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IRDAI: Insurance Regulatory and Development Authority

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IRDAI: Insurance Regulatory and Development Authority

Foreign investors could once own less than a quarter of an Indian insurer. As of December 2025, they can own all of it. This lesson explains who IRDAI is and where it came from. It covers its board, its duties and the rename trap. It then follows the foreign-investment limit up to 100%. It ends with cyber insurance and the September 2026 distribution paper.

Must know: what IRDAI is and where it came from

1 What is IRDAI?

India's insurance sector needed one body to police it and to help it grow. That body is the **Insurance Regulatory and Development Authority of India**, or IRDAI. Parliament created it through the IRDA Act, 1999.



Hyderabad's Financial District, home to IRDAI's headquarters. Photo: Wikimedia Commons (CC BY-SA 4.0)

When did it start work?

IRDAI began as an autonomous regulator on **19 April 2000**. Before that, a smaller interim body had worked since 1996. The 1999 Act turned the idea into a permanent statutory body.

What is its two-sided job?

IRDAI protects policyholders. It also promotes the orderly growth of the insurance business. Its head office is in Hyderabad, Telangana. Its older short form was **IRDA**, without the final “I” for India.

> **Quick check 1.** IRDAI began work as an autonomous regulator on 19 April 2000. *(True or False?)* See answer ↓

Sources: irdai.gov.in; gicre.in

2 Where did IRDAI come from?

A regulator this important did not appear overnight. A government committee designed it first.

What did the Malhotra Committee do?

The Government set up the Malhotra Committee in **1993**. It was headed by R. N. Malhotra, a former RBI Governor. It reported in 1994. It said private firms should be allowed into insurance. It also said foreign promoters should be allowed. It wanted regulation by an independent body.

What happened next?

The steps came in order. An interim Insurance Regulatory Authority was set up in 1996. Parliament passed the IRDA Act in 1999. The regulator took shape on 19 April 2000. In August 2000 it invited applications from private insurers. That opened the market to private insurers.

What was the foreign limit then?

An Indian insurance company could have foreign equity of at most 26 per cent. That was the cap when IRDAI started.

> **Quick check 2.** The Malhotra Committee was set up in 1993. *(True or False?)* See answer ↓

Sources: irdai.gov.in; indiabudget.gov.in

3 Who sits on IRDAI's board?

IRDAI is not run by one person. A small board of members runs it. The Central Government appoints them.

How is the board built?

Section 4 of the IRDA Act names three groups. They are one Chairperson, not more than five whole-time members and not more than four part-time members. So the board can have at most 10 members. These are ceilings, not fixed numbers.

Who must be on it?

The Government must pick people with knowledge of life insurance, general insurance or actuarial science. At least one person for each must sit among the Chairperson and whole-time members. The

Chairperson and whole-time members hold office for a term of five years.

> **Quick check 3.** The IRDA Act says IRDAI's board must have exactly 10 members. *(True or False?)* See answer ↓

At most 10 members

1 Chairperson

Up to 5 whole-time members

Up to 4 part-time members

These are ceilings. The Central Government appoints all of them. Original explanatory diagram.

Sources: indiacode.nic.in

Good to know: duties, the rename trap and the foreign limit

4 What does IRDAI do for you?

Section 14 of the IRDA Act sets the main duty. The Authority must regulate, promote and ensure orderly growth of insurance and re-insurance business. This is the line to remember.



An insurer launching a new policy in New Delhi. Insurers like this one work under IRDAI's rules. Photo: Wikimedia Commons (GODL-India)

What can you do if a claim is refused?

You can go to the Insurance Ombudsman. File the complaint within one year of the insurer's rejection. You may also file one month after your complaint if the insurer gives no reply. You cannot use this route if a court, consumer forum or arbitrator is already handling the same matter. The compensation sought must not exceed ₹50 lakh.

What is Bima Sugam?

Bima Sugam is an online marketplace for insurance. IRDAI issued its Bima Sugam (Insurance Electronic Marketplace) Regulations in 2024.

Sources: indiacode.nic.in; cioins.co.in; irdai.gov.in

5 Which instrument added "of India" to the name?

This is the trap most likely to catch you. Many learners think Parliament passed an Act first. The first step was an Ordinance.

What happened in December 2014?

The President promulgated the Insurance Laws (Amendment) Ordinance, 2014 on **26 December 2014**. An Ordinance is issued when Parliament is not in session. It has the force of law at once. This Ordinance amended the IRDA Act.

How did the Act come in?

Parliament later replaced the Ordinance with the Insurance Laws (Amendment) Act, 2015. The Act says it is deemed to have come into force on 26 December 2014. It added the words “of India” to the Authority’s name in the IRDA Act. So the name IRDAI dates from December 2014.

