भारतीय कम्पनी सचिव संस्थान
THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT

PROFESSIONAL PROGRAMME

(Syllabus 2022)

for

December, 2026 Examination

(Containing updates from 1st June, 2025 to 31st May, 2026)

Banking & Insurance - Laws & Practice

GROUP 2

ELECTIVE PAPER 7.4

INDEX

Students appearing in Examination shall note the following:

Students appearing in December, 2026 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by RBI, IRDAI & Central Government upto May, 2026.

The students are advised to acquaint themselves with the subject specific updates published in Student Company Secretary Journal by the Institute.

This Supplement is to be read with the BILP Study Material (Syllabus 2022) updated up to May 2025.

LESSON 2
REGULATORY FRAMEWORK OF BANKS

Banking Laws (Amendment) Act, 2025

As the banking sector has evolved over the years and with a view to improve bank governance and investor's protection, it has become necessary to make certain amendments in the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 (the "BR Act"), the State Bank of India Act, 1955, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act,1980. Therefore, Parliament enacted the Banking Laws (Amendment) Act, 2025 and it received the assent of the President on the 15th April, 2025. It contains a total of 19 amendments across five legislations—the Reserve Bank of India Act, 1934, Banking Regulation Act, 1949, State Bank of India Act, 1955 and Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980. The provisions of the Act were notified in two stages:

- Section on 3 to 5 and 15-20 were covered in Stage 1 (1st August, 2025)
- Sections 10 to 13 were covered in Stage 2 (1st November 2025).

Key Amendments

Modernised Nomination Framework (Sections 10 - 13)

The key features of these provisions are as follows:

i. **Multiple Nominations:** Customers may nominate up to four persons, either simultaneously or successively, thereby simplifying claim settlement for depositors and their nominees.
ii. **Nomination for Deposit Accounts:** Depositors may opt for either simultaneous or successive nominations, as per their preference.
iii. **Nomination for Articles in Safe Custody and Safety Lockers:** For such facilities, only successive nominations are permitted.
iv. **Simultaneous Nomination:** Depositors may nominate up to four persons and specify the share or percentage of entitlement for each nominee, ensuring that the total equals 100 percent and enabling transparent distribution amongst all nominees.
v. **Successive Nomination:** Individuals maintaining deposits, articles in safe custody, or lockers may specify up to four nominees, where the next nominee becomes

operative only upon the death of the nominee placed higher, ensuring continuity in settlement and clarity of succession.

The Banking Companies (Nomination) Rules, 2025, detailing the procedure and prescribed forms for making, cancelling, or specifying multiple nominations, will be published in due course to operationalise these provisions uniformly across all banks.

Amendment is depositor-centric and give depositors the flexibility to make nominations as per their preference, while ensuring uniformity, transparency, and efficiency in claim settlement across the banking system.

Redefinition of 'Substantial Interest' (Section 3)

Threshold of substantial interest increased from **₹ 5 lakh (1968 limit)** to **₹ 2 crore**

Section 5(ne) of the Banking Regulation Act after amendment read as under:

"Substantial Interest":

(i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid-up on which exceeds two crore rupees or such other amount as may be notified in the Official Gazette by the Central Government or ten per cent. of the paid-up capital of the company, whichever is less;

(ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent. of the total capital subscribed by all the partners of the said firm;

The revised threshold for "substantial interest" reflects inflation and growth. *To reduce the regulatory compliance burden on smaller shareholders and focus oversight on significant ownership influence, reflecting increased asset sizes and inflation.* ***This regulatory change is designed to revamp governance standards***

Governance in Co-operative Banks (Section 4 & 14)

Maximum tenure of directors of *Co-operative Banks* (excluding chairperson and whole-time directors) increased from **8 to 10 years.** Tenure for directors in other banking companies remains unchanged.

Aligns co-operative banks with the 97th Constitutional Amendment, which mandates democratic governance and elevates status in the country's political and economic framework.

Audit Reforms in Public Sector Banks (PSBs) (Section 15-20)

- Empower PSBs to fix auditors' remuneration.
- The amendments also empower PSBs to offer **remuneration to statutory auditors,** facilitating the engagement of high-quality audit professionals and enhancing audit standards.

