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# Insurance 2.0 | IRDAI Invites Comments on Amendments to the Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers Regulations, 2024

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## Introduction

Hot on the heels of adoption of the Sabka Bima Sabki Raksha (Insurance for All, Protection for All) (Amendment of Insurance Laws) Act, 2025 (Amendment Act), the Insurance Regulatory and Development Authority of India (IRDAI) has begun translating the "Insurance 2.0" reforms into its operating framework. Our coverage of the journey so far is set out in our Ergos dated 9 December 2024, 3 February 2025, 5 September 2025, 18 December 2025, 16 January 2026, 4 February 2026 and 15 June 2026.

IRDAI has now issued for public comments an exposure draft of the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) (First Amendment) Regulations, 2026 (Draft Amendment), proposing the first set of changes to its consolidated 2024 registration framework (Principal Regulations). The changes cover a range of issues from amending the share-transfer approval regime, to introducing pathway for a holding company to merge into its insurer subsidiary.

IRDAI has sought comments on the Draft Amendment by **6 July 2026**. We would welcome the chance to discuss proposals and assist in preparing and submitting comments to IRDAI on any aspect of the Draft Amendment that is of interest or relevance.

## When Will The Changes Take Effect?

This is still at a consultation stage. Once the IRDAI receives feedback, it will consider changes that it deems appropriate. It will then issue the final set of amendments that will take effect on publication in the Official Gazette. Given the policy momentum behind Insurance 2.0, we expect a relatively short finalisation timeline.

## Key Proposed Changes And Implications

1. **Foreign promoter**

   Foreign promoter of an Indian insurer must be incorporated in a Financial Action Task Force (FATF) compliant jurisdiction, in addition to the existing eligibility requirements.

2. **Indian promoters**

   A Core Investment Company that does not independently satisfy any of the other limbs of the **"Indian Promoter"** definition[1] may act as the Indian promoter of an insurer only if it is registered with the Reserve Bank of India. A Core Investment Company exempt from registration is not eligible to operate as an Indian promoter of an insurer.

[1] Namely, (i) a non-subsidiary company under the Companies Act, 2013, (ii) a listed subsidiary that has its own funding, a net worth of at least INR 5,000,000,000 (~USD 52,500,000), and a holding company which is not itself a subsidiary; (iii) a banking company under the Banking Regulation Act, 1949, other than a foreign bank operating in India through a wholly-owned subsidiary or branch; (iv) a public financial institution; (v) a co-operative society; (vi) a limited liability partnership under the LLP Act, 2008; (vii) a Non-Operative Financial Holding Company registered with the RBI; or (viii) any other person or entity permitted by the Authority that meets one or more conditions of the 'promoter' definition under the Companies Act, 2013.

3. **Share transfers & issuances**

   – From a transferor's perspective, the Draft Amendment raises the threshold above which a transfer of shares by a transferor requires prior IRDAI approval from 1% to 5%, which now includes a disposal arising from non-participation in a pro-rata issuance. This is in line with the amendments made to the Insurance Act in February 2026.

   – From an acquirer's perspective, prior IRDAI approval is required when:

   - a transfer is likely to take the transferee's total holding above 5% of paid-up equity; or
   - an acquirer that already holds more than 5% of an insurer, is likely to cross the next multiple of 5% i.e., on moving past 10%, 15%, 20%, and so on.

   – In line with the increase in approval thresholds to 5%, the Draft Amendment omits the bespoke regime for listed insurers, which currently permits self-certification (with deemed IRDAI approval) for transfers between 1% and 5%.

   – A new explanation deems a shareholder's dilution arising from not subscribing to a fresh, pro-rata issue to be a "transfer" of shares, thereby bringing passive dilution that results in a person breaching approval thresholds within the approval regime. It has also been clarified that prior IRDAI approval is required even where the transfer of insurer's shares is between group entities.

   – While the drafting is not clear, for share transfers exceeding 50% of the insurers' paid-up capital, application fees is proposed to be reduced to INR 1,000,000 (~USD 10,500) from INR 5,000,000 (~USD 52,500).

