ERGO

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# Insurance 2.0 | Operationalising 100% foreign investment in the insurance sector

16 January 2026

The final form of amendments to the Indian Insurance Companies (Foreign Investment) Rules, 2015 have now been notified, with effect from 30 December 2025 (Amendment). Our previous Ergo dated 5 September 2025 had provided an overview of the draft amendments published on 29 August 2025. The Amendment is a key part of the legislative changes that are currently being implemented to increase the foreign investment cap in Indian insurance companies from 74% to 100%.

The Amendment follows the conclusion of a stakeholder consultation process, which took place from 29 August 2025 to 12 September 2025. There are no material differences between the Amendment and the draft amendments published earlier in August except as indicated in point 4 below.

## Summary of the amendment

1. Increase in foreign investments limits: The Amendment increases the foreign investment cap to the limits "stipulated by the Insurance Act, 1938" from the existing 74% threshold. This is expected to facilitate 100% foreign investment in Indian insurers once corresponding amendments to the Insurance Act, 1938 are enacted (for which please see our Ergo dated 18 December 2025).

2. Liberalisation of management requirements for insurers with foreign investment: The Amendment removes the requirement that a majority of directors and key management persons be resident Indian citizens but retains the requirement applicable to insurers with foreign investment that at least one among the chief executive officer (CEO), managing director (MD) and chairperson of the board, is a resident Indian citizen. This effectively allows greater flexibility in board and senior management composition.

3. Removal of additional conditions applicable to foreign controlled insurers: The Amendment removes the conditions relating to:

   a) the retention of at least 50% of the net profit for a financial year in the insurer's general reserves where dividends are paid on equity shares and the solvency margin is below 1.2 times the control level of solvency; and

   b) minimum independent director thresholds i.e., at least half of the board be independent where the chairperson is not an independent director, and at least one-third of the board be independent where the chairperson is an independent director.

4. Liberalisation for foreign majority-owned insurance intermediaries: The Amendment retains the requirement that at least one among the chairperson of the board, MD, CEO or principal officer of a majority foreign-owned insurance intermediary must be a resident Indian citizen noting that this condition was proposed to be omitted in the draft amendments published on 29 August 2025. Such intermediaries would also still need to:

   a) be incorporated as "limited companies" under the Companies Act, 2013;

b) bring in the latest technological, managerial and other skills; and

c) make specified disclosures on payments to group / promoter / subsidiary / interconnected / associate entities entities

Other compliance requirements applicable to majority foreign-owned intermediaries have been removed such as seeking prior IRDAI approval for dividend repatriation, restrictions on payments to foreign group entities, and IRDAI-specified composition of the board and key management persons.

## Comment

The Amendment is a key step towards operationalising the move from a 74% to a 100% foreign investment regime in the insurance sector and the liberalisation of governance and operational conditions for foreign-invested insurers is indicative of the regulatory intent to attract more foreign capital. However, to fully implement this change, the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, the consolidated FDI policy and the regulatory framework applicable to insurance intermediaries will also need to be amended.

- *Nikhil Narayanan (Partner) and Akhil Sharma (Partner)*

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