The PSBs now be able to attract more qualified professionals and improve audit quality by paying better auditor remuneration.

- Permitted to transfer unclaimed shares, interest, and bond redemption amounts to the Investor Education and Protection Fund (IEPF), ***bringing them in line with practices followed by companies under the Companies Act, creating a more transparent system for fund management.***

Procedural Efficiency of the System

Amendments pertaining to definitions related to the operations revised significantly, shifting the statutory reporting dates for banks and co-operative banks.

In particular, reporting requirements that earlier referred to "last Friday" or "alternate Fridays" have now been aligned to the last day of the month or the last day of the fortnight, as applicable.

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LESSON 5
DIGITAL BANKING

DIGITAL PAYMENTS – E-MANDATE FRAMEWORK, 2026

In exercise of the powers conferred by Sections 10(2) read with Section 18 of the Payment and Settlement Systems (PSS) Act, 2007, the Reserve Bank of India (RBI), being satisfied that it is necessary and expedient in the public interest so to do, hereby consolidates all circulars pertaining to e-mandates and issues the Directions hereinafter specified.

Applicability

The provisions of these Directions shall be applicable to all Payment System Providers and Payment System Participants in respect of processing of recurring transactions, domestic or cross-border, using cards / PPI / UPI.

Registration and revocation of E-Mandate

(a) A customer desirous of opting for e-mandate facility shall undertake a one-time registration process. The mandate shall be registered only after successful validation of additional factor of authentication (AFA), in addition to the normal process required by the issuer.

(b) Every e-mandate registered by the issuer shall specify the validity period of the e-mandate. The issuer shall provide the customer with a facility to modify the validity period or withdraw the e-mandate at any point of time. Information about this facility shall be clearly communicated to the customer at the time of registration.

(c) The e-mandate may be for either a pre-specified fixed amount or for a variable amount subject to the overall cap fixed by the RBI. In the case of variable e-mandates, the issuer shall provide the customer with a facility to specify the maximum value of any recurring transaction.

(d) The customer shall be given a facility to choose or change a mode among available options (SMS, email, etc.) for receiving the pre-transaction notification from the issuer.

(e) Any modification in, or withdrawal of, an existing e-mandate shall require AFA validation by the issuer.

Processing of first transaction and subsequent recurring transactions

(a) The first transaction under an e-mandate shall require AFA validation. If the first transaction is processed along with registration of the e-mandate, then AFA validation may be combined.

(b) Payments under e-mandates shall not be subject to any other limits / controls set by the customer.

Pre-transaction Notification

(a) An issuer shall send a pre-transaction notification to the customer, at least 24 hours prior to the actual charge / debit.

(b) The pre-transaction notification shall, at the minimum, inform the customer about the merchant's name, transaction amount, date / time of debit, reference number of e-mandate, reason for debit, i.e., e-mandate registered by the customer.

(c) The issuer shall provider a customer with a facility to opt-out of any particular transaction or the e-mandate. Any such opt-out shall be validated by the issuer using AFA. An intimation to this effect shall be sent to the customer.

(d) Pre-transaction notification is not required for e-mandates registered to auto-replenish balances of FASTag, and National Common Mobility Card (NCMC).

Post-transaction notification

An issuer shall send a post-transaction notification to the customer. This notification shall, at the minimum, inform the customer about the merchant's name, transaction amount, date and time of debit, reference number of transaction and e-mandate, reason for debit, i.e., e-mandate registered by the customer, and details on grievance redressal[1].

Transaction limits and velocity check

(a) All recurring transactions may be authorised without AFA up to ₹15,000/- per transaction. Transactions above this amount shall be subject to AFA.

(b) Payment of insurance premiums, subscription to mutual funds, and credit card bill payments may be made without AFA up to ₹1,00,000/- per transaction.

Dispute resolution and grievance redressal

(a) An appropriate dispute redressal system shall be put in place by the issuer to facilitate the customer to lodge grievance/s.

(b) RBI instructions on limiting liability of customers for unauthorised transactions shall be applicable to recurring transactions under e-mandates as well.

Other provisions

(a) No charges shall be levied to the customer for availing the e-mandate facility for recurring transactions.

(b) In case of cards, existing e-mandate(s) can be mapped to reissued cards[2].

