

## Business Standard

# Irdai reduces solvency margin requirement for crop business

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The Insurance Regulatory and Development Authority of India (Irdai) has reduced the solvency margin requirement for general insurers doing crop business. The move can free up capital of ₹1,400 crore, which Irdai expects will increase the capacity of general insurers to underwrite more business.

“It is expected that the effect of this relaxation will be positive on the Industry as it will free up the capital, which can be utilised for underwriting more business,” the regulator said in a statement.

Irdai has been relaxing the

period of admissibility of premiums due from state governments for solvency purposes from 180 days to 365 days since 2017-18. It has now decided to extend this relaxation from FY23 onwards until further orders. “This move will improve the solvency status of the general insurance industry as a whole,” it said.

In a circular, Irdai has stated that premium receivables related to state- and central government-sponsored schemes for all quarters of the FY23 and onward to the extent that they are not realised within a period of 365 days will be placed with value zero.

Rakesh Jain, CEO of

Reliance General Insurance, said: “The relaxation was for a period of six months and now it has been extended to one year. Sovereign money will not go bad so this relaxation will go a long way”.

This is another step by the regulator to ease regulatory burden in the sector so that insurers get more freedom to deepen insurance penetration in the country. Last week, Irdai allowed “use & file” procedure for all health insurance products, almost all general insurance products, and most life insurance products, barring a few to encourage innovative products to meet the changing needs of the consumer.