4. **Lock-in restrictions**

   The Draft Amendment clarifies that an investment by a promoter made more than 15 years after the grant of registration will attract the one-year lock-in only where it results in a change in the shareholding pattern of the promoter in the insurer. A proportionate investment that leaves shareholding percentages unchanged attracts no incremental lock-in.

5. **Changes to the SPV regime**

   – Now, Special Purpose Vehicles (SPVs) incorporated in any FATF compliant jurisdiction may also serve as the investment vehicle into an insurer. This omits the requirement under the Principal Regulations that such SPVs be Indian Companies or Indian LLPs. The requirement of a Merchant Banker valuation certificate in respect of share issuances by SPVs has also been done away with, while an imprecise reference continues to appear in the format of IRDAI R1 application.

   – Where an SPV proposes to act as the promoter of an insurer, IRDAI must be satisfied as to all aspects of the SPV's structure, and not merely the specific points identified in the regulations, which remain unchanged.

6. **Mergers of holding companies into insurers**

   – Reflecting the Amendment Act's enabling provisions for mergers between insurers and non-insurance companies, the Draft Amendment introduces a dedicated framework for merging a non-operative holding company that holds more than 50% of the insurer into the insurer. In effect, this is a mechanism to collapse a holding-company layer into the operating insurer. This framework comes with following guardrails with IRDAI retaining the ability and power to specify additional conditions while considering such mergers:

   - prior IRDAI approval is necessary in respect of such mergers in the manner specified in the Insurance Act, 1938 and the Principal Regulations;
   - policyholders' funds can never be applied to meet liabilities, claims or obligations arising out of the merger;
   - the board of the transferee insurer will need to satisfy itself that the amalgamation will not adversely affect the interests of its policyholders;
   - the insurer will need to satisfy IRDAI that the solvency of the insurer will always remain above control levels;
   - consideration may be discharged by the insurer only by issuing its own equity shares to the holding company's shareholders (with fractional entitlements settled in cash at fair value);
   - shareholders of the holding company must satisfy the fit-and-proper criteria; and

- transferee insurer and its promoters are required to ensure that the interest of policyholders, post the merger, remains protected.

– Because the Draft Amendment is framed around a single non-operative holding company merging into the one insurer it controls (holding more than 50% of that insurer), a composite, multi-party merger involving more than one insurer and their respective holding companies (a structure of the kind proposed in the now abandoned HDFC Life, Max Life, Max Financial Services transaction) seems to be precluded. This is an area that can be tested with the regulator during consultations.

– While this is a constructive and long-awaited route for group simplification, absent a 'composite license' regime (i.e. life and non-life business being transacted in the same entity), practically groups with life and non-life businesses housed in different entities may not be able to streamline ownership and operations and benefit from synergies.

– The amalgamation processing fee is simplified to a flat INR 1,000,000 (~USD 10,500) per transacting company, replacing the earlier premium-linked fee that ranged from INR 5,000,000 (~USD 52,500) to INR 50,000,000 (~USD 525,000).

7. **Other forms of capital**

Entities incorporated in foreign non- FATF-compliant jurisdictions are prohibited from subscribing to an insurer's "other forms of capital" (i.e. preference shares and subordinated debt).

## Points To Watch

Salient aspects of the Draft Amendment that are likely to feature in stakeholder representations are set out below:

– Clarification that sellers divesting more than 5% across multiple financial years do not require prior IRDAI approval.

– Availability of merger route for:

- holding companies engaged in business operations that exclusively support the insurer or with residual business operations;
- holding companies that have recently moved out their business operations; and
- multi-party mergers involving more than one insurer and their holding companies.

– Clarification on the applicable transfer fees payable in respect of share transfers.

– Whether individuals remain outside the "foreign promoter" definition following the revised wording.

## Final Thoughts

The Draft Amendment is a significant step that gives shape to the Insurance 2.0 reforms at the operating level and is intended to supplement the FDI reforms and provide greater flexibility.

For M&A and private-equity participants, the recalibrated transfer thresholds will reshape deal planning. For groups, the new holding-company merger pathway is a welcome route to structural simplification and would go a long way in improving insurance penetration and achieving IRDAI's objective of "Insurance for All by 2047".

We will continue to track the proposals as they are finalised and watch this space for further updates as the regulatory landscape continues to evolve.

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