client alert

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ahead of the curve

The (Amendment of Insurance Laws) Bill of 2025: Doors Open for Growth

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 (**Bill**) was introduced and passed in the Lok Sabha on December 16, 2025 and the Rajya Sabha on December 17, 2025 to amend the Insurance Act, 1938 (**Insurance Act**), the Insurance Regulatory and Development Authority Act, 1999 and the Life Insurance Corporation Act, 1956. As on December 18, 2025, the Bill is yet to receive Presidential assent. This is expected in the next few days. Once enacted, the Bill will require corresponding changes to be made by the Insurance Regulatory and Development Authority of India (**IRDAI**) in its framework of regulations and circulars. There are implications on all stakeholders and our analysis of the key amendments are set out below:

For Insurers

1. FDI Unlimited

The Bill formalizes the Union Budget 2025-26 proposal to increase foreign investment (**FI**) limits from 74% to 100% under automatic route, with conditions delegated in proposed Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025, the draft of which was notified on August 29, 2025 (**Draft Rules**). The Draft Rules propose the removal of the extant restrictions on insurers with FI, including: (i) majority of directors and key managerial persons being resident Indian citizens; (ii) retention of general reserves for declaration of dividend if solvency margin is less than 1.8x; and (iii) at least half or 1/3rd of the board being independent directors depending on the chairperson's status (as an independent director). However, one out of the chairperson and managing director - chief executive officer of the insurer is required to be a resident Indian citizen.

Uncapping the FDI limits, combined with board conditions (as proposed in the Draft Rules), should attract more strategic foreign investors to expand their existing presence or make a fresh entry into the Indian market. The stakeholders making such investments can enjoy enhanced board representation at Indian insurers.

2. Composite Insurance Business

The Bill allows the Central Government (acting through the Department of Financial Services, Ministry of Finance (the **DFS**)) in consultation with the IRDAI to notify a separate or a composite class of insurance business in addition to life, health, general and reinsurance lines of insurance businesses. However, once notified, the governing framework for such separate and/or composite class of insurance business will need to be provided by the IRDAI.

The option of registering composite insurance business can help in streamlining operations for composite insurers and provide an opportunity to service all the insurance needs of policyholders under one-roof. That said, appropriate guardrails must be set in place including prohibition on cross-subsidization across lines of insurance businesses, in line with global best practices.

3. Insurer – Non-Insurer Amalgamation

The Bill now provides for the amalgamation or transfer of insurance business between insurers and non-insurance companies, subject to IRDAI approval. The National Company Law Appellate Tribunal, in *IRDAI v. Shriram General Insurance Company Limited*, held that in the absence of any prohibition in the insurance regulatory framework, mergers between non-insurance companies and insurers can be undertaken pursuant to the Companies Act, 2013. Such mergers are now legislated in the Bill.

It is interesting to note the reference to "*…and any other conditions as may be specified by the regulations*" in Section 35 of the Insurance Act as well as inclusion of a new sub-section (4) to Section 35, both of which indicate that the IRDAI will specify by way of regulation, the details and procedures for mergers of the aforesaid nature.

4. Re-defining Insurance Business

The Bill introduces a definition of insurance business which refers to the "*business of effecting insurance contracts and includes any other form of contract as may be notified by the Central Government in consultation with the Authority from time to time*". Given the residual portion of the aforesaid definition, the Government (acting through DFS and in consultation with the IRDAI) has retained the ability to notify business contracts akin to insurance or allied with insurance (or even completely unrelated to insurance coverage) to form part of "insurance business". If notified suitably, insurers will be empowered to provide value added services to its policyholders. However, the amendments to the Insurance Act proposed by the DFS in November 2024 (**Draft Amendments**) proposed a clause which specifically envisaged insurers "*to do things as are incidental or conducive to the promotion or advancement of the business of the insurer*". The Bill does not reflect the aforesaid proposal in the form presented in the Draft Amendments.

In addition, "insurance contracts" have also been defined to mean contracts for undertaking to assume risk and compensate persons upon incurrence of liability or loss on account of occurrence of a contingent event and being paid the premium against such undertaking. This, coupled with the ability to expand the list of classes of insurance business, can give rise to innovative insurance arrangements and entities being allowed to pursue specialty lines of insurance business exclusively.

5. Restricting Common Directorships

The Bill has proposed an amendment to Section 32A of the Insurance Act which proposes to restrict an insurer from having a common director with: (i) another insurer in the same line of business; or (ii) a banking company; or (iii) an investment company. Previously, this provision was limited to life insurers having common managing directors with other life insurers in India, banking companies or investment companies. If enacted as such, this amendment in Section 32A of the Insurance Act will have adverse implications for banking companies and investment companies (majority of whom are promoters / significant shareholders of Indian insurer) since they will be required to remove their nominees on the Boards of insurers if such individuals are common directors.

