February 2026

This edition of the newsletter captures the key regulatory developments in the Indian insurance sector between October – December 2025. Various measures have been taken in the last quarter of 2025 focused on consumer awareness, promoting ease of doing business, protection of the policyholders' interests and improving the governance framework. The *Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025* ("**Amendment Act**") was enacted in a pivotal and landmark move, allowing 100% Foreign Direct Investment ("**FDI**"), which sets the stage for increased foreign participation, provides ease of doing business, and improves regulatory oversight. Concurrently, the rollout of the *Bima Sugam* digital insurance marketplace moved ahead, reflecting the broader digital transformation that has already seen over 90% of retail policies being issued online.

The Department of Financial Services ("**DFS**"), Ministry of Finance ("**MoF**")[1] has been undertaking key initiatives towards streamlining of the process of grievance redressal mechanism in banking, financial services and insurance sector. DFS has initiated ranking of public sector banks, private sector banks and public sector insurance companies based on quality and timely redressal of grievances. This has strengthened the grievance redressal mechanism by increasing focus on faster turnaround time by banks and insurance companies, transparent communication and increase in customer service training. Furthermore, DFS has also initiated 'Financial Institutions Interaction Program' from the month of December 2025, wherein meetings are held with selected organisations based on grievances received on the Centralised Public Grievance Redress and Monitoring System portal. As a first step, Non-Banking Financial Companies have been selected for this exercise.

Further, the Insurance Regulatory and Development Authority of India ("**IRDAI**") issued a press release on November 26, 2025, regarding its high-level meeting with the chief compliance officers and grievance redressal officers of all the insurers, wherein the discussions centred on strengthening policyholder protection, improving grievance redressal standards and addressing operational challenges faced by the insurance sector. Insurers are advised to develop a clear and standardised operating procedure for classifying consumer references into complaints and service requests. Further, IRDAI also urged insurers to adopt a more proactive, policyholder-centric approach and to strengthen their internal systems to ensure strict compliance with prescribed timelines.

These new regulations/amendments/guidelines aim to drive sustainable growth, improve efficiency in operations and uphold policyholder protection in the dynamic insurance landscape and are discussed further in this newsletter.

[1] PIB with Release ID – 2203123, dated December 12, 2025

Insurance sector reforms: Enactment of amendments including proposal for 100% foreign investment in insurance companies

The much-anticipated landmark insurance reforms i.e., The Amendment Act was enacted in December 2025. It seeks to amend the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the Insurance Regulatory and Development Authority Act, 1999.

The Amendment Act marks a pivotal step towards liberalisation of the Indian insurance market with increase in the permissible foreign investment limits in Indian insurance companies from 74% to 100%. Additionally, the Amendment Act includes amendments with the objective of improving ease of doing business, providing greater flexibility in structuring transactions, strengthening policyholders' protection framework and enhancing regulatory powers for IRDAI.

Further, MoF, *vide* notification dated February 3, 2026[2], has appointed February 5, 2026, as the date on which the provisions of the Amendment Act will come into force (except for Section 25 which pertains to the prohibition of common directors and officers between an insurer and any other insurer carrying on the same class of business or a banking company or an investment company).

For a detailed analysis, please refer to the JSA Prism of December 18, 2025.

Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025

MoF, *vide* notification dated December 30, 2025, has amended the Indian Insurance Companies (Foreign Investment) Rules, 2015 ("**2015 Rules**"), to align them with the Insurance Act, 1938 and the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ("**NDI Rules**"). Some of the key provisions are as follows:

