Economic Affairs**