(c) An acquirer shall ensure compliance with these directions by merchants on-boarded by them.

INDIA'S PAYMENT REVOLUTION

India's financial journey has evolved over centuries from barter systems and cowrie shells to coins, paper currency, and cheques. For much of its modern history, cash remained the dominant mode of transaction. While cheques and demand drafts formalised payments, they were slow and accessible only to a limited segment. Banking infrastructure was largely urban-centric, leaving rural and remote populations underserved.

The early 2000s marked the beginning of digital transformation in payments. The Reserve Bank of India introduced systems like Real-Time Gross Settlement (RTGS) in 2004 and Immediate Payment Service (IMPS) in 2010, enabling faster and round-the-clock transfers. These were significant milestones, but their reach remained limited to those already within the banking ecosystem and access to formal financial services remained limited for many.

A large segment of India's population remained outside formal finance, without access to credit, insurance, or secure savings. The absence of a scalable, inclusive, and real-time digital infrastructure meant that the benefits of economic growth could not fully reach everyone. The need for a transformational shift was clear and it was this need that set the stage for India's digital payments revolution.

JAM Trinity: A Structural Breakthrough for Digital Banking

India's digital payments transformation is built on a foundational architecture comprising three key pillars: Pradhan Mantri Jan-Dhan Yojana (Jan Dhan), Aadhaar, and mobile connectivity, collectively known as the JAM Trinity. Each pillar serves a distinct purpose, but together they have strengthened the financial ecosystem by reducing leakages, enhancing trust in formal banking, and preparing citizens to engage with digital services.

The Pradhan Mantri Jan-Dhan Yojana has brought millions into the formal banking system by enabling the large-scale opening of zero-balance accounts, ensuring that even the most underserved populations are financially connected. Aadhaar has strengthened this foundation by providing a reliable digital identity, enabling precise targeting and seamless delivery of services.

Complementing both, the rapid expansion of mobile connectivity and internet access has empowered citizens with a convenient, real-time interface for communication, authentication, and transactions.

This integrated framework found its full expression through the Direct Benefit Transfer (DBT) system, which has streamlined the delivery of government benefits directly into bank accounts. By reducing intermediaries and enhancing transparency, DBT has improved efficiency while building confidence in digital systems.

Importantly, this transformation has gone beyond access, it has enabled participation. As citizens engaged with DBT, they became increasingly familiar with digital financial transactions, paving the way for the widespread adoption of platforms such as the Unified Payments Interface (UPI).

UPI: A Radical Innovation

In 2016, the National Payments Corporation of India launched the Unified Payments Interface (UPI), a system that fundamentally simplified how money moves in India. At its core, UPI enables any bank account to connect with another through a Virtual Payment Address, removing the need to share detailed banking information.

The idea of UPI was radical in its simplicity. No account numbers to memorise. It replaces complex inputs like account numbers and IFSC codes with a simple interface. Users only need a mobile number, a UPI ID, and secure authentication to initiate instant transfers. Transactions are processed in real time, available round the clock, and seamlessly interoperable across banks and applications.

This interoperability has been central to UPI's rapid expansion. From 216 banks in 2021 to 691 by January 2026, the network has grown into a unified payments infrastructure, enabling users to transact effortlessly regardless of their bank or platform. In parallel, its low-cost architecture has reduced barriers for individuals and merchants alike, while encouraging innovation among banks and fintech players.

As UPI scaled, its impact extended beyond ease of payments. It began to reshape how individuals, small businesses, and informal workers participate in the financial system. Digital transactions became more accessible, reliable, and widely adopted across regions and income groups.

Beyond Convenience: Expanding Financial Access

UPI has moved beyond simplifying payments to reshaping participation in the financial system. By enabling instant, low-cost transactions, it has reduced dependence on cash, improved efficiency, and opened access to formal finance for millions. For small merchants and informal workers, this shift is especially significant, creating new pathways to credit, insurance, and savings.

The real story lies not in the volume of transactions, but in who is transacting. Autorickshaw drivers accept payments through QR codes. Village mandis settle transactions instantly. Street vendors no longer struggle with change. A domestic worker can send money across states in seconds using a basic smartphone. In this system, the divide between urban and rural, formal and informal, steadily disappears—marking a decisive shift towards financial inclusion.