6. Share Transfer Thresholds

The Bill seeks to increase the threshold for share transfers for which prior IRDAI approval would be required from 1% presently, to 5%. This change aligns the framework for unlisted insurers with listed insurers. However, corresponding changes will need to be introduced in the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 (**Registration Regulations**) to remove self-certification requirements under Regulation 25 for transfer of shares of a listed insurer up to 5%. Another consequential change which the IRDAI may consider is amending the last proviso of Regulation 8 of the Registration Regulations to remove lock-in requirements for transfer of shares up to 5%.

This change is also likely to help insurers proposed to be listed to undertake pre-IPO placements of up to 5% of the share capital without obtaining the prior approval of the IRDAI.

7. Consent-Based Sharing of Policyholder Information

Regulation 15 of the IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024, which pertains to policyholder data sharing, now finds an anchor in the principal statute. The Bill introduces Section 14C allowing insurers to share policyholder information with third parties with express consent of the policyholder. This aligns well with the consent framework sought to be established by the Digital Personal Data Protection Act, 2023 where the usage and processing of all personal data is for the purpose consented to by the data principal, which in this case is the policyholder.

8. Removal of Restriction on Investment in Private Companies

The Bill proposes deletion of Section 27A of the Insurance Act to remove the restriction on investment by insurers in shares and debentures of private companies. This may allow diversification of the investment portfolio of insurers encouraging them to invest in insurtech and other allied ventures with the aim to enhance customer experience and product designing.

For Reinsurers

9. Net Owned Funds of Foreign Reinsurer's Branch

India opened up its reinsurance sector for foreign reinsurers in the year 2015 and facilitated the entry of foreign reinsurers in India by allowing them to set up branch offices in India (now known as Foreign Reinsurer's Branches (**FRBs**). At present, there are less than a dozen FRBs set-up in India, the last of which was set up in the year 2021. The Bill proposes to decrease the net owned funds requirements for FRBs from INR 5000 crores prescribed presently, to INR 1000 crores. This move is consistent with the policy push for onshoring foreign reinsurers, whether in India or IFSC, having already imposed an onerous condition on cross border reinsurers (**CBRs**) by mandating collateral (*either in the form of irrevocable Letter of Credit (LC) from the CBR or premium / funds withheld by the ceding insurer*) to be furnished while accepting reinsurance risk from India. More FRBs operating in India also allows for underwriting strategies of global reinsurers to be brought into India and helps in maturing the domestic reinsurance market.

For Insurance Intermediaries

10. Welcoming Managing General Agents Onshore

The Bill proposes to add managing general agents (**MGAs**) within the definition of "insurance intermediaries". For global MGAs looking to foray into the Indian market, it is critical to assess the governing framework for MGAs to be proposed by the IRDAI and their scope of functions. However, MGAs, as insurance sector participants, have already been recognized in the International Financial Services Centres (**IFSC**) to register as an insurer jointly with a foreign insurer. Globally, MGAs typically act as an intermediary between insurers and customers, performing underwriting, policy issuance, and claims management on behalf of licensed insurers, without carrying the underwritten risk on their books.

If Indian insurers are allowed to delegate specialised functions such as underwriting to MGAs, then the Indian insurance sector will stand to benefit significantly due to enhanced operational efficiency, expanded market reach and leveraging MGAs' expertise in niche or complex insurance segments.

11. One-Time Registration for Insurance Intermediaries

The current intermediary framework requires intermediaries to renew their registration with the IRDAI every three years. This enables periodic assessment of their conduct and provides an opportunity to the IRDAI to refresh lock-in on the shareholding pattern of certain intermediaries (such as insurance brokers) in each renewal cycle. The Bill proposes to remove the three-year registration renewal requirement for intermediaries, allowing them to continue business subject to periodic fee payment until suspension or cancellation by IRDAI, aligning with the insurer registration framework.

This also reduces administrative burden and addresses potential concerns from regulators such as the Securities and Exchange Board of India regarding listing of insurance intermediaries whose business continuity currently depends on triennial license renewal.

For All Regulated Entities

12. Enhanced Penalties and Enforcement Actions

The Bill also proposes to increase penalties for violation of the IRDAI framework by insurers and insurance intermediaries to a maximum of INR 10 crores (as opposed to INR 1 crore applicable currently) and introduces penalties for person acting as an intermediary without requisite registration up to INR 1 crore. Further, the IRDAI is now proposed to be empowered with disgorgement powers. In essence, the IRDAI can order entities to surrender profits wrongfully gained or losses improperly avoided through violations of the IRDAI regulatory framework, providing the regulator with a stronger enforcement tool to protect policyholders' interests.

Since 2022, there have been multiple instances where proposed amendments to the Insurance Act have been discussed in the public domain. It is commendable that several of these have found their way into this Bill. However, some proposals which have historically been debated, are conspicuous in their absence. These include provisions relating to captive insurers, open architecture for insurance agents and importantly, the proposal for reduction in minimum capital requirements of insurers which could have paved an easier path for micro-insurers to operate in social and underserved sectors. Nevertheless, the Bill paves way for a major shift in the industry and has been positively received by the industry.

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