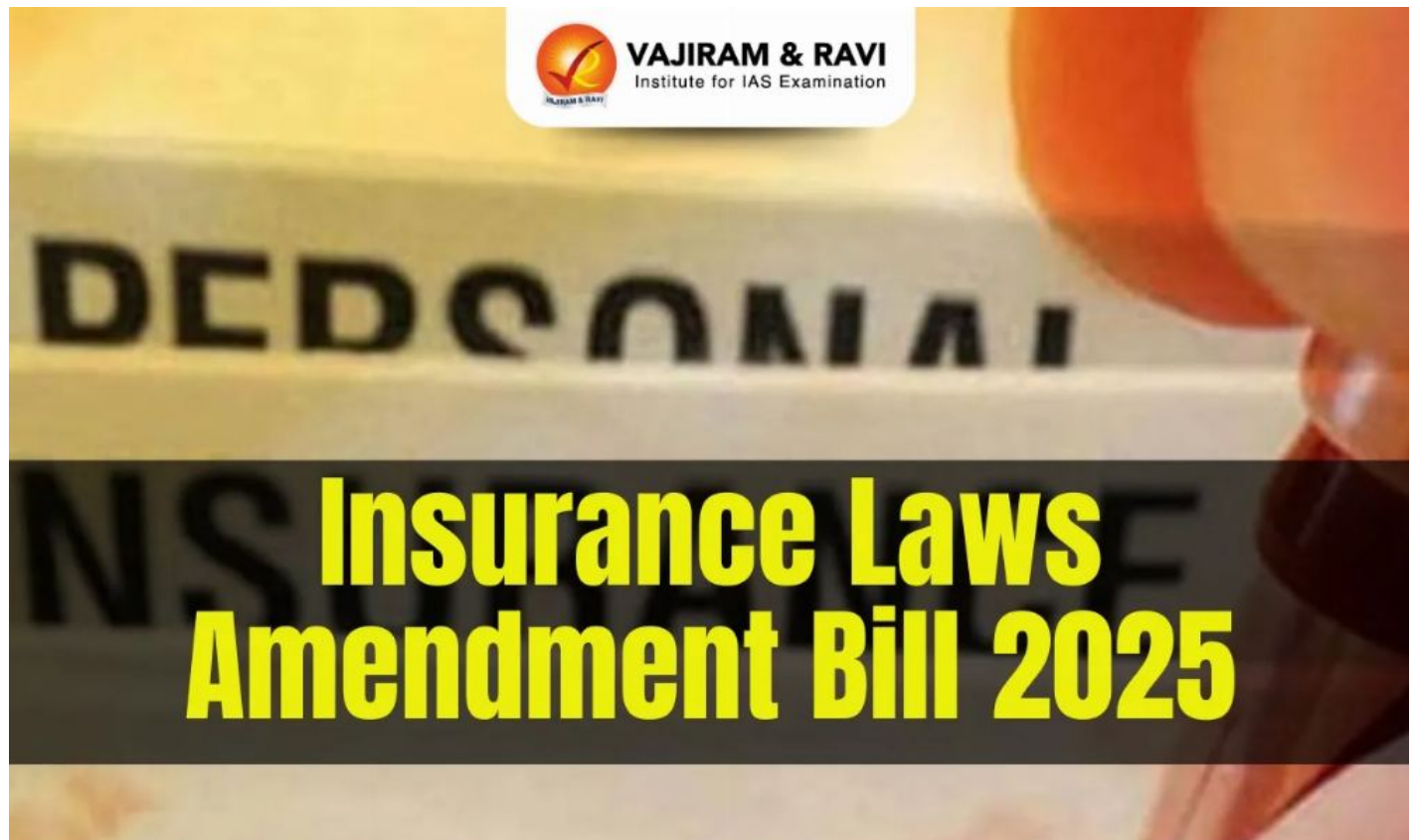


Insurance Laws Amendment Bill 2025: Big Reform Push for India's Insurance Sector

December 2, 2025 • vajiramandravi.com



Insurance Laws Amendment Bill 2025 Latest News

- The government plans to introduce the **Insurance Laws (Amendment) Bill, 2025** in the sixth session of the **18th Lok Sabha**, paving the way for a major reform push in India's underpenetrated insurance sector.
- The Bill is expected to receive approval and is viewed by industry stakeholders as a transformative step that could drive growth, attract capital, and spur innovation over the coming decade.

