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International Financial Services Centres Authority proposes dedicated regulatory framework for Managing General Agents in International Financial Services Centre

The International Financial Services Centres Authority (“**IFSCA**”), *vide* its consultation paper dated March 13, 2026, has proposed dedicated regulations for Managing General Agents (“**MGAs**”) in the International Financial Services Centre (“**IFSC**”).

The proposed IFSCA (Managing General Agents) Regulations, 2026 (“**Draft Regulations**”), seek to establish a comprehensive framework for the registration, operation, and supervision of MGAs. The Draft Regulations define an MGA as an insurance intermediary authorised by a foreign insurer pursuant to a Binding Authority Agreement (“**BAA**”) to manage part of its direct insurance business, including solicitation, underwriting of risks, and/or settlement of claims.

Under the IFSCA (Registration of Insurance Business) Regulations, 2021 (“**IIO Regulations**”), MGAs operate through a joint-registration framework with foreign insurers or foreign reinsurers. The Draft Regulations propose to replace this framework with a standalone regime under which an MGA is registered as an insurance intermediary. A person may act as an MGA in the IFSC by obtaining a certificate of registration from the IFSCA under the Draft Regulations. Upon notification, the Draft Regulations will repeal all MGA related provisions in the IIO Regulations. Stakeholder comments on the Draft Regulations are invited by April 2, 2026.

Key features of the Draft Regulations

Scope of permissible business

Under the IIO Regulations, MGAs are permitted to undertake insurance or reinsurance business, or both, pursuant to a binding agreement with a foreign insurer or foreign reinsurer. The Draft Regulations narrow this scope, restricting MGAs exclusively to direct insurance business within the IFSC and from outside India. Reinsurance and retrocession business is expressly excluded from the permissible activities of an MGA under the Draft Regulations.

Further, MGAs are not permitted to solicit direct insurance business within the Domestic Tariff Area (“**DTA**”), which comprises the territory of India but excludes special economic zone areas. Additionally, the *Sabka Bima Sabki Raksha* (Amendment of Insurance Laws) Act, 2025 amended the definition of ‘insurance intermediaries’ under the Insurance Act, 1938 to include MGAs, the Insurance Regulatory and Development Authority of India has not yet issued specific regulations governing the scope of MGA activities within the DTA.

Eligible structures

The Draft Regulations retain the 2 (two) forms through which an entity may qualify as an MGA under the IIO Regulations, either as a body corporate incorporated outside India operating as a foreign branch, or a company incorporated under the Companies Act, 2013.

To qualify as an MGA under the Draft Regulations, foreign branch applicants must now specifically demonstrate prior MGA experience in direct insurance business. This is in addition to meeting the conditions already required under the IIO Regulations, including, *inter alia*: (a) being registered in a Financial Action Task Force compliant country; (b) having a no objection certificate from the home country regulator; and (c) being registered in a jurisdiction with whom the Government of India has a Double Taxation Avoidance Agreement.

Capital and other requirements

Capital and net worth standards

Under the IIO Regulations, MGA entities incorporated under the Companies Act, 2013 are required to maintain a minimum paid-up capital of INR 5,00,000 (Indian Rupees five lakh) (approx. USD 5,343.07 (US Dollars five thousand three hundred and forty-three point zero seven)), with an assigned capital requirement of USD 1,500,000 (US Dollars one million five hundred thousand) being applicable to the relevant foreign insurer or reinsurer applicants.

The Draft Regulations replace this with a uniform capital requirement for MGAs incorporated in the IFSC, requiring a minimum USD 500,000 (US Dollars five hundred thousand) in paid-up equity or assigned capital, as the case may be, to be held with an IFSC Banking Unit (“IBU”). Additionally, the Draft Regulations introduce a net worth requirement, being a minimum of USD 250,000 (US Dollars two hundred and fifty thousand) or 50% of the minimum paid-up or assigned capital, whichever is higher, to be maintained at all times. In case of a shortfall, the MGA is required to restore the same and report compliance within 15 (fifteen) days.

