

# Insurance 2.0 | NDI Rules Amended to Allow 100 Percent Foreign Investment in Insurers

15 June 2026

As set out in our previous Ergos of [9 December 2024](#), [3 February 2025](#), [5 September 2025](#), [18 December 2025](#), [16 January 2026](#) and [4 February 2026](#), there has been a significant shift in the foreign investment regime in the insurance sector with the announcement of the foreign direct investment (FDI) cap in the insurance sector being raised to 100% (from the previous threshold of 74%). The final implementation step has now been taken with the amendment of the Foreign Exchange Management (Non-debt Instruments) Rules 2019 (NDI Rules) and the new FDI cap is in force. We have set out below a brief summary of the main changes that are in force and the areas where the market awaits further reform.

## The Liberalisation Journey

The steps in the implementation of the 100% cap are summarised below:

Date	Milestone
<b>November 2024</b>	Ministry of Finance (MoF) invited public comments on proposed amendments to the Insurance Act 1938 (Insurance Act).
<b>February 2025</b>	The government announced its intent to increase FDI in insurers to 100% announced in the Union Budget speech.
<b>29 August 2025</b>	Department of Financial Services, MoF, published draft amendments to the Indian Insurance Companies (Foreign Investment) Rules 2015 (Foreign Investment Rules) for public consultation.
<b>12 September 2025</b>	Stakeholder consultation on draft Foreign Investment Rules closed.
<b>16 December 2025</b>	Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill 2025 (Amendment Bill) was passed by both houses of Parliament.
<b>20 December 2025</b>	Amendment Bill received Presidential assent.
<b>21 December 2025</b>	The government published the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act 2025 (Amendment Act).
<b>30 December 2025</b>	Final amendments to the Foreign Investment Rules were notified.
<b>5 February 2026</b>	The government notified 5 February 2026 as being the commencement date for all provisions of the Amendment Act, except amendments to Section 32A of the Insurance Act, which were kept in abeyance.
<b>9 February 2026</b>	The Department for Promotion of Industry and Internal Trade of India issues Press Note No. 1 (2026 Series) amended the Consolidated FDI Policy of 2020 to reflect 100% FDI in Indian insurers under the automatic route (i.e., investment is permitted without any sectoral FDI approval).
<b>2 May 2026</b>	NDI Rules amended to reflect 100% foreign investment cap for Indian insurers.

## What has Changed for Insurers – Key Reforms and Implications

1. Increase in sectoral cap from 74% to 100%: The sectoral cap for Indian insurers has been revised from 74% to 100%.
2. Liberalised governance and management requirements for insurers with foreign investment: With the NDI Rules amended, the Indian foreign exchange control framework is now aligned with the Foreign Investment Rules, removing the requirement that a majority of directors and key management persons be resident Indian citizens but retaining 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 amended NDI Rules require insurers with foreign investment to comply with the Foreign Investment Rules, which in turn, remove the conditions relating to:
  - (a) 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.

## Position with Regard to Insurance Intermediaries

While 100% foreign investment in Indian insurance intermediaries is currently permitted, to align with the position under the Foreign Investment Rules, the amended NDI Rules have removed several onerous conditions applicable to insurance intermediaries with majority foreign ownership including the requirement to seek prior approval of the Insurance Regulatory and Development Authority of India (IRDAI) for dividend repatriation, restrictions on payments to foreign group entities, and IRDAI-specified board and key management composition requirements. The residual conditions which continue to apply are:

1. incorporation as a "limited company" under the Companies Act 2013;
2. at least one among the chairperson of the board, MD, CEO or principal officer must be a resident Indian citizen;
3. bringing in the latest technological, managerial and other skills; and
4. making specified disclosures on payments to group, promoter, subsidiary, interconnected or associate entities.

However, in addition to the amended NDI Rules, the operational changes for intermediaries will also depend on the IRDAI issuing amended intermediary regulations to implement the relaxed compliance requirements such as removal of the requirement to obtain prior IRDAI approval for dividend repatriation and easing restrictions on payments to foreign group entities.

## Further Reforms

Despite the progress achieved through the amended NDI Rules, there are few areas where the market awaits further regulatory developments:

1. IRDAI approval thresholds for share transfers and issuances: The Amendment Act increases the threshold for obtaining IRDAI approval for share transfers and issuances from 1% to 5%. However, in order to implement this effectively, amendments to IRDAI's operating guidelines (including the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations 2024) will be required to harmonise approval procedures and the IRDAI is also expected to clarify whether acquisitions spread across multiple years could trigger approval requirements.