Background: FDI in Insurance Raised to 100%

- On February 1, 2025, Finance Minister Nirmala Sitharaman announced a major reform: increasing FDI in insurance from **74% to 100%**.
- This paves the way for significant foreign capital and participation from global insurance giants, boosting competition and operational efficiency.
- To implement the higher FDI cap, amendments will be made to:

- Insurance Act, 1938
- Life Insurance Corporation Act, 1956
- IRDAI Act, 1999
- The Finance Minister had indicated that the draft Insurance Laws (Amendment) Bill will soon be placed before Parliament.

Opening the Door for Global Players

- Of the world's top 25 insurers, nearly **20 do not operate** in India. The new regime may encourage them to enter the market.
- Existing joint ventures may also see restructuring, with foreign partners choosing to buy out Indian stakeholders and set up fully owned subsidiaries.
- According to an industry experts, India could move towards a 1,000-insurer ecosystem within the next decade, signalling massive expansion, innovation, and increased consumer choice.

Why 100% FDI Could Transform India's Insurance Sector

- Raising FDI in insurance to 100% is expected to infuse much-needed capital, enabling insurers to expand their reach, design better products, and upgrade services.
- The move aims to improve India's **low insurance penetration**, which was **3.7%** in 2023-24, far below the **global average of 7%**.
- Greater foreign ownership is likely to bring global expertise in underwriting, digital claims processing, and advanced risk assessment—strengthening efficiency, innovation, and customer experience.
- It also opens the door for new players to target underserved markets, especially with complementary reforms such as composite licences and streamlined capital norms.
- Experts say **affordability** remains the biggest barrier to wider insurance adoption.
- Higher FDI, they argue, will help insurers expand offerings, improve underwriting quality, and scale distribution to reach more customers.

Easier Entry Norms to Attract More Reinsurers

- The Bill proposes lowering the net owned funds requirement for foreign reinsurers from ₹5,000 crore to ₹500 crore, addressing a long-pending industry demand.
- This relaxation is expected to attract smaller and new-age global reinsurers to India, increasing competition in a market currently dominated by GIC Re.

Composite Licensing: A Unified Framework for Integrated Insurance

- The Bill proposes introducing composite licensing, allowing insurers to sell both **life and non-life products** under a **single licence**.
- This replaces the current rigid structure of the Insurance Act, 1938, which limits insurers to their designated segments.

- By breaking this long-standing compartmentalisation, composite licences would enable insurers to offer bundled, holistic products—combining life, health, and general coverage.
- This shift is expected to attract strong interest from established players and align the industry with customer demand for seamless, integrated insurance solutions.

Lower Capital Requirements to Encourage New and Niche Insurers

- The Bill proposes reducing minimum capital requirements—currently ₹100 crore for insurers and ₹200 crore for reinsurers—to make market entry easier.
- This inclusion-focused reform aims to attract specialised and regional players, especially those targeting rural, informal, and underserved markets.
- By broadening participation, it supports India’s long-term vision of achieving **“insurance for all” by 2047**.

Captive Insurers and Flexible Capital Norms for Corporate Risk Management

- The Bill proposes allowing large corporations to establish captive insurance entities, enabling them to underwrite their own risks and manage claims more efficiently.
- This strengthens self-insurance capabilities and offers greater control over risk exposure.
- It also introduces differentiated capital norms based on an insurer’s size and category, replacing the current uniform requirements.
- This flexibility is expected to foster a more diverse, competitive, and innovation-friendly insurance ecosystem.

Simplified Registration and Greater Flexibility for Insurance Intermediaries

- The Bill proposes one-time, perpetual registration for insurance intermediaries—ending the three-year renewal cycle and reducing regulatory friction.
- Intermediaries would only need to pay annual IRDAI fees.
- It also plans to allow individual agents to sell products from multiple insurers, removing the current restriction of one life and one general insurer.
- This reform is expected to expand distribution, boost competition, and give customers more choice.

Source: IE

Source: <https://vajiramandravi.com/current-affairs/insurance-laws-amendment-bill-2025-big-reform-push-for-indias-insurance-sector/>
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