Remember: Ordinance first, on 26 December 2014. Act second, in 2015. A question that offers “an Act of Parliament” as the first instrument is testing this gap.

> **Quick check 4.** IRDA became IRDAI through an Act of Parliament, with no Ordinance before it. *(True or False?)* See answer ↓

Sources: PRSINDIA.org; prsindia.org; pib.gov.in

6 What changed with the Sabka Bima Sabki Raksha Act, 2025?

India’s insurance law got a major overhaul in December 2025. Foreign ownership was the headline change.

What did the Act do?

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 is Act No. 40 of 2025. It received the President's assent on **20 December 2025**. Parliament had passed the Bill on 17 December 2025. The Act amends three laws: the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the IRDA Act, 1999.

Which changes matter most?

- The foreign investment limit in Indian insurers rose from **74% to 100%**.
- The net owned fund needed by foreign reinsurance branches fell from ₹5,000 crore to ₹1,000 crore.
- Intermediaries get one-time licensing. A licence can be suspended instead of cancelled straight away.
- The limit for seeking prior approval of a share-capital transfer rose from 1% to 5%.
- A Policyholders' Education and Protection Fund will spread awareness about insurance.

> **Quick check 5.** The Sabka Bima Sabki Raksha Act, 2025 raised the foreign investment limit in Indian insurers from 74% to 100%. *(True or False?)* See answer ↓

Sources: egazette.gov.in; pib.gov.in; prsindia.org

7 How did the foreign-investment limit grow?

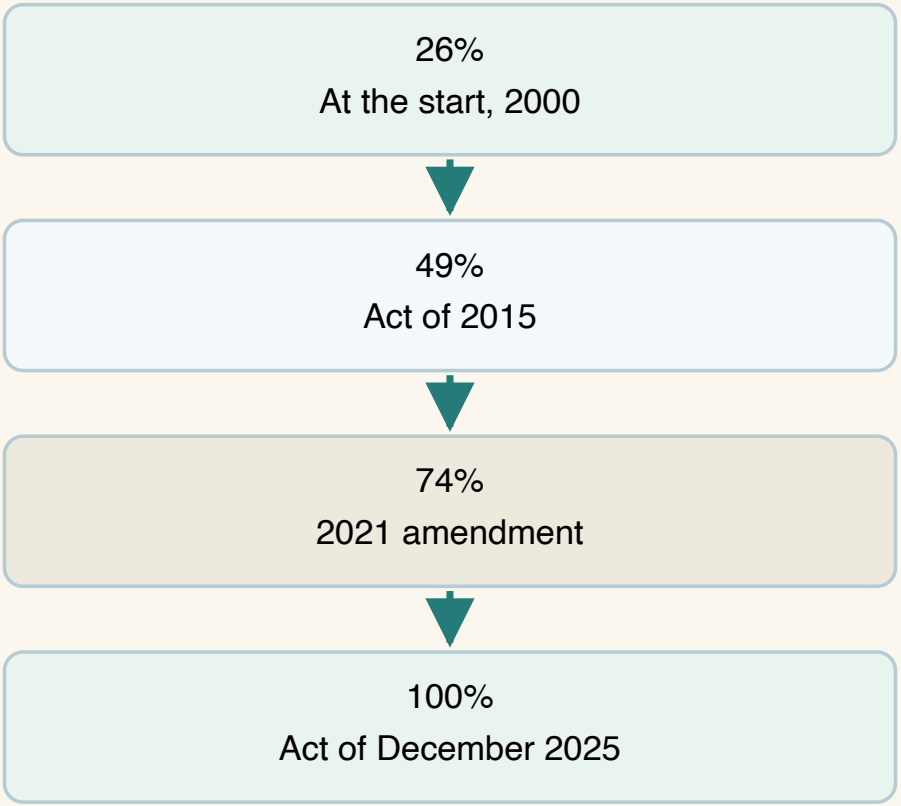
The cap on foreign money in insurers rose in four steps. Each step needed a change in law.

What were the four steps?

At the start in 2000, the cap was 26%. The Insurance Laws (Amendment) Act, 2015 raised it to 49%. A 2021 amendment raised it from 49% to 74%. The Act of December 2025 raised it from 74% to 100%.

Why does the 2015 step matter?

The 2015 limit was a composite limit of 49%. It came with a safeguard of Indian ownership and control. The 2021 amendment also removed some limits on ownership and control.



Four steps, four changes in law. Original explanatory diagram.

