

June 2026

The final leg of the straw: Insurance regulator issues draft regulations to implement new licensing regime for insurance companies

On June 15, 2026, the Insurance Regulatory and Development Authority of India (“IRDAI”) released a draft amendment (“**Exposure Draft**”) to the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 (“**Registration Regulations**”). The Exposure Draft proposes to operationalise key reforms under the *Sabka Bima Sabki Raksha* (Amendment of Insurance Laws) Act, 2025 (“**SBSR Act**”), which amended the Insurance Act, 1938 (“**Insurance Act**”). Public comments may be submitted to IRDAI on or before July 6, 2026.

Legislative timeline

1. The Parliament passed the SBSR Act on December 17, 2025, effective February 5, 2026. The SBSR Act amended the Insurance Act to, *inter alia*, raise the foreign direct investment (“**FDI**”) cap in insurance companies from 74% to 100%, enable amalgamation of insurance with non-insurance business, and introduce revised governance norms.
2. The Government amended the Indian Insurance Companies (Foreign Investment) Rules, 2015 (“**Foreign Investment Rules**”), effective December 30, 2025, to reflect the revised conditions for foreign investment in Indian insurance companies and intermediaries.
3. The Government also updated the exchange control framework to reflect the 100% FDI cap. The Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2026, effective May 2, 2026, and the Consolidated FDI Policy (amended February 9, 2026, effective May 2, 2026) were updated to align the sectoral cap under the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (“**NDI Rules**”) with the revised Insurance Act and Foreign Investment Rules framework.

Key changes proposed by the Exposure Draft

Foreign investment and promoter eligibility

Foreign promoter: The Exposure Draft states that a foreign promoter of an insurer must be incorporated in a Financial Action Task Force (“**FATF**”) compliant jurisdiction. Therefore, investment in an Indian insurance company from a non-FATF-compliant jurisdiction is not permitted.

Indian promoter: Among the categories of persons/entities that may qualify as an Indian Promoter under the Registration Regulations is a Core Investment Company (“**CIC**”). The Exposure Draft states that a CIC may qualify as

an Indian Promoter only if it is registered with the Reserve Bank of India. Accordingly, an unregistered CIC would not qualify as Indian promoter of an insurance company.

Special Purpose Vehicles as the promoter

Special Purpose Vehicles (“SPVs”): Currently, only India-incorporated SPVs can promote an Indian insurance company. The Exposure Draft proposes expanding the SPV definition to include entities incorporated in any FATF-compliant foreign jurisdiction. This eases the current position, under which a foreign investor must incorporate the SPV in India and seek additional exchange control approval. The Exposure Draft would permit SPVs incorporated in FATF-compliant foreign jurisdictions to directly invest in the Indian insurance company.

SPV as the promoter: Currently, where an applicant is promoted by an SPV, the Registration Regulations prescribe conditions including valuation requirements for shares issued by the SPV. The Exposure Draft proposes to remove the need for a valuation certificate from a SEBI-registered category-I merchant banker.

Other forms of capital

Any entity incorporated, set up, or registered under Indian law or in any FATF-compliant jurisdiction may subscribe to other forms of capital, namely preference share capital and subordinated debt, subject to applicable tax, foreign exchange, anti-money laundering, and counter-terrorism financing laws.

Transfer of shares and approvals

The Exposure Draft proposes to replace the existing prior-approval framework for transfer of shares and issue of equity capital with a revised framework in line with the SBSR Act. Key features are as follows:

1. prior approval of the IRDAI is required for any transfer or issuance of shares exceeding 5% of the paid-up equity capital of the insurer in a financial year, in line with the SBSR Act, as compared to the 1% threshold under the current Registration Regulations;
2. the Exposure Draft also clarifies that the prior-approval requirement applies to transfers of shares between entities within the same group. This appears to codify the existing position that internal group restructurings are also subject to prior IRDAI approval requirements; and
3. a new general safeguard is proposed where, even if the acquisition is below 5%, the insurer must refer the matter to IRDAI if it suspects dubious methods have been adopted to avoid the 5% ceiling and camouflage an acquisition of control. IRDAI may then pass such order as it deems fit. Under the existing Registration Regulations, this safeguard applies only to listed insurers. The Exposure Draft extends it to all insurers.

Listed insurance companies: The Exposure Draft proposes to omit the existing provisions for transfer of shares in listed insurers. Clarity to be provided by the IRDAI if the general share transfer framework applicable to insurance companies will apply to listed insurers.

Amalgamation involving non-insurance business

In line with the SBSR Act, the Exposure Draft proposes to update the amalgamation framework to expressly cover the transfer or amalgamation of non-insurance business with insurance business.

The Exposure Draft enables amalgamation or transfer of non-insurance business with insurance business, subject to the following key conditions:

1. the transferor company must be a non-operative holding company holding more than 50% of the equity capital of the transferee insurer and must not have any business operations;

2. the scheme of amalgamation must be in accordance with the Insurance Act. Policyholders' funds of the transferee insurer cannot be used to meet any liabilities, claims or obligations arising from the amalgamation;
3. the board of the transferee insurer must satisfy itself that policyholder interests are not adversely affected, and the solvency of the insurer, post amalgamation, must remain above the control level at all times; and
4. post-amalgamation, the transferee insurer must only conduct permitted insurance business.

The SBSR Act permitted the non-insurance business of a company to be transferred to, or amalgamated with, the insurance business of an insurer with IRDAI approval. The Exposure Draft, however, operationalises this through narrower eligibility conditions, limiting the framework to group restructurings involving non-operative holding companies.

Rationalisation of fees

Processing fees: The Exposure Draft proposes to rationalise fees across applications. For transfer applications exceeding 50% of paid-up equity capital, the processing fee is proposed to be reduced from INR 50,00,000 (Indian Rupees fifty lakh) (approximately USD 52,899 (US Dollars fifty-two thousand eight hundred and ninety-nine)) to INR 10,00,000 (Indian Rupees ten lakh) (approximately USD 10,580 (US Dollars ten thousand five hundred and eighty)). For in-principle approval applications for amalgamation, the current premium-linked fee structure (which is capped to INR 5,00,00,000 (Indian Rupees five crore) (approximately USD 529,046 (US Dollars five hundred twenty-nine thousand and forty-six)) is proposed to be replaced with a flat fee of INR 10,00,000 (Indian Rupees ten lakh) (approximately USD 10,580 (US Dollars ten thousand five hundred and eighty)) per transacting company. These changes can reduce compliance costs and support ease of doing business.

Conclusion

With the foreign investment framework now aligned across the Insurance Act, Foreign Investment Rules, the Consolidated FDI Policy, and the NDI Rules, the Exposure Draft represents the next step in updating IRDAI's regulatory framework. Many of the proposed amendments are consequential to the SBSR Act and the updated foreign investment framework.

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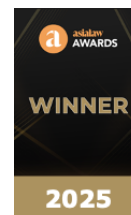


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