Financial security deposit

The Draft Regulations introduce a financial security deposit requirement for MGAs, not present under the IIO Regulations. Prior to commencement of business, every MGA is required to deposit and maintain with an IBU, a sum equivalent to USD 10,000 (US Dollars ten thousand) and 10% of the minimum equity or assigned capital. IFSCA may impose a separate deposit limit, not exceeding USD 100,000 (US Dollars one hundred thousand). The deposit will have a lien with the IFSCA and may not be pledged for any loan or overdraft facility. IFSCA may access the deposit to settle unpaid court or ombudsman awards or claims under adjudication in the event the MGA enters liquidation.

Functions and limitations of an MGA

MGAs are permitted to carry out the following functions:

- Underwriting and risk selection:** An MGA may evaluate and accept risks, issue binders, and execute insurance contracts within the limits specified in the BAA. The MGA must ensure that all quotes are compliant with the insurer's rating manuals, actuarial benchmarks, and related specialised data, and must not deviate from the insurer's overarching risk appetite.
- Product development:** An MGA may conceptualise and design insurance products, including drafting of policy wordings, terms, conditions, and exclusions, and must ensure compliance with the IFSCA (Insurance Products & Pricing) Regulations, 2022.
- Policy lifecycle management:** An MGA may issue policy documents, schedules, and endorsements, and handle end-to-end administration of policies including solicitation, mid-term adjustments, renewals, and cancellations. Policyholder data must be stored within India including IFSC in compliance with applicable data protection laws.

4. **Fiduciary and accounting functions:** The IIO Regulations permit MGAs to collect premiums and receive claims money on behalf of the foreign insurer or reinsurer for onward transmission, but do not prescribe any account segregation or fund handling requirements. The Draft Regulations which restrict MGAs to direct insurance business only, introduce dedicated fiduciary account requirements in this regard. MGAs authorised to collect premiums must maintain a designated 'Insurance Account' with an IBU, segregated from the MGA's operational 'Management Account'.

No salaries, operational expenses, or capital expenditure may be paid from the insurance account. Loss retention is capped at 3 (three) months of estimated losses and loss adjustment expenses, with surplus premiums remitted to the insurer monthly. Insurance monies in the insurance account are not liable to attachment and do not form part of the assets of the MGA in the event of insolvency or liquidation.

5. **Claims management:** Where specifically delegated under the BAA, an MGA may receive notices of loss, verify policy coverage, investigate and negotiate settlements, and issue claim payments within its delegated financial authority. Any claim exceeding USD 10,000 (US Dollars ten thousand) or involving a coverage dispute, must be referred to the foreign insurer for prior approval before settlement.

Further, the Draft Regulations prohibit MGAs from:

1. binding reinsurance or retrocession contracts on behalf of foreign insurers;
2. committing insurers to participate in insurance or reinsurance syndicates;
3. further delegating underwriting or claims authority to sub-MGAs;
4. jointly employing individuals employed with the foreign insurer; and
5. except with the permission of the IFSCA, permitting employees to serve on the insurer's board of directors.

BAA

No MGA may operate or bind risks or settle claims unless a BAA with the relevant foreign insurer is in force. The BAA must include prescribed mandatory clauses covering, *inter alia*, contract primacy, scope of authority, fit and proper status, ownership link disclosures, underwriting boundaries, monetary limits of claims authority delineation, fiduciary stewardship, bordereau reporting and data portability upon contract termination.

Professional indemnity insurance

Unlike the IIO Regulations, the Draft Regulations introduce mandatory Professional Indemnity ("PI") insurance requirements for MGAs from the date of registration. The PI policy must cover legal liabilities arising from any acts or omissions committed by the MGA or its employees/appointed representatives in the conduct of authorised business activities. Further, the PI policy must also cover cyber liability, carry retroactive cover from the date of IFSCA registration, and provide PI against IFSCA ombudsman and arbitration awards.

Foreign insurer obligations and oversight

Under the IIO Regulations, foreign insurers need to maintain a minimum credit rating with good financial security characteristics from internationally renowned credit rating agencies for the last three years. The Draft Regulations introduce more specific requirements and additional obligations on the foreign insurers in this regard.