1. definition of 'FDI' is revised to include investment by non-resident entities/persons under the NDI Rules, and expressly includes investment by foreign venture capital investors as permissible under the NDI Rules;
2. the definitions of 'Foreign Investors' and 'Foreign Portfolio Investment' are revised to refer to the NDI Rules and the definition of 'Public Financial Institution' is omitted;
3. under the provision dealing with quantum of FDI, the term 'total foreign investment' has been replaced by 'FDI'. Further, the reference to the 74% cap on foreign investment is replaced with a reference to the percentage permitted under the Insurance Act, 1938, ensuring automatic alignment with future statutory changes; and
4. governance requirements are eased and the key conditionality which now applies to an Indian insurer with foreign investment is that at least 1 (one) among the chief executive officer, managing director or chairperson must be a resident Indian citizen. Accordingly, stipulations requiring such Indian insurers to have a majority of directors and a majority of key managerial personnel as resident Indian citizens, have been omitted. Also, conditionalities which were applicable to an Indian insurer with foreign investment in excess of 49% concerning independent director requirements and requirement to transfer profits to general reserves in case of dividend payouts in certain situations, have been omitted as well.

While the 2015 Rules have been amended to simplify the foreign investment regime, corresponding amendments to the NDI Rules permitting 100% FDI and relevant IRDAI regulations are still awaited.

IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025

IRDAI, *vide* circular dated October 9, 2025[3], has issued the IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025 ("**Guidelines**"). The Guidelines provide regulatory framework for measures to be taken by insurers and distribution channels to address and manage risks emanating from fraud. These guidelines aim to establish and

2 F. No. 12018/02/2021-Ins.II dated February 3, 2026
3 IRDAI/IID/GDL/MISC/112/10/2025 dated October 9, 2025

enhance the insurance industry's resilience against fraud, foster a culture of integrity, protect policyholders' interests, safeguard financial stability and maintain public trust. The guidelines are applicable to all insurers and distribution channels. Some of the key provisions of the guidelines are as follows:

1. 'insurance fraud' is defined as an act or omission intended to gain advantage through dishonest or unlawful means, for a party committing the fraud or for other related parties, including by misappropriating funds, deliberately misrepresenting/concealing material facts, abusing responsibility, position of trust or a fiduciary relationship. Further, 'cyber or new age fraud' has been defined to mean insurance fraud carried out using digital or new age technologies;

2. frauds are classified into 5 (five) categories, namely, internal fraud, distribution channel fraud, policyholder fraud and/or claims fraud, external fraud and affinity fraud/complex fraud. Insurers must establish appropriate systems and processes across its functions to deter, prevent, detect, report and remedy frauds;

3. an elaborate fraud risk management framework is prescribed which requires insurers to adopt a board approved anti-fraud policy, establish a Fraud Monitoring Committee ("**FMC**") and a fraud monitoring unit, put in place appropriate measures to identify and assess, mitigate, monitor and review fraud risks.

4. to prevent cyber or new age fraud, the insurer must take measures including:

    a) establishing and implementing a robust cybersecurity framework to protect against evolving cyber frauds;

    b) continuously monitoring and strengthening fraud risk management; and

    c) utilising a team with relevant risk and technological expertise to manage cyber fraud risks;

5. insurers involved in reinsurance or ceding business can reduce exposure to fraudulent claims by understanding the fraud management systems of their counterparties. The Guidelines apply to reinsurance business and foreign reinsurance branches must follow the framework of their host jurisdiction/parent entity or the Guidelines, whichever is more comprehensive;

6. based on their business size and risk profile, the distribution channels must also establish an appropriate fraud risk management framework. Insurance intermediaries must establish an appropriate fraud risk management framework by putting in place internal policies, procedures and controls to deter, prevent, detect and remedy frauds. Other distribution channels must comply with the insurer's anti-fraud policies, procedures and controls;

7. the Guidelines also prescribe: a) participation of insurers in the Fraud Monitoring Technology Framework made available by the Insurance Information Bureau ("**IIB**") and sharing of data with the IIB; b) training, education and awareness programs to be conducted by insurers and insurance intermediaries; c) reporting by insurers of incidents of fraud to law enforcement/other agencies, filing of annual returns with the IRDAI and prompt reporting of fraud committed by IRDAI registered distribution channels.

These Guidelines will repeal the Insurance Fraud Monitoring Framework dated January 21, 2013, and will come into effect from April 1, 2026.

