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Indian insurance M&A is entering a new phase – not deregulation, but supervised flexibility. The 2025 amendments to the Insurance Act, 1938 (introduced through the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025), the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Indian Insurance Companies) Regulations, 2024 ("**2024 Regulations**"), and the proposed 2026 amendments to those 2024 Regulations form one coherent package. Together, they open up far more room for control deals, ownership clean-ups and consolidation – while keeping IRDAI firmly in charge of capital, solvency, governance and beneficial ownership.

The proposed 2026 amendments are commercially significant but deliberately narrow. Their single innovation is a new route to fold non-operative holding-company layers into licensed insurers, without letting operating risk anywhere near the policyholder-protected perimeter. That one route can unlock foreign strategic buyouts, joint venture exits, pre-IPO clean-ups and the consolidation of subscale insurers – a lot of commercial consequence packed into one narrow regulatory change.

Section 35: Deal Architecture

Section 35 of the Insurance Act, 1938, is the legal basis for voluntary amalgamation and transfer of insurance business – the route parties choose, rather than one imposed on them. Section 37A is different: a separate, IRDAI-led regime for supervisory restructuring, not a channel for negotiated M&A.

A Section 35 scheme transfers the entire regulated undertaking – policyholder liabilities, reserves, claims exposure, employees, assets and contracts. The corporate transaction is therefore inseparable from prudential supervision. Chapter VI of the 2024 Regulations sets out how it works in practice: publish the scheme, secure IRDAI's in-principle approval, clear every other required approval (including NCLT sanction where applicable), then return to IRDAI for final approval – only that final sign-off brings the scheme into effect. In-principle approval is not the last word; IRDAI keeps its final discretion intact.

Until the 2025 amendment, Section 35 was confined to combinations between two licensed insurers. The 2025 and 2026 amendments build on that architecture with a

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single but consequential innovation: they extend the Section 35 route to a new class of transferor, namely a non-operative holding company that sits above an insurer and carries on no active business of its own.

The Pivot: From Insurer Combinations to Ownership Simplification

The headline 2026 change is proposed **Regulation 30A**, which brings the extended Section 35 route to life for holding-company amalgamations. It lets a non-insurance company amalgamate with a licensed insurer – but the eligibility conditions are strict and the route deliberately narrow. The transferor must be a non-operative holding company of the transferee insurer, holding more than 50% of its equity capital, and shall carry on no business of its own. Consideration is limited to an equity share exchange; no cash changes hands, barring fractional entitlements settled at fair value. Every incoming shareholder must clear the 'fit and proper' bar under the 2024 Regulations.

The obligations that follow are just as clear: the insurer must stay within its licensed class of business, keep solvency above the control level at all times, and protect policyholder interests. IRDAI keeps residual discretion to impose further conditions.

Regulation 30A enables holding-company rationalisation – not conglomerate integration. Passive ownership layers can be collapsed once they've outlived their purpose; active, non-insurance operating liabilities are barred from entering the regulated balance sheet.

Regulation 30A is one expression of a broader regulatory signal running through the 2026 draft. The proposed amendment to Regulation 10 reframes the SPV: where the structure was previously permissible on compliance with specified conditions, it will now require IRDAI's affirmative satisfaction. Put alongside the 'fit and proper' requirements for SPV investors, the paid-up capital rule at SPV level, prior approval for SPV share transfers, and Regulation 30A itself, the message is consistent: SPVs need to justify themselves. Where they can't, the 2026 amendments now give parties a way to collapse them.

Holding-Company Rationalisation: The Hidden Value Driver

Insurance structures in India were built for a different era - shaped by foreign ownership caps, joint venture and whatever the IRDAI expected at the time of entry. Many have long outlived their rationale. As insurers mature, prepare for listing or become acquisition targets, what was once a practical necessity can turn into an obstacle to clean ownership, efficient capital raising and credible governance. The 2026 draft marks a deliberate shift in regulatory posture – from tolerating legacy structures to demanding that they justify their own continued existence.

A redundant holding company muddies ultimate control, complicates beneficial ownership analysis, generates diligence friction, and drags down valuation certainty. Strip it away, and the opposite happens: regulatory visibility improves, IPO readiness gets easier, and capital raising is cleaner. In a sector where regulatory trust is an asset, structural simplicity has measurable economic value.

Against that backdrop, Regulation 30A is relevant in five scenarios: pre-IPO simplification; foreign control acquisitions seeking direct insurer exposure; Indian promoter or sponsor exits where the acquirer requires a clean structure; conglomerate restructurings ahead of a capital raise or sale; and distressed shareholder situations.

The same logic applies to SPVs. The proposed amendment to Regulation 10 reframes the SPV from a permitted default to a structure requiring affirmative IRDAI justification. SPVs retain their utility for consortium investments, fund structures and staged ownership arrangements, but parties must now be prepared to explain purpose, capitalisation, ownership chain, source of funds and exit mechanics.