Sources: indiabudget.gov.in; pib.gov.in; prsindia.org

Great to know: cyber cover, the 2026 paper and the numbers

8 What does personal cyber insurance cover?

Yes, IRDAI also guides cyber insurance. A past UPSC question tested exactly what it covers. Three costs are covered. One common cost is not.

What did IRDAI issue in 2021?

On 8 September 2021, IRDAI issued a guidance document on cyber insurance for individuals. It lets insurers design policies for hacking, phishing, identity theft, extortion and data breaches.

What is covered, and what is not?

- **Covered:** the cost of restoring your computer system after a malware attack.
- **Covered:** the cost of a specialist consultant during a cyber extortion attempt, such as ransomware.
- **Covered:** your legal defence costs if a third party sues you over a cyber incident.
- **Not covered:** a brand-new computer, even if someone wilfully damaged the old one. The sample policy wording lists no cover for replacing a computer.

> **Quick check 6.** Personal cyber insurance covers a brand-new computer if someone wilfully damages your old one. *(True or False?)* See answer ↓

Sources: moneylife.in; irdai.gov.in

9 What is IRDAI proposing in September 2026?

IRDAI is not done reforming. A fresh consultation paper wants to rework how insurance gets sold. The news broke on 23 September 2026.

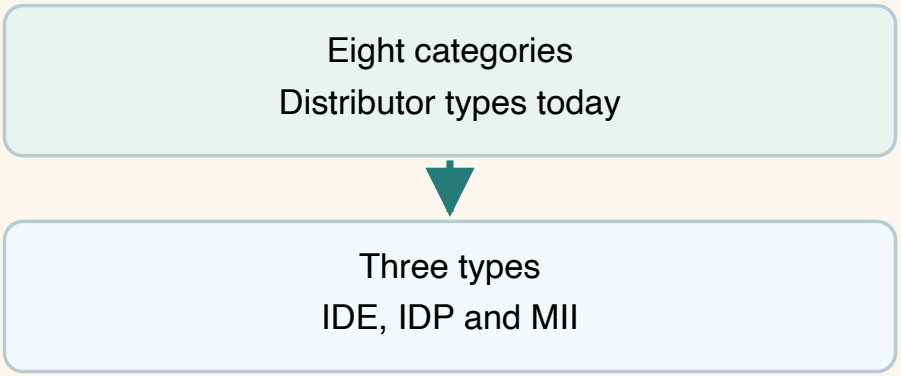
What would change?

- Fixed commission caps for distributors would return. The 2023 policy had removed hard caps.
- The Expense of Management cap for general insurers would fall from 30% to 25% in two years, then 20% in five years.
- For life insurers, the cap would be 15% in two years and 12.5% in five years.

What happens to distributor licences?

The paper proposes to restructure eight categories of distributors into three types. They are the **Insurance Distribution Entity (IDE)**, the insurance distribution person (IDP) and the market infrastructure institution (MII). One IDE licence would not replace eight licences. It is one of three types. Comments are open until **25 October 2026**.

> **Quick check 7.** Under the September 2026 paper, one IDE licence would replace all eight distributor licence types. *(True or False?)*
>
> See answer ↓



The IDE is only one of the three new types. Original explanatory diagram.

Sources: economictimes.indiatimes.com; business-standard.com; financialexpress.com

10 Which numbers should you hold?

Keep these facts together. Most questions on IRDAI use one of them.

What are the key dates?

- 1993: Malhotra Committee set up. 1994: its report.

- 1999: IRDA Act. 19 April 2000: IRDAI starts.
- 26 December 2014: Ordinance. 2015: Act.
- 20 December 2025: assent to the Sabka Bima Sabki Raksha Act.

What are the key limits?

- Board: at most 10 members, with a Chairperson, up to five whole-time and up to four part-time members.
- Foreign investment: 26%, then 49%, then 74%, then 100%.
- Vision: “Insurance for All by 2047” is IRDAI’s vision, not a clause of the 2025 Act.

Where does the 2047 target come from?

IRDAI committed to the vision of “Insurance for All by 2047”. It aims to give every citizen adequate life, health and property cover. PIB describes it as matching the national goal of Viksit Bharat 2047.

Sources: pib.gov.in; irdai.gov.in

Review the feedback after each answer. The understanding-check score lasts for this page session.

Reset the checks when you want another attempt. This score is separate from the Native Practice score below.

Questions to think through

Why does India have a separate regulator for insurance?

Insurance is a promise to pay in the future. People must trust that the firm will pay. A regulator checks that firms keep enough money and treat buyers fairly.

Why was the foreign limit raised in steps?