For instance, foreign insurers must have a minimum net worth of USD 100,000,000 (US Dollars one hundred million) and a minimum credit rating of 'A' from a renowned international credit rating agency for the preceding 3 (three) years and may not delegate binding authority exceeding 10% of their prior year gross written premium to an MGA.

Further, insurers must conduct annual independent audits of MGA records, at least half-yearly on-site reviews of MGA's underwriting and claims operations, and where loss reserves are established by an MGA, an independent actuary's opinion must be obtained on their adequacy. The insurer-MGA arrangement is expressly classified as a material outsourcing arrangement. The foreign insurer may not appoint an officer, director, employee, or controlling shareholder of the MGA to its board of directors.

Governance of MGA

MGA qualified person

The Draft Regulations introduce the concept of an MGA qualified person, being an employee or director of the MGA engaged in solicitation and procurement of direct insurance business, who is required to have undergone training and passed an examination as specified by the IFSCA.

Ownership, control and key personnel changes

Prior IFSCA approval is required for:

1. change in the beneficial ownership of shares or contribution and control of the MGA. The Draft Regulations do not define the term 'beneficial ownership', and clarity on the scope of this requirement, may be needed. That said, the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 define a beneficial owner of a company as, *inter alia*, directly or indirectly holding 10% of the shares, or exercising control through other means;
2. any change in the Principal Officer, directors, partners, or members of the MGA; or
3. any scheme of amalgamation, merger, acquisition, or transfer of business of the MGA.

Other requirements

The Draft Regulations introduce governance and conduct requirements that expand on the IIO Regulations. MGAs must comply with the code of conduct and adopt board-approved policies on solicitation, reviewed at least every 3 (three) years. Cyber incidents (with a likelihood of an adverse impact on the MGA's business or policyholders) must be reported to the IFSCA within 72 (seventy-two) hours. All books and documents (as referred to in the relevant Draft Regulations provisions) must be retained for a minimum of 7 (seven) years, and records relating to pending court proceedings (where claims are reported) must be retained until disposal.

Conclusion

The Draft Regulations propose to shift from the joint-registration model under the IIO Regulations to a dedicated intermediary category for MGAs in the IFSC. In doing so, the Draft Regulations introduce capital and net worth requirements applicable to the MGAs, financial security deposit obligations, dedicated fiduciary account requirements, mandatory PI insurance, and an expanded governance and conduct framework including requirements for MGA qualified persons.

The Draft Regulations also impose direct obligations on foreign insurers entering into arrangements with MGAs, including minimum net worth and credit rating thresholds as eligibility conditions, limits on delegation of binding authority, and periodic audit and on-site review obligations in respect of MGA operations.

IFSCA Practice

JSA's IFSC Practice is designed to support clients in navigating the legal, regulatory and operational landscape of India's IFSCs, such as GIFT City. As part of this practice, we assist clients in incorporating and setting up entities in the IFSCs, including fund management companies, banking units, and capital market and insurance intermediaries, educational institutions and guide them through the licensing and registration processes under IFSCA regulations. Our team provides comprehensive regulatory advisory services, ensuring compliance with key frameworks such as the IFSCA (Fund Management), (Capital Market Intermediaries), (Banking) Regulations and Foreign Exchange Management (IFSC) Regulations. We specialise in structuring and launching investment vehicles such as Alternative Investment Funds, Family Investment Funds, and Exchange Traded Funds, while also advising on cross-border transactions, capital market listings, and structured finance.

Our practice integrates seamlessly with Indian finance and corporate laws, offering specialised advisory in areas such as M&A, joint ventures, and foreign investment compliance. We also represent clients, ranging from investment funds, investment advisory companies, financial institutions and fintech companies to high-net-worth individuals, in navigating complex legal requirements related to fund setup, cross-border transactions, foreign currency account management, regulatory proceedings, arbitration, enforcement matters, and provide strategic counsel to fund management companies and fintech entities leveraging IFSC's innovation-friendly environment. With a multidisciplinary team and strong regulatory relationships, we deliver tailored, forward-looking solutions that help clients unlock the full potential of operating within India's global financial gateway.

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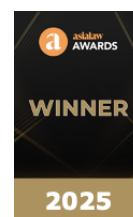
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