100% FDI: Control Becomes the Strategic Prize

Scrapping the 74% foreign ownership cap is the single biggest structural change in Indian insurance M&A. Where foreign participation was once confined to joint venture economics, full ownership is now possible – subject to the Insurance Act, 1938, applicable foreign investment rules and IRDAI approval.

Foreign insurers can now weigh full buyouts of their joint venture partners, step-up acquisitions from existing stakes, or outright purchases of scalable platforms. Indian promoters who once drew scarcity value from the cap must now choose: stay on as long-term co-sponsors or monetise through a control sale. Financial sponsors gain a deeper exit market too, as foreign strategic buyers can now underwrite 100% of the economics.

Control also reshapes valuation. In insurance, it enables integrated capital planning, product governance, reinsurance alignment and long-term solvency support – attributes a minority position simply cannot deliver. A buyer taking control will dig deeper in diligence and pay a higher price – but only for a platform that is clean, and scalable.

Full foreign ownership does not mean approval certainty. The regulatory question shifts from whether ownership is capped to whether the proposed acquirer is fit to control an insurer. IRDAI will examine ownership quality, fit and proper status, source of funds, beneficial ownership, governance, policyholder protection, and solvency support with the same rigour as before – the gating criteria do not relax simply because the cap does.

The proposed 2026 amendments reinforce this through two parallel requirements: a foreign promoter must be incorporated in a FATF-compliant jurisdiction, and the same standard now applies to subscribers of other capital instruments – AT1 bonds, subordinated debt – under the amended Regulation 50. The principle is consistent: offshore participation is welcome, but the ownership chain must be transparent, the jurisdiction must be regulatorily acceptable, and the source of funds must be clean.

Promoter Status and Control Rights: Test of Deal Architecture

The proposed amendment to the definition of Indian Promoter pushes the analysis beyond labels. By tying Promoter status to the conditions under Section 2(69) of the Companies Act, 2013, the draft cuts through the labels and asks a functional question: does this person actually exercise control, board direction or promoter-like influence – whatever the transaction documents call them? For M&A practitioners, the consequences are immediate.

Three drafting consequences follow. *First*, governance documents need a promoter-control lens: veto rights, board nomination rights and negative covenants, if too intrusive, can tip a nominally minority investor into a regulatory control profile. *Second*, the proposed amendment to Regulation 3(1)(ff) introduces a deemed share transfer: where an existing shareholder doesn't subscribe pro rata in a fresh equity issuance, the resulting dilution is treated as a transfer requiring prior IRDAI approval – so pre-emption rights, anti-dilution protections and capital call mechanics must be drafted with this in mind. *Third*, where the acquisition is routed through an SPV, its rationale must be documented with the same rigour as the deal economics; an SPV whose purpose can't be clearly articulated will attract regulatory scrutiny at precisely the wrong moment.

The 2024 'fit and proper' framework gives these questions teeth. IRDAI's review extends to shareholder agreements, governance arrangements, control or management influence, source of funds and beneficial ownership – not as a formality, but as a substantive assessment of whether the proposed ownership structure is fit for a regulated insurer.

Valuation Discipline

That same discipline carries through to valuing the underlying insurer. Insurance M&A is not an EBITDA exercise: it turns on embedded value, policyholder liabilities, reserves, loss ratios, solvency capital and future capital calls. Legal diligence is necessary; actuarial and operational diligence determine whether the economics actually work.

The 2026 amendments raise the stakes. Where a holding company is collapsed into an insurer under Regulation 30A, both the acquirer and IRDAI will examine every liability, guarantee, tax dispute, intra-group receivable, debt and contingent exposure sitting at the holding-company level. A structure that appears clean at the ownership layer may fail at the point of regulatory approval if it imports risk into the regulated balance sheet.

Execution Certainty: Where Deals will be Won or Lost

Section 35 transactions are, by design, heavy on approvals. The sequencing is fixed: IRDAI in-principle approval, policyholder communications, NCLT sanction, and any applicable RBI, SEBI, CCI or foreign regulatory clearances, followed by IRDAI final approval, which alone makes the scheme effective. Rushed timelines and thin regulatory preparation are the most common reasons deals stall.

Transaction documents must be drafted with that sequencing in mind. Conditions precedent should map to each regulatory approval in order. Conduct covenants should preserve solvency, product compliance and claims servicing throughout the interim period. Long-stop dates must accommodate regulatory sequencing without creating artificial pressure, and 'MAC' definitions should capture solvency deterioration, adverse claims development and loss of key distribution. Where solvency could weaken before closing, interim capital support arrangements should be documented at signing.

