INDIA'S IRDAI OVERHAULS THE INSURANCE COMPANY SHARE TRANSFER AND AMALGAMATION FRAMEWORK

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Background

On July 30, 2026, the Insurance Regulatory and Development Authority of India (the "**IRDAI**") notified the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) (Amendment) Regulations, 2026 (the "**Amendment Regulations**"), amending the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 (the "**Principal Regulations**"). The Amendment Regulations implement the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (the "**SBSR Act**"), under which, among other things, the foreign direct investment cap in Indian insurance companies was raised from 74% to 100%.

This update highlights the key changes introduced by the Amendment Regulations.

Key changes

(i) Share transfers:

Under Regulation 21 of the Amendment Regulations, prior IRDAI approval is required for share transfers of insurance companies in the following instances:

a. *on the basis of the transferee's equity holding*: (A) if the transferee holds 5% or less before the transfer and is likely to exceed 5% thereafter; (B) if the transferee holds more than 5% before the transfer and the shareholding post transfer is likely to exceed 10%, 25%, 50% or 75%; or (C) if the shareholder is likely to become the single largest shareholder in the insurance company;

   This is a deal-friendly change. As specific markers (5%, 10%, 25%, 50% and 75%) have been specified, this will reduce the approval burden. Under the previous regime, approval was required for every transfer in blocks of 5%.

b. *on the basis of the equity holding proposed to be transferred* - where the nominal value of shares intended to be transferred by any individual, firm, group, constituents of a group, or body corporate under the same management, jointly or severally, exceeds 5% (previously 1%) of the insurer's paid-up equity capital in a financial year.

   Prior approval for transfer among group entities is now required in case they breach the foregoing thresholds.

Moreover, the regulations require that a reference should be made to the IRDAI if the concerned insurer suspects that dubious methods have been adopted to bypass the 5% ceiling. The IRDAI has the power to make any order it deems fit in this regard.

While "dubious methods" have not been defined, it is not a new phrase. It was previously used under the now omitted Regulation 25. Such methods could entail, for instance, an investor using proxy holders to surpass the 5% limit. The IRDAI has been granted wide powers to pass an order in this regard, but it would most likely require such investor to comply with the due diligence and fit and proper criteria as entailed in Schedule 4 of the Amendment Regulations.

Further, a decrease in a shareholder's shareholding pursuant to non-subscription on a pro-rata basis in a fresh issuance of equity shares is also treated as shares intended to be transferred.

It is unclear how this change will operate. For example, in a rights issue, the identity of the non-subscribing shareholder(s) and the extent of dilution cannot be ascertained in advance of the subscription deadline. In effect, rights issues will now require pre-transaction modelling of every existing shareholder's resulting position, and not merely the subscriber's.

Furthermore, Regulation 25 of the Principal Regulations (that governed the transfer of shares of listed insurance companies) has been omitted in its entirety, placing listed and unlisted insurers on a single approval track.

It is noteworthy that the IRDAI's processing fee for share transfer applications in cases where the transfer of shareholding exceeds 50% of the paid-up equity capital of the insurer has been reduced from INR5,000,000 (Indian Rupees Five Million) to INR1,000,000 (Indian Rupees One Million).

(ii) Amalgamation and transfer of a non-insurance business entity into an insurer:

The Amendment Regulations now permit a non-insurance business entity/ transferor to amalgamate with the transferee insurer, provided that the transferor holds more than 50% of the paid-up equity capital of the transferee insurer and has no other non-insurance business as at the date of the application.

This is a significant change as it gives a route to collapse a holding company into an insurer, as long as the resulting entity remains the only entity carrying on the insurance business. However, other than equity, no other form of payment is allowed as consideration. This will restrict amalgamating companies from using cash, debt, or other forms of payment.

A flat non-refundable processing fee of INR1,000,000 (Indian Rupees One Million) plus applicable taxes per transacting entity needs to be paid along with the application instead of a variable fee hinging on the total gross direct premiums written.

(iii) Name of the insurer:

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The new regulations provide that no person other than a person carrying on insurance business in India can use “insurance,” “insurer,” “assurance,” “re-insurance”, “insurance company” or derivatives in its name. Additionally, if existing insurers do not have any of the foregoing terms in their corporate name, they should ensure that they change their name and use at least one of the above words. This should be done twelve (12) months from July 30, 2026, and after obtaining a no objection certificate from the IRDAI.

Perpetual registration for corporate agents

The IRDAI has continued with its broader push toward simplification by notifying the IRDAI (Insurance Intermediaries) (Amendment) Regulations, 2026, which amend the IRDAI (Registration of Corporate Agents) Regulations, 2015. Under these regulations, corporate agent registrations are now permanent provided annual fees and compliances are maintained. Previously, they had to be renewed every three (3) years. Existing corporate agents must upgrade to the new perpetual registration by January 31, 2027 (or by March 31, 2027, with a late fee) to avoid automatic cancellation. In addition, starting January 1, 2027, every policy must be officially linked to the specific person who solicited the insurance policy to increase transparency.

Our comments

The Amendment Regulations operationalise the SBSR Act by streamlining share transfer approval thresholds, unifying the approval track for listed and unlisted insurers, and enabling the amalgamation of non-insurance holding companies with insurers. While the reforms simplify compliance and are expected to facilitate ease of doing business in India’s insurance sector, certain aspects, particularly the treatment of passive dilution as a deemed transfer, would benefit from further clarification by the IRDAI.

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