At the same time, UPI is evolving into a broader financial platform. UPI Lite supports quick, small-value payments, while UPI AutoPay streamlines recurring expenses such as utility bills and subscriptions. Credit on UPI extends its reach further by enabling access to pre-approved credit lines. Building on this infrastructure, NBFCs and fintech firms are delivering loans, enabling repayments, and offering tailored financial products—expanding the reach of formal finance across the country.

Digital Payments: Enhancing Access, Efficiency, Security and Trust

Building on this expanding ecosystem, UPI is now embedded in the everyday economic fabric of the country. What began as a tool for convenience has evolved into a dependable system that supports individuals, businesses, and financial institutions alike.

For users, the experience is defined by ease and trust. Transactions can be completed anytime, from anywhere, through a single application connected to multiple bank accounts. There is no need to share sensitive banking details, and built-in safeguards ensure that payments remain secure. Support features within apps further simplify grievance redressal, making the system accessible even for first-time users.

Further strengthening this trust, the Reserve Bank of India (RBI) has introduced enhanced authentication mechanisms for digital payment transactions, effective from April 1, 2026. The mandate of two-factor authentication ensures that every transaction is verified through multiple layers, such as PINs, biometrics, or secure tokens alongside OTPs. This significantly reducing fraud risks while reinforcing confidence in digital platforms.

For merchants, it offers a fast and efficient way to receive funds without handling cash. They enable businesses to serve a wider customer base, including those who prefer mobile-based payments over cards or cash. Whether in small shops, street markets, or online platforms, transactions are completed instantly, reducing delays and operational challenges such as cash management or returns.

For banks and financial institutions, it enhances service delivery by leveraging existing systems to enable secure, real-time transactions. They support large-scale person-to-person and merchant payments while maintaining strong safeguards, improving efficiency and expanding access to formal financial services.

India's Innovation: Creating a Global Impact

India's digital payments ecosystem has not only addressed domestic needs but has also emerged as a reference model globally. Institutions such as the *International Monetary Fund* (IMF) *and the World Bank* have acknowledged its scale, efficiency, and inclusiveness.

Global leaders, including *Mr. Emmanuel Macron, President of France*, have noted India's achievement of processing over 20 billion transactions monthly through UPI, an operational scale unmatched by any other real-time payments system.

UPI has also expanded beyond national borders and is now operational or linked with payment systems in multiple countries, including the *United Arab Emirates*, *Singapore*, *Bhutan*, *Nepal*, *Sri Lanka*, *France*, *Mauritius*, *and Qatar*. This growing international footprint is facilitating cross-border transactions, supporting remittance flows, and contributing to financial inclusion, while strengthening India's role in the global fintech landscape.

UPI: A Boon for Financial Transactions in India

UPI has dissolved the divide between the financially served and the financially invisible. Rural and semi-urban India now transacts with the same speed and ease as metropolitan centres.

A homegrown system, built in under a decade, now leads the world. What began as an effort to include the unbanked has become the global gold standard for real-time payments. From queues to QR codes, India's journey reflects the power of inclusive innovation.

UPI is not just a payment system; it is a people's platform. It has made financial transactions faster, simpler, transparent, and truly inclusive. In doing so, it has not only transformed how India pays, but how India progresses.

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LESSON 8
CONSUMER PROTECTION

RESERVE BANK-INTEGRATED OMBUDSMAN SCHEME 2026

The Scheme shall apply to the services provided by the following Regulated Entities:

(a) all Commercial Banks, Regional Rural Banks, State Co-operative Banks, Central Co-operative Banks, Scheduled Primary (Urban) Co-operative Banks, and Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of ₹50 crore and above as on the date of the audited balance sheet of the previous financial year.
(b) all Non-Banking Financial Companies (excluding Housing Finance Companies, Core Investment Company (CIC), Infrastructure Debt Fund-Non Banking Financial Company (IDF-NBFC), Non-Banking Financial Company - Infrastructure Finance Company (NBFC-IFC), Non-Operative Financial Holding Company (NOFHC), Primary Dealers (PDs), Mortgage Guarantee Companies (MGC)) which:
(i) are authorised to accept deposits; or
(ii) have customer interface, with an assets size of ₹100 crore and above as on the date of the audited balance sheet of the previous financial year.
(c) all Non-bank Prepaid Payment Instruments Issuers.
(d) Credit Information Companies.

