100 Per Cent FDI Set To Transform Insurance

Fresh foreign capital will help insurers expand to rural areas and strengthen distribution networks

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FDI Insurance **Photo: AI**

Summary of this article

- 100 per cent FDI in insurance sector allowed to boost insurance penetration
- Automatic route FDI reform removes earlier 74 per cent foreign ownership cap
- Foreign investment expected to improve underwriting, innovation, digital insurance services
- Irdai oversight remains key to ensure consumer protection, sector stability

With less than 10 per cent of India’s population adequately insured, the government’s decision to allow 100 per cent foreign direct investment (FDI) in the insurance sector under the automatic route could prove to be a turning point. Announced through Press Note 1 (2026 Series) by the Department for Promotion of Industry and Internal Trade (DPIIT), the reform follows the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025, and represents the most sweeping liberalization of the industry to date.

Government Clears Automatic-Route FDI

“The government’s decision to allow 100 per cent FDI in the insurance sector is a highly welcome and positive move. This reform is expected to significantly accelerate the growth of the industry by attracting greater foreign capital, advanced risk management frameworks, and global best practices,” says Subrata Mondal, MD and CEO, IFFCO TOKIO General Insurance Company.

Until now, foreign investors were capped at 74 per cent ownership in insurance companies, with higher stakes requiring government approval. That barrier has now been removed, enabling overseas players to fully own Indian insurers without prior clearance. Regulatory oversight will remain with the Insurance Regulatory and Development Authority of India (Irdai), which will continue to supervise solvency, governance, and consumer protection. As a safeguard, companies with majority foreign ownership must appoint at least one resident Indian citizen as chairperson, managing director, or chief executive officer.

The reform also covers insurance intermediaries—including brokers, reinsurance brokers, corporate agents, third-party administrators, surveyors, and repositories—where 100 per cent FDI is now permitted. This builds on earlier steps, such as allowing full foreign ownership in intermediaries in 2020 and opening LIC to foreign investors in 2022. All transactions will continue to follow pricing norms under the Foreign Exchange Management Act (FEMA).

For a market that is still in a nascent stage, the impact can be huge. Fresh foreign capital will help insurers expand to rural areas and strengthen distribution networks. It will further help in investing in technology. With that, we can expect better risk management, more sophisticated underwriting policies, and digital-first insurance products that are tailored for Indian customers.

FDI Push To Boost Penetration

Increased foreign participation will also drive innovation in product offerings, improve customer service standards, and enhance operational efficiency. "Most importantly, it will support deeper insurance penetration across the country, helping bridge the protection gap and strengthening financial security for individuals and businesses alike," says Mondal.

However, the success of the reform will hinge on strong supervision by Irdai, which would need to ensure fair practices and protect policyholders as foreign participation deepens.

Ultimately, allowing 100 per cent FDI under the automatic route is more than a policy change—it is a structural reset. If executed well, it could accelerate insurance adoption in a country where coverage remains below 10 per cent, modernise the industry, and build a more resilient financial safety net for millions of Indians.

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