

Insurance for NRIs in India

India is one of the fastest growing economies in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years. India has always been an attractive investment destination for NRIs. Also, given the prevailing interest rate regime in India, an NRI will earn a lot more on his bank deposits in India as compared to his country of residence.

A non-resident Indian (NRI) is a citizen of India temporarily residing in the country of his/her present residence and holding a valid passport issued by the Government of India. Foreign Exchange Management Act (FEMA) allows NRIs or PIOs to buy any insurance plan whether they are currently residing in India or not. A person of Indian origin (PIO) is defined as a person who fulfills any of the below conditions:

- The person has held an Indian passport any time in the past.
- The person or either of the parents or grandparents were an Indian citizen by virtue of the Constitution of India or the Citizenship Act, 1955.
- The individual is a spouse of an Indian citizen or a person referred to in clauses 1 or 2.

A PIO falling under one of the above-mentioned categories and an NRI with a valid passport of India are eligible to buy life insurance in India.

The rules relating to buying life insurance in India are governed by Exchange Control Manual. Let's take a look!

Can NRI purchase life insurance in India? Yes, NRIs and Persons of Indian Origin (PIOs) (as defined by FEMA) can buy a life insurance in India. All persons of Indian origin, whether citizens of India or not are allowed to take a life insurance policy in India, subject to fulfillment of certain conditions.

Availability of an NRI or the PIO in India. An NRI or the PIO need not be present in India at the time of buying the insurance policy. He or she can purchase the policy from his or her current resident country either through online mode or by communicating via written communication with the insurer. If the policy involves medical examination, you would have to bear the cost of this medical examination

yourself. However, if you purchase the policy in India, you would not have to bear this cost as it would be inbuilt in the cost of your policy.

Cost of premiums. Are premiums higher for NRIs as compared to resident Indians? There is no additional premium charged from an NRI if the risk involved is the same. The premium would increase only if the associated risk increases and not otherwise.

Mode of Payment of premiums. How can premiums be paid? An NRI can pay premiums by any of the following modes:

- Remittance in foreign currency
- NRO bank account
- NRE/ FCNR bank account

Comparison between NRE, NRO and FCNR Bank Accounts

Criteria	NRE (Non-Resident External Account)	NRO (Non-Resident Ordinary Account)	FCNR (Foreign Currency Non-Resident Account)
Currency	Rupee Denominated (INR)	Rupee Denominated (INR)	Any of U.S. Dollar , Pound Sterling , Euro , Australian Dollar , Canadian Dollar, Japanese Yen
Suitable For	NRI's whose income source is only from abroad	NRI's who have income source from both India as well as abroad	NRI's who want to invest in India but don't want to take currency risk
Type of Account	Saving , Current or Fixed/Term Deposits account	Saving , Current or Fixed/Term Deposits account	Fixed/Term Deposit only
Money can be deposited from	Abroad	India & Abroad	Abroad
Tax	Exempt	Taxable	Exempt

Elizabeth Venkataraman, Senior Vice President and Head of Marketing, Kotak Mahindra Old Mutual Life Insurance says, "Insurance companies are allowed to issue policies denominated in either Indian rupees or foreign currency to NRIs. If the policy is foreign currency denominated, the premiums are to be collected in foreign currency from abroad or out of NRE/FCNR accounts of the insured or insured's

family members held in India. For rupee denominated policies issued to NRIs, funds held in NRO accounts are to be used to pay premiums."

Know the tax provisions of your country. In India, the current tax laws exempt all the three stages of the policy life cycle (investment, accumulation, and maturity) from tax; however, it is very significant for the policy seeker to understand the tax provisions for both India and his country of residence before opting for an insurance policy in India.

Life insurance products present opportunities to NRIs to plan for and meet their various long term financial objectives. If you are an NRI and want to invest in India, the life insurance space has variety of products that suits all your needs. You can choose from a range of insurance plans offering coverage for NRIs to ensure their family's financial security.