

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 1736
ANSWERED ON – 13.2.2023

CAPITAL INFUSION IN INSURANCE SECTOR

1736. DR. PON GAUTHAM SIGAMANI:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the insurance industry would need a capital infusion of Rs. 50,000 crores per year to double its penetration in the next five years;
- (b) if so, whether it is also true that the Government aims to double penetration in the next five years and to insure all by the year 2047, if so, the details thereof;
- (c) whether the overall penetration for insurance is 4.2 per cent as of FY 2021 and if so, the details thereof;
- (d) whether the Government has appealed to business conglomerates to channelize funds into the sector as the return on equity is at a healthy 14 per cent for life insurers and 16 per cent for non-life insurers, while in the case of top five insurance companies, it goes up to 20 per cent as well; and
- (e) if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) to (e): As per the annual report of Insurance Regulatory and Development Authority of India (IRDAI) for financial year 2021-22, the insurance penetration in the country stands at 4.2, as compared to global average of 7.0.

The Government has taken various initiatives to enhance insurance penetration and coverage, especially for the underserved and unserved population of the country, through its flagship social security schemes like Pradhan Mantri Jeevan Jyoti Bima Yojana covering approximately 14.8 crore lives, Pradhan Mantri Suraksha Bima Yojana covering approximately 31.9 crore lives, and Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana covering approximately 21.4 crore families, against life, accident and health risks respectively, as on December, 2022.

Further, IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015 stipulates that every insurer shall undertake a specified percentage of total number of policies or premium in rural and social sector on a year-on-year basis. This ensures the growth and penetration of insurance coverage in the rural and social sectors of India.

In order to attract fresh capital into the insurance sector, IRDAI has eased the process of setting up an insurance company, viz. No Objection Certificate (NOC) portal, creation of Facilitation Cell for guiding applicants during the course of registration process, and revamping Registration regulations to promote ease of doing business. The norms pertaining to investments of promoters/ investors in the insurance companies have also been eased.

Further, with a view to enhance penetration and growth and augment domestic capital in the insurance sector, the Government enhanced FDI limit to 74% for the Indian insurance companies in 2021.
