

Fintech Founders' *Quick Reference Sheet*

on

IRDAI Licenses

*This is a 3 part series where we cover licenses issued by authorities:
IRDAI, RBI and SEBI*

Insurance Company

An insurance company is a business entity that provides insurance policies to individuals and organisations in exchange for premiums. Insurance companies offer financial protection against specific events by compensating the policyholder for losses.

GETTING A LICENCE INVOLVES (3 Linear Stages: R1, R2, R3)

1. R1;

Key Docs: MoA and AoA, Director details, Annual reports of promoters for the past 5 years, Shareholders' agreements, Business projections for five years. Once the Board approves, an R1 clearance letter is issued to the applicant, and then the entity can file an R2 application.

2. R2;

- Evidence of paid-up equity share capital (**minimum Rs 100 Cr for life insurance, general insurance or health insurance business**).
- Affidavit confirming that the capital is adequate after the exclusion of preliminary expenses.
- Document certifying compliance with FDI Rules; foreign paid-up equity capital does not exceed 49% of the total paid-up equity capital

3. R3,

- IRDA provides Form IRDA/R3 if it is satisfied with all aspects of the evaluation
- Insurance company can commence business within 12 months of receiving the registration certificate.

Insurance Broker (Direct)

A direct insurance broker offers advisory services to clients, helping them find the most suitable insurance policies for their needs. They follow client instructions, stay informed about the insurance market, maintain records, and assist with claims negotiations.

GETTING A LICENCE INVOLVES:

Eligibility:

- **Capital Requirement: Minimum of Rs 75 Lakhs.**
- Net Worth Requirement: Minimum of Rs 50 Lakh and should not fall below the threshold.
- Deposit: A Fixed Deposit of Rs 10 Lakh with a scheduled bank before commencing the business.

Mandatory Fees:

- For a Certificate of Registration an application with fees of Rs 25,000 is to be submitted.
- Rs 50,000 after an in-principal approval has been granted.
- Rs 1 Lakh in case of renewal of registration for 3 years.

Required Documentation: Company's Balance Sheet, Board Resolution copy, Details of Principal Bankers, List of Shareholders, Bank A/c Details, List of 2 agents, Principal Officer Details as per IDAI, COI/LLP Agreement

Insurance Web Aggregator

An online platform that provides information on various insurance policies from different insurance companies, allowing users to compare and purchase policies

GETTING A LICENCE INVOLVES:

Eligibility:

- Entity should be registered under the Companies Act 2013/LLP and **does not have a referral agreement with an insurer**
- The following entities cannot apply for this license – Insurance/Microinsurance agent, Corporate agent, Insurance Marketing Firm, TPA, etc.
- **The business should only sell policies online.**

License is valid for 3 years from the date of issue.

Insurance TPA

An entity engaged by an insurer for a fee, responsible for servicing claims under health insurance policies (cashless or reimbursement), personal accident policies, and conducting pre-insurance medical examinations

GETTING A LICENCE INVOLVES:

Eligibility:

- Only a company with share capital and registered under the Company Act 2013 can be a TPA.
- They should maintain a **minimum paid-in equity share capital of Rs 4 Cr**
- During the period of registration, the net worth of the entity should not fall below Rs 1 Cr.

TPA are in the business of providing healthcare services and not engage in any other business.

Insurance Corporate Agent

A corporate agent (health insurance) is an entity that can partner with a maximum of three health insurance companies to solicit, procure, and service their insurance products.

GETTING A LICENCE INVOLVES:

Eligibility:

- **Min. Share Capital/Contribution of Rs 50 Lakh** and should maintain a net worth of Rs. 50 Lakhs at all times.
- The entity's Principal should be a graduate and should have completed ~50 hours of training from an institution approved by IRDAI.

Corporate agents must disclose their arrangements with insurers to IRDAI within 30 days of entering into the arrangement. The minimum period of such arrangement shall be for one year.

Insurance Marketing Firm (IMF)

This is a business entity solicit and procure insurance products, provide insurance services and distribute other financial products.

GETTING A LICENCE INVOLVES:

Eligibility:

- Entity needs to be registered under MCA (LLP, Pvt Ltd)
- **Net worth should be at least Rs 5 Lakh to open a single branch of IMF.**
- For multiple branches, the net worth should be at least Rs 10 Lakh

IMF can market other products, such as mutual funds, Pension Funds, Banking products, etc., after obtaining due approvals from the respective authorities.

If you are building in Insurtech, please write to us!



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This is a reference sheet on the IRDAI licenses for a founder building in Insurtech.

Please feel free to reach out to us at deal@gembacapital.in if you are building in this space.