

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA
UNSTARRED QUESTION NO. 1045**

TO BE ANSWERED ON MONDAY, DECEMBER 2, 2024/AGRAHAYANA 11, 1946 (SAKA)

PERCENTAGE OF PRIVATE INSURANCE FIRMS' INVESTMENT IN REITs

1045. Shri Dushyant Singh

Will the Minister of FINANCE be pleased to state:

- a) whether the Government has undertaken any initiatives to raise awareness regarding the significance of private insurance firms investing in Real Estate Investment Trusts (REITs), particularly concerning their real estate components and if so, the details thereof and if not, the reasons therefor;
- b) the current percentage of private insurance firms' investments in REITs in the country, compared to the global average and the details of the associated risk factors identified in these investments;
- c) whether the Government has taken any measures aimed at promoting equitable distribution of private insurance scheme benefits through affordable coverage and if so, the details of the initiatives and the number of beneficiaries, especially among low-income groups; and
- d) whether the Government is considering any policy changes like other countries to mitigate risks associated with misappropriation concerning private insurance firms and their investments in REITs and if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

- a) Indian Real Estate Investment Trusts (REITs) association under the aegis of Securities and Exchange Board of India (SEBI) has inter-alia undertaken following initiatives to highlight the key features of REITs:
 - i. Virtual Investors outreach programme with NSE
 - ii. Knowledge Series with CNBC TV18 on REITs
 - iii. Interview in ET Now on REIT
 - iv. Participated in REIT Awareness programmes with Institute of Chartered Accountants of India (ICAI).

Further, SEBI also conducts Municipal Bonds Outreach program wherein state governments, municipalities and urban local bodies are invited and REITs are highlighted as one of the innovative instruments that can be tapped to monetize the completed and revenue generating assets owned by the state governments, municipalities and urban local bodies.

- b) As per data available with IRDAI, private insurance firms have invested Rs.5,213.33 crore in REITs as on 30th June, 2024, which is 0.24% of private sector insurers' Assets Under Management. The associated risk factors in these investments include Liquidity Risk, Leverage Risk, Credit Risk and Market Risk. Data in respect of Global Average of investments made by insurance firms in REITs is not available.
- c) IRDAI's regulations namely IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024 specify a percentage of business to be carried out/number of lives to be insured in rural/social sector as under:-

Rural Sector obligations:

- a. All Life insurers shall collectively insure at least 10% of lives in 25,000 Gram Panchayats through individual or group policies.
- b. All General insurers (excluding stand-alone health insurers, Agriculture Insurance Company of India Limited (AIC) and Export Credit Guarantee Corporation of India (ECGC)) must cover 10% of dwellings, shops and vehicles under fire and motor insurance in the same number of Gram Panchayats.
- c. Health insurers, including stand-alone health insurers, must insure 10% of lives in Gram Panchayats under health and personal accident insurance.

Social Sector Obligations: All insurers - life, general, and stand-alone health insurers (excluding AIC and ECGC) - shall ensure that 10% of the total lives they cover are from the social sector in the first financial year.

For this purpose, the regulations link social sector obligations to government sponsored social security schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Mahatma Gandhi National Rural Employment Guarantee Act, Pradhan Mantri Ujjwala Yojana and Pradhan Mantri Awas Yojana and provide for coverage based on the vocation of individuals in the social sector on a declaration basis.

- d) IRDAI regulatory provisions with respect to insurers' investment in REITs are as below:
- I. Investment in Units of "Real Estate Investment Trusts (REIT)"
 - The Investments in units of REITs/ Infrastructure Investment Trusts is allowed upto 3% of total fund size of the Insurer at any point of time.
 - Insurers are allowed to invest upto 5% of the Units issued by a single REIT/ Infrastructure Investment Trusts (including the current issue).
 - II. Investments in Debt Securities of "Real Estate Investment Trusts (REIT)"
 - The insurers are allowed to invest upto 3% of total fund size of the insurer in Debt Instruments of REITs at any point of time.
 - Insurer shall invest upto 20% of the outstanding debt instruments (including the current issue) in a single REIT.

The above provisions are applicable to both Public and Private sector insurers