

# What's New

## Regulatory Insights



19 December 2025

### Rajya Sabha passes the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025



#### In brief

The Upper House of the Parliament, on 17 December 2025, approved the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 (Bill)<sup>1</sup>, after prolonged deliberation, to modernise India’s insurance framework. The Bill aims to amend the Insurance Act, 1938 (Insurance Act); the Insurance Regulatory and Development Authority Act, 1999; and the Life Insurance Corporation Act, 1956.

The key reforms include allowing up to 100% foreign direct investment in Indian insurance companies, reducing the net owned fund requirement for foreign re-insurers, providing perpetual registration validity of insurance intermediaries, streamlining and modernising definitions and operational norms. The Bill also strengthens the powers of the Insurance Regulatory and Development Authority of India (IRDAI), introduces provisions for data security and confidentiality, and broadens the scope for new business models and insurance intermediaries.



#### In detail

Below is an overview of the key amendments introduced by the Bill to the Insurance Act.

Focus area	Relevant provision
<b>Foreign investment in equity</b>	<ul style="list-style-type: none"> <li>Foreign investment (aggregate holdings of equity shares by foreign investors including portfolio investors) in an Indian insurance company may extend up to 100% of the paid-up equity capital.</li> <li>IRDAI will accordingly issue detailed regulations specifying the conditions and manner for such foreign investment.</li> </ul>
<b>Changes in key definitions</b>	<ul style="list-style-type: none"> <li><b>‘Insurance business’</b> is newly defined to mean the business of effecting insurance contracts and includes any other form of contract which may be notified by the Central Government in consultation with the IRDAI.</li> <li><b>‘Class of Insurance Business’</b> is a new term defined that covers life insurance business, general insurance business, health insurance business, re-insurance business and any other class of insurance business as may be notified by the Central Government in consultation with the IRDAI.</li> </ul>

<sup>1</sup> Bill No. 195-C of 2025

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	<ul style="list-style-type: none"> <li>• <b>‘Health Insurance Business’</b> is defined as insurance business pertaining to providing sickness benefits or paying for medical and health expenses; it includes personal accident insurance business and travel insurance business.</li> <li>• <b>‘Insurance Intermediary’</b>: The definition has been expanded to include managing general agents, insurance repositories and such other entities, as may be notified by the IRDAI.</li> <li>• <b>‘Insurance co-operative society’</b>: The minimum paid-up capital requirement and the cap on foreign corporate holding of 26% are omitted.</li> <li>• <b>‘Premium’</b> is now defined to mean the amount paid or payable as consideration to the insurer by the policyholder for a contract of insurance.</li> <li>• <b>‘Principal Officer’</b> is introduced as an authorised officer of an insurer.</li> </ul>
<b>Net owned fund for foreign re-insurer</b>	<ul style="list-style-type: none"> <li>• For foreign re-insurers, the minimum net owned fund requirement is substantially reduced to INR 1,000 crores from the earlier limit of INR 5,000 crores.</li> </ul>
<b>Prior approval for equity transfer</b>	<ul style="list-style-type: none"> <li>• The threshold to obtain prior approval of IRDAI for transfers of shares of an insurer has been raised to 5% from 1% of the paid-up equity capital.</li> </ul>
<b>Investment of assets</b>	<ul style="list-style-type: none"> <li>• The insurer will invest, and at all times, keep invested assets of value not less than that of the liabilities, subject to certain conditions, in the following manner: <ul style="list-style-type: none"> <li>– <b>Life insurance business</b>: 25% of the said assets in government securities, a further sum equal to not less than 25% of the said sum in government securities or other approved securities and the balance in any such approved investments (with such limits, conditions and restrictions as may be specified).</li> <li>– <b>Non-life insurance business</b>: 20% of the said assets in government securities, a further sum equal to not less than 10% of the said sum in government securities or other approved securities and the balance in any such approved investments (with such limited, conditions and restrictions as may be specified).</li> <li>– All class of insurers are permitted to: <ul style="list-style-type: none"> <li>• Invest up to 15% into assets outside the prescribed approved investments;</li> <li>• Invest up to 5% by value into promoters owned or controlled companies or body corporate.</li> </ul> </li> </ul> </li> </ul>