Procedure For Redressal of Grievance Under the Scheme

Grounds of Complaint
Any customer aggrieved by an act or omission of a Regulated Entity resulting in deficiency in service may file a complaint under the Scheme personally or through an authorised representative as defined under clause 3(1)(c).

Grounds for maintainability of a Complaint
(1) A complaint under the Scheme shall be maintainable only if the following conditions are satisfied:
(a) the complaint is addressed to the RBI Ombudsman directly. However, it does not include a communication in which the Reserve Bank is merely endorsed/marked in copy (whether by e-mail or in physical form); and
(b) the complaint is lodged by the Complainant personally or through an authorised representative other than an advocate unless the advocate is the aggrieved person; and

(c) the Complainant provides complete information as specified in clause 11 of the Scheme; and
(d) the complaint is not abusive or frivolous or vexatious in nature; and
(e) the Complainant had first made a complaint in writing or through any other mode to the Regulated Entity concerned, where proof of having made a complaint can be produced by the Complainant, before making a complaint under the Scheme; and
(f) the Complainant has not received any reply within 30 days or within the time specified by the Reserve Bank, National Payments Corporation of India, or under Card Network guidelines, if any, whichever is higher after the Regulated Entity received the complaint; or the Complainant is not satisfied with the reply / resolution provided by the Regulated Entity; and
(g) the complaint is made to the RBI Ombudsman within 90 days from the date on which the timeline specified in sub-clause (1)(f) expires or the date of the last communication from the concerned Regulated Entity, whichever is later; and
(h) the complaint is not relating to the same grievance, which is already pending before the Office of the RBI Ombudsman, whether or not received from the same Complainant or along with one or more Complainants; or
(i) the complaint is not relating to the same grievance, which is already settled or dealt with on merits, by the Office of the RBI Ombudsman, whether or not received from the same Complainant or along with one or more Complainants; and
(j) the complaint is not relating to the same grievance, which is already pending before any Court, Tribunal or Arbitrator or any other judicial or quasi-judicial forum, whether or not received from the same Complainant or along with one or more of the Complainants; or
(k) the complaint is not relating to the same grievance, which is already settled or dealt with on merits, by any Court, Tribunal or Arbitrator or any other judicial or quasi-judicial forum, whether or not received from the same Complainant or along with one or more of the Complainants; and
(l) the complaint to the Regulated Entity was made before the expiry of the period of limitation prescribed under the Limitation Act, 1963, for such claims.

For the purposes(j) and (k), a complaint relating to the same grievance does not include criminal proceedings pending or decided before a Court or Tribunal or any police investigation initiated in a criminal offence.

The complaints involving the following matters are excluded from the purview of the Scheme:

(a) matters related to commercial judgment or decision of a Regulated Entity;
(b) a dispute between a vendor and a Regulated Entity;
(c) grievances against Management or Executives of a Regulated Entity;
(d) a grievance arising from an action of a Regulated Entity in compliance with the orders of a judicial/quasi-judicial or statutory or law enforcing authority;
(e) a service not within the regulatory purview of the Reserve Bank;
(f) a dispute between Regulated Entities;
(g) a dispute involving the employee-employer relationship of a Regulated Entity; (h) a grievance for which a remedy has been provided in Section 18 of the Credit Information Companies (Regulation) Act, 2005; and

(i) a grievance pertaining to customers of Regulated Entity not included under the Scheme.

Procedure for Filing a Complaint

(1) The complaint may be lodged online through the portal https://cms.rbi.org.in. (2) The complaint may also be submitted through e-mail or physical mode to the Centralised Receipt and Processing Centre4 as notified by the Reserve Bank. The complaint, if submitted in physical form, shall be duly signed by the Complainant or by the authorised representative.

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LESSON 15
REGULATORY FRAMEWORK IN INSURANCE

Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 has been passed by Parliament on 17.12.2025 & received the assent of the President on the 20th December, 2025. The Act amended three Acts related to Insurance sector, namely, The Insurance Act,1938, The Life Insurance Corporation Act, 1956 and The Insurance Regulatory and Development Authority Act, 1999.