Each rise needed a change in law. Lawmakers wanted to see how earlier limits worked first. In 2015, Indian ownership and control were guarded.

Why does the order Ordinance, then Act matter?

Parliament was not sitting in December 2014. The President used an Ordinance to act at once. The 2015 Act then made it permanent from the same date.

Why do hard commission caps protect buyers?

A high commission can push an agent to sell the wrong policy. A cap limits that urge. It also lowers the cost that ends up in the buyer's premium.

Practice MCQs

1. What is the full form of IRDA?

A. International Reconstruction and Development Association

B. Indian Road Development Agency

C. International Refinance and Development Association

D. Insurance Regulatory and Development Authority

See answer ↓

2. On what date did IRDA (now IRDAI) become operational, as an autonomous statutory body?

A. 19 April 2000

B. 26 December 2014

C. 1 April 1999

D. 20 December 2025

See answer ↓

3. IRDAI's creation followed the recommendations of which committee?

A. The Narasimham Committee

B. The Malhotra Committee

C. The Rangarajan Committee

D. The Bimal Jalan Committee

See answer ↓

4. IRDA was renamed IRDAI in December 2014. What legal instrument brought about this change?

A. A Supreme Court judgment

B. The Insurance Laws (Amendment) Ordinance

C. A Reserve Bank of India circular

D. A World Trade Organization ruling

See answer ↓

5. The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 raised the FDI cap in Indian insurance companies from what level to what level?

A. 49% to 74%

B. 26% to 49%

C. 100% to no cap at all, including voting rights

D. 74% to 100%

See answer ↓

6. IRDAI's "Insurance for All" vision aims to reach its goal by which year?

A. 2035

B. 2047

C. 2030

D. 2040

See answer ↓

7. In India, under cyber insurance for individuals, which benefits are generally covered, in addition to payment for the loss of funds and other benefits?
1. Cost of restoration of the computer system in case of malware disrupting access to one's computer
2. Cost of a new computer if some miscreant wilfully damages it, if proved so
3. Cost of hiring a specialized consultant to minimize the loss in case of cyber extortion
4. Cost of defence in the Court of Law if any third party files a suit

A. 2 and 3 only

B. 1, 2, 3 and 4

C. 1, 3 and 4 only

D. 1, 2 and 4 only

See answer ↓

Answer Key

1. **D.** The answer is Insurance Regulatory and Development Authority. Parliament created it through the IRDA Act, 1999. Its job is to regulate, promote and ensure orderly growth of insurance business. Since 2014 the full name has ended with the words "of India". ↑ Q1
2. **A.** The answer is 19 April 2000. IRDAI's own brochure records the formation of the regulator on 19.4.2000. The IRDA Act itself was passed in 1999. The other dates are the 2014 Ordinance and the 2025 Act. ↑ Q2
3. **B.** The answer is the Malhotra Committee. It was set up in 1993 and reported in 1994. It asked for private and foreign entry and an independent regulator. An interim authority followed in 1996 and the IRDA Act in 1999. ↑ Q3
4. **B.** The answer is the Insurance Laws (Amendment) Ordinance. The President promulgated it on 26 December 2014. It amended the IRDA Act. The 2015 Act replaced it, took effect from the same date and added "of India" to the name. ↑ Q4
5. **D.** The answer is 74% to 100%. The Act received assent on 20 December 2025. The earlier steps were 26% to 49% in 2015 and 49% to 74% in 2021. ↑ Q5
6. **B.** The answer is 2047. IRDAI committed to the vision of "Insurance for All by 2047". It aims to give every citizen adequate life, health and property cover. It is IRDAI's vision, not a clause of the 2025 Act. ↑ Q6
7. **C.** The answer is (c), 1, 3 and 4 only. Policies cover restoring a system after malware, consultant costs during extortion and legal defence costs. The sample IRDAI-filed policy wording lists no cover for a new computer. So statement 2 fails. ↑ Q7

Quick-check answers

1. **True.** The IRDA Act was passed in 1999. The regulator took shape on 19 April 2000. ↑ 1
2. **True.** It reported in 1994 and asked for an independent regulator. ↑ 2
3. **False.** The Act sets ceilings: one Chairperson, up to five whole-time and up to four part-time members. So 10 is the most, not a fixed number. ↑ 3
4. **False.** The Ordinance came first, on 26 December 2014. The 2015 Act replaced it and took effect from the same date. ↑ 4

5. **True.** The Act received assent on 20 December 2025. ↑ 5
6. **False.** Restoring a system after malware is covered. Buying a new computer is not. ↑ 6
7. **False.** The paper proposes to restructure eight categories into three types. The IDE is only one of the three. ↑ 7

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