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<b>Policyholders' data protection and privacy</b>	<ul style="list-style-type: none"> <li>• Provisions have been introduced to ensure that policyholder information is secured and fully protected against loss, unauthorised access, use or disclosure, including obligations governing the maintenance of customer data with the highest level of confidentiality and comprehensive protection.</li> <li>• Disclosure of information of policyholders to third parties is restricted with the following exception: <ul style="list-style-type: none"> <li>– when compulsorily required by law;</li> <li>– when there is a public duty to disclose; or</li> <li>– with the express consent of the customer.</li> </ul> </li> </ul>
<b>Prohibition of common officers</b>	<ul style="list-style-type: none"> <li>• Earlier, a managing director or officer of a life insurance company could not hold a similar position in another life insurer, a banking company or an investment company; however, now this prohibition covers all directors, instead of only the managing director as earlier, and applies to all classes of insurance business.</li> <li>• This prohibition does not apply to a director nominated by the Central Government.</li> </ul>
<b>Amalgamation and transfer of insurance business</b>	<ul style="list-style-type: none"> <li>• Non-insurance business of a company can be transferred to or amalgamated with the insurance business of another insurer with IRDAI approval and compliance of the Insurance Act and other conditions which may be prescribed.</li> </ul>
<b>Registration of insurance intermediary</b>	<ul style="list-style-type: none"> <li>• Registration of an insurance intermediary now remains valid for perpetuity until suspended or cancelled by IRDAI and subject to annual fee payment. Previously, such registration was valid for three years.</li> </ul>
<b>Appointment of administrator</b>	<ul style="list-style-type: none"> <li>• IRDAI may appoint an administrator for period of not more than one year to manage the affairs of an insurer under its directions and control if it has a reason to believe that an insurer is acting prejudicially to policyholders' interest.</li> </ul>
<b>Power of IRDAI to make regulations</b>	<ul style="list-style-type: none"> <li>• In case IRDAI is of the opinion that certain regulations are required to be made or amended urgently in public interest, it may dispense the condition of publishing the draft regulations.</li> </ul>
<b>Penalty for violation of the Insurance Act</b>	<ul style="list-style-type: none"> <li>• The penalty provision for default in complying with the Insurance Act has been revised, and the maximum penalty is extended to INR 100 million from the earlier cap of INR 10 million.</li> <li>• A penalty of INR 0.1 million to INR 1 million is prescribed for acting as an insurance intermediary without registration. Those appointing or transacting with such persons may face a penalty of INR 1 million to INR 10</li> </ul>

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	million. Responsible individuals in companies or firms knowingly involved are also liable for a penalty of INR 0.1 million to INR 1 million.
<b>Alteration of forms</b>	<ul style="list-style-type: none"> <li>The provision permitting IRDAI to alter the forms contained in the Schedules of the Insurance Act to suit the circumstances of an insurer has been omitted. Insurers can no longer seek such alterations.</li> </ul>
<b>Power of Central Government</b>	<ul style="list-style-type: none"> <li>The Bill extends the powers of the Central Government to regulate insurance intermediaries operating in any Special Economic Zones (SEZ) including an International Financial Services Centres established under the SEZ Act, 2005.</li> </ul>

## Other notable changes

- **Amendments to the Life Insurance Corporation Act, 1956:** The Life Insurance Corporation (LIC) is empowered to establish additional zonal offices without prior approval of the Central Government; overseas branches or offices of the LIC will maintain their funds and utilise the surplus in accordance with the laws of that country.
- **Amendments to the Insurance Regulatory and Development Authority Act, 1999:** IRDAI's powers to collect and share policyholder information are expanded, with strict confidentiality, and new funds, i.e. the Reserve Fund and Policyholders' Education and Protection Fund, will be established.

## The takeaways

The Bill marks a transformative shift for the insurance landscape, fostering innovation, inviting global capital and introducing greater measures for policyholder protection. The Bill seeks to bring regulatory framework changes adapting to dynamic market needs. Once the Bill receives Presidential assent, IRDAI is expected to issue changes in regulations to operationalise these legislative amendments.

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