

## IRDAI "UNLOCKS" AIFS: "EXCUSAL RIGHTS" NOW THE GOLDEN KEY



**Circular No.:** IRDAI/F&I/CIR/INV/28/2/2026 | **Date:** Feb 12, 2026

**Impact:** High (Investment Teams)

### 1. The Update

IRDAI has solved a major deadlock. Previously, Insurers couldn't invest in Alternative Investment Funds (AIFs) that had any overseas exposure (due to Section 27E of the Insurance Act). Now, insurers can invest in these AIFs, provided a strict "Excusal Right" mechanism is activated to ensure zero leakage of policyholder funds abroad.

### 2. Key Compliance

- 1.The "Iron Wall" Clause:** The AIF's legal documents (Private Placement Memorandum) must explicitly state that the Insurer's capital shall not be drawn down for overseas deals.
- 2.Zero Contamination:** When an AIF makes a foreign investment, the Insurer's contribution must be recorded as ₹0.00.
- 3.Three-tier Certification:**
  - AIF Manager: Confirms "Zero Allocation" quarterly.
  - AIF Auditor: Certifies "Economic Separation" annually.
  - Insurer's Auditor: Verifies bank outflows show "No Foreign Debit".

Previously, if a fund had even one foreign deal, an Insurer couldn't join the fund at all. Now, they can join the fund, provided they are operationally skipped for those "specific overseas deals" while still participating in all the Indian ones.

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### KNOWLEDGE DESK

~**Abutalib Syed**  
(Knowledge Executive)

~**Huzefa Kaka**  
(Executive Director)