The share-transfer regime runs alongside the Section 35 process and requires equal attention. The proposed amendment to Regulation 21 consolidates the prior approval framework: approval is required where a transferee's holding crosses any multiple of 5% of paid-up equity capital, or where the nominal value of shares transferred by any person or group jointly or severally exceeds 5% in a financial year. Prior approval now expressly extends to intra-group transfers – an important change for group reorganisations and pre-closing restructurings.

The anti-avoidance provisions have real teeth. Where an insurer suspects that shareholding is being structured to circumvent the 5% threshold – through staggered acquisitions, consortium arrangements, SPV-level transfers or indirect holdings – it is required to refer the matter to IRDAI. Stepped acquisitions and indirect transfers must therefore be analysed carefully against both thresholds before the transaction is structured, because IRDAI will look through form.

Where the Market is Headed: Control, Consolidation and Cleaner Ownership

The Indian insurance market will change in stages, not all at once. The first is already under way: JV reassessment in light of 100% FDI, as foreign partners weigh whether to buy out their Indian co-sponsors or exit. The second will follow: holding-company rationalisation ahead of IPOs and control sales, as the Regulation 30A route becomes a standard pre-transaction step. The third – consolidation of subscale insurers – will take longer, but the commercial logic is inexorable once capital requirements, distribution costs and technology spend make independent scale untenable.

The transaction themes that will define that trajectory are familiar: foreign buyouts and step-up acquisitions, Indian promoter exits, sponsor sales to strategic buyers, pre-IPO ownership simplification and selective consolidation where scale synergies are demonstrable. New licences will continue, but acquisition will become the preferred route to scale for those who can demonstrate the ownership quality and governance credibility that IRDAI requires.

Boardroom Questions for Sponsors, Acquirers and Insurers

Boards and sponsors evaluating a transaction under the 2026 framework should address five questions before the structure is finalised:

- *First*, does the group hold a non-operative holding company with more than 50% of the insurer and genuinely no business operations, and if so, what liabilities, guarantees, tax exposures or contingent claims sit at that level?
- *Second*, does the transaction affect promoter status, beneficial ownership or lock-in, and have those consequences been mapped against the applicable regulatory thresholds?
- *Third*, does the capital structure contemplate a future issuance that could dilute a shareholder through the prior-approval threshold, and are pre-emption and anti-dilution provisions drafted accordingly?
- *Fourth*, will solvency remain above the control level after closing, and is interim capital support documented at signing if there is any risk that it will not?
- *Fifth*, has IRDAI's approval sequencing been mapped into the long-stop date and conditions precedent?

The SPV question should be asked at the outset, not deferred to diligence. The test is straightforward: why does this vehicle exist? Where the rationale is consortium governance, investment pooling, financing discipline or a legitimate fund structure, it should be clearly evidenced. Where it is historical convenience, legacy cap-table management or avoidance of direct ownership scrutiny, the structure should be reconsidered before the transaction is launched. In insurance M&A, an unexplained SPV layer is not neutral: it is a source of approval risk, diligence friction and valuation discount.

Foreign acquirers face an additional layer of questions. Is the acquisition vehicle incorporated in a FATF-compliant jurisdiction? Is the ownership chain transparent and the source of funds documented to IRDAI's standard? Do the governance rights negotiated commercially match the regulatory characterisation that will be presented to IRDAI? Can the buyer demonstrate a credible long-term capital support commitment, not merely the capacity to fund the acquisition price? These are not due diligence questions. They are threshold conditions that determine whether IRDAI will engage with the proposal at all.

CONCLUSION

Premium for Clean, Regulatorily Credible Scale

The proposed 2026 amendments – still an exposure draft, subject to change before finalisation – represent a controlled, coherent reform of India's insurance M&A architecture. Six changes work in combination: holding-company collapse under Regulation 30A; a consolidated and sharpened share-transfer approval framework; the FATF-compliant jurisdiction requirement for foreign promoters and capital instrument subscribers; lock-in flexibility for listing, distress and reorganisation; the reframing of the SPV as a permitted but justifiable structure; and the extension of deemed share transfer to passive dilution from non-participation. None of these, on its own, is a liberalisation. Together, they add up to a deliberate recalibration – more room to structure, matched by sharper regulatory oversight.

The commercial direction is clear: Indian insurance M&A will become more active, more control-oriented, and more consolidation-driven. The 2026 amendments make one thing plain – IRDAI is not reducing its scrutiny of who owns insurers or how they are owned. It is improving the legal machinery through which ownership changes can be made. Parties that understand the difference will find the regulator easier to work with, and those who mistake this for deregulation, and turn up with opaque or underprepared structures, will not. In the next phase of Indian insurance M&A, the premium will be paid for clean, regulatorily credible scale – and for the parties disciplined enough to build it.

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