Cessation of the practice of allowing additional line of business/department to surveyors and loss assessors

IRDAI had carried out the exercise of categorisation of individual Surveyors and Loss Assessors ("**SLA**") who were holding a valid surveyor license prior to notification of Insurance Surveyors and Loss Assessors (Licensing, Professional requirements and Code of Conduct) Regulations, 2000. Pursuant to this, an individual SLA was categorised in several Lines of Business/departments ("**LoB**") and was allowed to have only 3 (three) LoBs out of the categorised LoBs, on his surveyor license. IRDAI, *vide* circular dated February 4, 2020, had allowed addition of LoB on a surveyor license of an individual SLA on the basis of categorisation letter issued by it (subject to certain conditions) and the restriction on the number of LoBs were also lifted.

IRDAI has received several applications where individual SLAs have sought to add a new LoB to their surveyor license despite not having conducted any survey in such LoB since 2002. Considering the rapid upgradation and advancements in technology, IRDAI has noted that such experience and knowledge gained prior to 2001-02 in the concerned LoB has become obsolete. Consequently, IRDAI, *vide* circular dated October 10, 2025[4], has decided to stop the practice of allowing additional LoB to individual SLAs based on the categorisation letter and the circular dated February 4, 2020, is repealed. Individual surveyors would continue to be eligible for any LoB on their surveyor license or may add LoB to their surveyor license, subject to fulfilment of the eligibility criteria/conditions specified under the IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015.

Clarification on raising of invoice by International Financial Services Centre Insurance Offices

Based on feedback and representations from International Financial Services Centre ("**IFSC**") Insurance Offices ("**IIO**"), the IFSC Authority, *vide* circular dated November 27, 2025[5], has clarified that an IIO transacting re-insurance business may raise invoice on Indian insurers/foreign insurers/re-insurers/cedants, in the currency of the underlying contract of reinsurance, including in Indian Rupees. However, the realisation of amount against such invoice, in the bank account of the IIO, maintained with any IFSC banking unit, must be in the specified foreign currencies.

Investments in additional Tier 1 bonds and Tier 2 capital of All India Financial Institutions

As part of continuous regulatory initiatives and to enable insurers to have wider scope for investments and portfolio diversification, IRDAI, *vide* circular dated December 19, 2025[6], has permitted insurers to expand their investment avenues. Under the existing framework, insurers were allowed to invest in Additional Tier 1 ("**AT1**") bonds and instruments forming Tier 2 capital of banks. After the decision of the Reserve Bank of India ("**RBI**") to allow All India Financial Institutions ("**AIFIs**") to issue AT1 bonds and Tier 2 capital with effect from April 1, 2024 under the Basel III capital framework, IRDAI has permitted insurers to invest in AT1 bonds and in debt capital instruments as well as preference share capital instruments (except perpetual cumulative preference shares) forming Tier 2 capital, issued by AIFIs. Such investments are to be made as per provisions applicable to insurers' investments in banks as specified in IRDAI's Master Circular on Actuarial, Finance and Investment Functions of Insurers dated May 17, 2024.

[4] IRDAI/SUR/CIR/MISC/115/10/2025 dated October 10, 2025
[5] F.No. 103/IFSCA/Ins/CIRC/1/2021 dated November 27, 2025
[6] IRDAI/F&I/CIR/INV/142/12/2025 dated December 19, 2025

Insurance Practice

JSA is a trusted advisor to leading insurers, reinsurers, brokers, underwriters and consultants on complex transactions, disputes, financing and regulatory and commercial matters. The team with domain-expertise in the sector has an unparalleled ability to assist insurance companies in their Indian operations. JSA has been keenly involved in advising private players both in life and non-life insurance sectors on diverse matters relating to: (a) Regulatory approvals; (b) Compliance requirements; (c) M&A transactions; (d) corporate and regulatory issues; (e) Litigation relating to insurance claims.

This Newsletter has been prepared by:

Venkatesh Raman Prasad
Partner

Ronak Ajmera
Partner

Udit Rao
Senior Associate

Snigdha D. Mazumdar
Associate

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