2. Composite insurance licences: The Amendment Act sets out an enabling framework permitting composite insurance (i.e., the possibility of insurers underwriting multiple classes of business). This formulation enables the Central Government in consultation with IRDAI to develop a composite insurance regime, but there is no such regime in place. Therefore, the market will need to wait and watch as to regulatory developments on this front. The introduction of a composite insurance regime would change the landscape of the insurance sector in India and likely prompt further foreign investment.
3. Value-added and ancillary services: The Amendment Act defines “insurance business” to mean the business of effecting contracts of insurance and includes any other form of contract as may be notified by the Central Government, in consultation with IRDAI. This is another enabling provision which is of potential commercial significance for foreign investors but there is no specific guidance at this stage on what this is likely to cover.
4. Mergers and amalgamations: The Amendment Act introduces an enabling framework for the merger of insurers and non-insurance companies into insurers subject to the prior approval of the IRDAI. The merger of insurers with other operating companies may be possible only after the Central Government notifies other businesses that an insurer may engage in. This may potentially assist with dealmaking and consolidation in the longer term. At this stage, this is all still forward looking and speculative, but it may be worth monitoring this.
5. Managing General Agents (MGA): While MGAs have been recognised as a class of insurance intermediary in the Amendment Act, the governing framework for such an intermediary is awaited and this is likely to be in the form of new regulations consistent with the IRDAI’s practice of issuing intermediary-specific regulations setting out their registration, governance and operational framework.
6. Investments by insurers: While the Amendment Act has streamlined the framework governing insurer investments, the detailed regulations governing investments by insurers are awaited.
7. Commencement of Section 32A of the Insurance Act: The Government of India had notified 5 February 2026 as the commencement date for all the provisions of the Amendment Act except the amendments to Section 32A of the Insurance Act, which have been kept in abeyance. Currently, Section 32A of the Insurance Act applies only to life insurers and it restricts the managing director or an officer of a life insurer from acting as the managing director or an officer of another life insurer, a bank or an investment company. The amended Section 32A, when notified, will increase the scope of this restriction to all insurers.

Once the amendments to Section 32A of the Insurance Act are effected, insurer board composition will require re-assessment and listed insurers will need to consider the overlap with the requirements of the Securities and Exchange Board of India regulations.

8. SEZs and IFSCs: The Amendment Act empowers the Government to exempt insurers and intermediaries operating in Special Economic Zones (SEZ) and International Financial Services Centres (IFSC) from the Insurance Act, subject to conditions to be prescribed. The specific conditions and scope of exemptions for SEZ and IFSC entities are awaited.

## Conclusion

The amendments to the NDI Rules bring into force long awaited changes. For foreign investors, the reforms deliver meaningful improvements such as full ownership flexibility, liberalised board and senior management composition, removal of dividend repatriation pre-conditions, and reduced compliance friction for share transactions. This is likely to spur further international investment in this sector.

- *Nikhil Narayanan (Partner), Aravind Venugopal (Partner) and Akhil Sharma (Partner)*



## About Khaitan & Co

Khaitan & Co is a top tier and full-service law firm with over 1300+ legal professionals, including 340+ leaders and presence in India and Singapore. With more than a century of experience in practicing law, we offer end-to-end legal solutions in diverse practice areas to our clients across the world. We have a team of highly motivated and dynamic professionals delivering outstanding client service and expert legal advice across a wide gamut of sectors and industries.

To know more, visit [www.khaitanco.com](http://www.khaitanco.com)



This document has been created for informational purposes only. Neither Khaitan & Co nor any of its partners, associates or allied professionals shall be liable for any interpretation or accuracy of the information contained herein, including any errors or incompleteness. This document is intended for non-commercial use and for the general consumption of the reader, and should not be considered as legal advice or legal opinion of any form and may not be relied upon by any person for such purpose. It may not be quoted or referred to in any public document, or shown to, or filed with any government authority, agency or other official body.

[www.khaitanco.com](http://www.khaitanco.com) | © Khaitan & Co 2026 | All Rights Reserved.

Ahmedabad · Bengaluru · Chennai · Delhi-NCR · GIFT City · Kolkata · Mumbai · Pune · Singapore