Key Features of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025

Allowed up to 100% FDI

Act allowed up to 100% Foreign Direct Investment in Insurance Companies, opening doors to more foreign players to India. This will help in capital augmentation, adoption of advanced technology and bringing global best practices along with increasing employment opportunities. Increased competition would drive efficiency in products and services proving beneficial for the citizens.

Ease of Doing business

Ease of Doing business is being promoted for intermediaries through the introduction of provision of one-time licensing and the provision of suspension of license rather than straight away cancellation. For insurers, the limit of seeking prior regulatory approval for transfer of share capital has been raised from 1% to 5%, the Net Owned Fund requirement of Foreign Reinsurance Branches has been reduced from Rs 5,000 Crore to Rs 1,000 Crore.

Autonomy to LIC

LIC has been provided autonomy to open Zonal offices in the country and to align its foreign offices with the laws and regulations of their respective jurisdiction.

Regulatory governance

To protect the interest of Policyholders, a dedicated fund, namely Policyholders' Education and Protection Fund will be set up to spread awareness about insurance.

Policyholders’ data would now be required to be collected and protected in alignment with DPDP Act 2023.

Regulatory governance is being strengthened by introducing standard operating procedure for regulation making and mandating the process consultative. IRDAI is being given the power to disgorge wrongful gains from insurers and intermediaries.

Rationalising Penalties

Penalties are being rationalised and factors for imposition of penalties are being introduced.

While determining the penalty to be imposed under the provisions of this Act or the Insurance Regulatory and Development Authority Act, 1999 or rules or regulations made thereunder, the Authority shall have regard to the following factors, namely:— (a)the nature, gravity and duration of the default; (b)the repetitive nature of the default; (c) the disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default; (d)the loss caused to the policyholders as a result of the default; (e) the action taken by the person to mitigate the effects and consequences of the default, and the timeliness and effectiveness of such action; (f)the number of policyholders impacted by such default; (g)whether the penalty to be imposed is proportionate, having regard to the need to secure observance of and deter breach of the provisions of this Act, the Insurance Regulatory and Development Authority Act, 1999 and rules and regulations thereunder; and (h) such other factors as may be deemed appropriate by the Authority.

It may be noted that before imposing any penalty, the person shall be given an opportunity of being heard and a brief of such penal action shall be disclosed in the form of press release on the website of the Authority within a period of thirty days.

Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025

In exercise of the powers conferred by section 114(2) (aaa) read with section 2(7a) (b) of the Insurance Act, 1938, the Central Government, notified the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025 on December 30, 2025 for implementing the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025.

Amendment Rules, 2025 inter alia defines “Foreign Direct Investment” (FDI) means the investment by non-resident entities or persons resident outside India and other eligible entities in the equity shares of an Indian Insurance Company under the Foreign Exchange Management (Non-debt Instruments) Rules, 2019: Provided that for the purposes of these rules, Foreign Direct Investment shall include investment by Foreign Venture Capital Investors (FVCI) as permissible under the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

Quantum of Foreign Direct Investment: No Indian insurance company shall allow the aggregate holdings by way of Foreign Direct Investment in its equity shares by Foreign Investors, including portfolio investors, to exceed such per cent. of the paid- up equity capital of such Indian Insurance Company as stipulated by the Insurance Act, 1938. (Rule 3)

Further, it provides that in an Indian Insurance Company having foreign Investment, at least one amongst the Chief Executive Officer, managing director and chairperson of its Board, shall be Resident Indian Citizens. (Rule 4)

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LESSON 17

GENERAL AND HEALTH INSURANCE

RECENT POLICY & REGULATORY MEASURES

To strengthen the insurance ecosystem and enhance protection for policyholders, the Government has undertaken a series of legislative and regulatory reforms. These measures aim to improve insurance affordability, expand coverage, promote ease of doing business, and strengthen consumer safeguards across the sector.

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 has amended various provisions of the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and Insurance Regulatory and Development Authority Act, 1999. This enhances citizens' protection, deepen insurance penetration, accelerate growth, further strengthens the insurance sector and improves the ease of doing business. The key provisions of the policy are outlined below:

Increased FDI Limit: The amendment raises the FDI limit in Indian insurance companies from 74% to 100%. The measure is expected to attract stable long-term investment, facilitate technology transfer, support greater insurance penetration and social protection.

