



भारतीय बीमा विनियामक और विकास प्राधिकरण  
INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY OF INDIA

Ref.: IRDA/F&A/OFC/01/2014-15 /115

Date:04.08.2017

To,

CMDs/ CEOs of All Insurers


**Sub: Creation of Debenture Redemption Reserve**

The Authority had permitted insurers to raise Capital in other forms such as Preference Shares and Subordinated Debt, by issue of IRDAI (Other Forms of Capital) Regulations, 2015. Pursuant to the same, some insurers had approached the Authority with proposals for raising capital in other forms and were granted approvals in terms of the Regulations.

Some insurers have issued debentures to raise capital and have approached the Authority seeking clarification whether they are required to create Debenture Redemption Reserve as envisaged in Section 71 of the Companies Act, 2013. In this regard, the Authority is inclined to advise as below:

1. Insurers which have raised capital by issue of Debentures, shall create a Debenture Redemption Reserve (DRR) in terms of the Companies Act, 2013 and Rules made thereunder. As per the present stipulations, a DRR of 25% of the value of outstanding Debentures shall be adequate.
2. The Debenture Redemption Reserve shall be ignored and not considered as a liability for the purpose of computation of solvency margin and ratio.

This clarification is issued under the IRDAI (Other Forms of Capital) Regulations, 2015.

  
(Dr Mamta Suri)  
HOD-F&A