

Insurance 2.0 | Draft Amendments to Foreign Investment Rules

5 September 2025

Introduction

On 29 August 2025, the Department of Financial Services under the Ministry of Finance released for public consultation the draft Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025 (Draft Rules) to amend the Indian Insurance Companies (Foreign Investment) Rules, 2015 (2015 Rules).

The Draft Rules are intended to enable 100% foreign direct investment (FDI) in the insurance sector (once necessary changes to the Insurance Act, 1938 (Insurance Act) are carried out by the Indian parliament) and remove requirements which were seen as being discriminatory towards foreign owned insurers and intermediaries.

Comments from impacted stakeholders have been invited until 12 September 2025. Please do reach out to us, should you wish to collaborate on submitting comments on the Draft Rules.

Overview of proposed amendments

- (a) Change in foreign investment limits: Foreign investment limits are proposed to be increased 'up to the limits stipulated by the Insurance Act' (from the current limit of 74%). This change is expected to enable 100% foreign direct investment in Indian insurers, once necessary changes to the Insurance Act are adopted by the Indian parliament.
- (b) Liberalisation of management requirements: Under the 2015 Rules, Indian insurers having foreign investment are inter alia required to ensure that a majority of their directors and a majority of their key management persons (as specified by the Insurance Regulatory and Development Authority of India (IRDAI)) are resident Indian citizens. This requirement is proposed to be omitted. Accordingly, while at least one amongst the chairperson of the board, managing director (MD) and chief executive officer (CEO) are required to be resident Indian citizens, greater flexibility is now possible with respect to board composition and appointment of key management persons.
- (c) Liberalisation for foreign controlled insurers: Under the 2015 Rules, insurers with more than 49% foreign investment are required to ensure that:
 - (i) in a financial year in which dividend is paid on equity shares, where the solvency margin is less than 1.2 times the control level of solvency, at least 50% of the net profit for the financial year will be retained in the insurer's general reserves; and
 - (ii) at least half of its directors are independent directors, if the chairperson of the board is not an independent director. If the chairperson of the board is an independent director, then, only 1/3rd of the board needs to comprise of independent directors.

These requirements are proposed to be omitted.

- (d) Liberalisation for insurance intermediaries: Under the 2015 Rules, insurance intermediaries that are majority owned by foreign investors are required to inter alia comply with the following:
- (i) at least one amongst the chairperson of the board, MD, CEO or principal officer of such insurance intermediary must be a resident Indian citizen;
 - (ii) prior approval of IRDAI is necessary before dividends are repatriated by such insurance intermediary;
 - (iii) such insurance intermediaries shall not make payments to foreign group/ promoter/ subsidiary/ interconnected/ associate entities beyond what is necessary or is permitted by IRDAI; and
 - (iv) composition of the board of directors and key management persons will be as specified by IRDAI.

These requirements are now proposed to be omitted. Accordingly, insurance intermediaries that are majority owned by foreign investors are now required to only ensure that:

- (i) they are incorporated as 'limited companies' under the Companies Act, 2013;
- (ii) they bring in the latest technological, managerial and other skills; and
- (iii) they make disclosures required under applicable IRDAI regulations with respect to payments made to group/ promoter/ subsidiary/ interconnected/ associate entities.

Comments and Conclusion

Please note that the proposed amendments are intended for public consultation only at this stage. Changes will need to be implemented separately through notification by the Department of Financial Services, Ministry of Finance, Government of India.

The proposed changes are indeed welcome and advance 'ease of doing business' in the insurance sector. They also remove requirements that were perceived as discriminatory vis-à-vis foreign controlled insurers and intermediaries and send a positive signal to foreign insurers, intermediaries and investors looking to enter India and participate in IRDAI's vision of 'insurance for all by 2047'.

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