Promote Ease of Doing Business: To ensure uninterrupted service, support policyholders and promote ease of doing business, following amendments were made:

- One-time registration for insurance intermediaries has been introduced to ensure seamless operations and better service continuity.
- IRDAI approval threshold for share transfers was increased from 1% to 5%, further simplifying compliance.
- Net Owned Fund requirement for foreign reinsurers has been reduced from ₹5,000 crore to ₹1,000 crore, encouraging greater reinsurance participation and capacity in India.
- Insurance laws have been aligned with Digital Personal Data Protection Act, 2023 to create a legal anchor for effective use of digital public infrastructure in the insurance sector, ensuring that policyholders' information is duly secured and protected.
- The Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025, notified on 30 December 2025 have rationalised conditions for insurance companies and intermediaries to promote ease of doing business.

Creation of Insurance Awareness: The amendment provides for the creation of a Policyholders' Education and Protection Fund, to increase citizens' awareness towards risk protection and promote education for policyholders.

Improved Policyholders' Protection: To safeguard policyholder, IRDAI has been empowered to order disgorgement of wrongful gains made by insurers or intermediaries. The maximum penalty for non-compliance with the Insurance Act or the IRDA Act has been enhanced from ₹1 crore to ₹10 crore. It encourages insurers and intermediaries to adhere more strictly to rules and standards, thereby improving governance, protecting policyholders' interests, and enhancing overall discipline and transparency in the insurance sector. Insurance intermediaries have also been included under this provision, thereby strengthening regulatory compliance.

GST *Exemption*

GST exemption is granted on all individual life insurance policies and health insurance policies (including family floater) along with reinsurance w.e.f. 22 September, 2025. This measure enhances affordability for citizens, particularly underserved populations across rural and urban areas. The removal of the 18% GST lowers premium costs and encourages wider adoption.

Key Regulatory Reforms in Health Insurance

To streamline compliance, enhance transparency, and strengthen policyholder rights, IRDAI has introduced several regulatory reforms in the health insurance sector. These reforms seek to simplify the health insurance experience for customers by enforcing clear rules around product design, servicing, and claims.

- **Shortening of Moratorium Period:** Moratorium period in health insurance is a fixed timeframe after which insurance companies cannot deny claims on the grounds of non-disclosure and misrepresentation, except on grounds of established fraud. IRDAI reduced the moratorium period from 8 years to 60 months (5 years) in 2024. This strengthens the policyholder protection and enhances trust in the health insurance system.
- **Standardized 30-day free-look period**: IRDAI introduced a standard 30-day free-look-period for policies with a term of one year or more. The free-look-period is the period given to a policyholder to assess and review the policy document. This consumer-friendly provision gives policyholders ample time to understand and assess their policies suitability.
- **Wider choices to policyholders**: Recognizing the need for inclusive insurance, IRDAI has mandated the insurers to provide a wider choice to policyholders, considering their affordability. They must offer products, add-ons for all ages, regions, and occupational categories. Additionally, coverage should include medical conditions, disabilities, treatments, and systems of medicine (i.e., Allopathy/AYUSH), including all types of hospitals and healthcare providers. The goal is to increase insurance coverage and make policies flexible and affordable, such that more citizens—especially underserved groups—can access insurance protection.
- **No claim Bonus to policyholders:** In order to reward policyholders who do not make any claim during the policy period, the insurer may offer a No Claim Bonus (NCB). Such NCB shall be provided, based on the policyholder's choice or consent, either in

the form of an enhancement in the sum insured and/or a discount on the renewal premium. The aim is to incentivise claim-free behaviour among policyholders by rewarding them with enhanced coverage or reduced renewal premiums.

- **Guaranteed policy renewal:** To protect the interest of policyholders, policies must be renewed and cannot be denied on the basis of previous claims, except in cases of fraud or misrepresentation. This ensures continuity of insurance coverage and safeguards policyholders from denial of renewal based on past claims, except in cases of fraud or misrepresentation.
- **Grace Period for delay in premium payment**: A grace period of 15 days (where premium is paid on a monthly instalments) and 30 days (where premium is paid in quarterly/half yearly/annual instalments) is available on the premium due date, to pay the premium. During this time, all policy benefits, such as sum insured, no claim bonus, and waiting periods, remain protected.
- **Migration and portability provisions**: The policyholders can move between products or insurers while retaining accrued benefits such as waiting period credits and no-claim bonuses. This provides flexibility to the policyholders.
- **Third-Party Administrators (TPA) Performance Monitoring**: To increase the accountability of TPAs, performance monitoring is done by insurers to ensure efficient and effective service delivery by them. It includes claw back of remuneration/charges paid to TPA basis customer feedback, which shall be passed on to the policyholders.
- **Premium Refund on Mid-Term Cancellation**: In case of mid-term cancellation of the policy, insurers shall refund the premium or proportionate premium for the unexpired policy period. This ensures fairness and prevents misuse of the insurance system. For policies with a term of up to one year, such refund will be applicable only if no claim has been made during the policy period.

Major Insurance Protection Schemes

Reflecting its commitment to public welfare, the Government has introduced a comprehensive set of insurance measures to enhance financial security and social protection. These initiatives aim to improve insurance coverage, enhance affordability, and ensure wider access to risk protection across the country.

Life Insurance - Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Launched in May 2015, the PMJJBY is a one-year term life insurance scheme renewable yearly. It provides life cover of ₹2 lakh to citizens aged 18–50 years, at an annual premium of ₹436, which is auto-debited from the subscriber's bank account. It aims to provide financial security and stability to families of the insured in case of untimely death, ensuring that no household faces sudden economic distress due to the loss of a breadwinner.

The policy is administered through the Life Insurance Corporation of India (LIC) and other life insurance companies. Death due to non-accidental causes during the first 30 days of enrolment is not covered, while accidental death is covered from day one.

Accidental Insurance - Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY, launched in May 2015, is a accidental insurance scheme that provides accident and disability cover at an affordable premium, particularly for low-income and informal sector workers.

The scheme is available to all savings bank account holders aged 18 to 70 years. It provides accidental insurance coverage at an annual premium of ₹20, which is auto-debited from the linked bank account. Valid for one year (renewable annually), it offers risk coverage of ₹2 lakh in case of accidental death or full disability and ₹1 lakh for partial disability (as provided in the PMSBY rules).

It provides timely support to families affected by accidental deaths or disabilities, ensuring protection for economically vulnerable citizens.

Health Insurance - Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY)

Launched in September 2018, the scheme offers free health insurance coverage of up to ₹5 lakh per family per year for secondary and tertiary healthcare services. The scheme seeks to strengthen the healthcare system through interventions across prevention, promotion, and treatment at primary, secondary, and tertiary levels. It covers all pre-existing diseases from day one, places no restriction on age, gender, or family size, and provides nationwide portability across empanelled hospitals.

In September 2024, the government expanded the health coverage to all senior citizens aged 70 years and above, irrespective of income.

Social Security - Employees' State Insurance Scheme (ESI)

The Employees’ State Insurance (ESI) Scheme is a social security programme that provides protection to employees against contingencies such as sickness, maternity, disablement, and death due to employment injury, while also offering medical care to insured persons and their families. The scheme applies to factories and various establishments such as hotels, restaurants, cinemas, newspapers, shops, and educational and medical institutions registered under ESIC.

Crop Insurance - Pradhan Mantri Fasal Bima Yojana (PMFBY)

Launched in February 2016, the scheme provides farmers with a simple, affordable, and comprehensive crop insurance. It covers against non-preventable natural risks such as droughts, floods, cyclones, hailstorms, pest attacks, and plant diseases. It also covers the entire crop cycle from pre-sowing to post-harvest, including losses during storage due to notified calamities. The scheme aims to provide timely financial support to farmers helping them manage risks and avoid falling into debt.

The scheme follows the principle of “One Nation, One Crop, One Premium,” ensuring uniform premium rates across the country. Farmers pay a maximum premium of 2% for Kharif food and oilseed crops, 1.5% for Rabi food and oilseed crops, and 5% for annual commercial or horticultural crops, with the remaining actuarial premium shared between the Central and State Governments.

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