07

STANDING COMMITTEE ON FINANCE

(2024-25)

EIGHTEENTH LOK SABHA

MINISTRY OF FINANCE

(DEPARTMENT OF FINANCIAL SERVICES)

[Action taken by the Government on the Observations/Recommendations contained in Sixty Sixth Report (Seventeenth Lok Sabha) on the subject 'Performance Review and Regulation of Insurance Sector']

SEVENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2024/ Agrahayana, 1946 (Saka)

SEVENTH REPORT

STANDING COMMITTEE ON FINANCE
(2024-25)

(EIGHTEENTH LOK SABHA)

MINISTRY OF FINANCE

(DEPARTMENT OF FINANCIAL SERVICES)

Presented to Lok Sabha on 06 December, 2024

Laid in Rajya Sabha on 06 December, 2024

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2024/ Agrahayana, 1946 (Saka)

CONTENT

REPORT

COMPOSITION OF THE STANDING COMMITTEE ON FINANCE (2024-25)

Shri Bhartruhari Mahtab - Chairperson

MEMBERS

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Lavu Sri Krishna Devarayalu
5. Shri Gaurav Gogoi
6. Shri K. Gopinath
7. Shri Suresh Kumar Kashyap
8. Shri Kishori Lal
9. Shri Harendra Singh Malik
10. Shri Chudasama Rajeshbhai Naranbhai
11. Thiru Arun Nehru
12. Shri N. K. Premachandran
13. Dr. C. M. Ramesh
14. Smt. Sandhya Ray
15. Prof. Sougata Ray
16. Shri P. V. Midhun Reddy
17. Dr. Jayanta Kumar Roy
18. Dr. K. Sudhakar
19. Shri Manish Tewari
20. Shri Balashowry Vallabhaneni
21. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

22. Shri P. Chidambaram
23. Shri Milind Murli Deora
24. Dr. Ashok Kumar Mittal
25. Shri Yerram Venkata Subba Reddy
26. Shri S. Selvaganabathy
27. Shri Sanjay Seth
28. Dr. Dinesh Sharma
29. Smt. Darshana Singh
30. Dr. M. Thambidurai
31. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	Joint Secretary
2.	Shri Vinay Pradeep Barwa	Director
3.	Shri Kuldeep Singh Rana	Deputy Secretary
4.	Shri Manish Kumar	Committee Officer

INTRODUCTION

I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Seventh Report (Eighteenth Lok Sabha) on action taken by Government on the Observations / Recommendations contained in the Sixty-Sixth Report of the Committee (Seventeenth Lok Sabha) on 'Performance Review and Regulation of Insurance Sector'.

2. The Sixty-Sixth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 06 February, 2024. The Action Taken Notes on the Observations/Recommendations were received from the Government *vide* their communication dated 4 July, 2024.

3. The Committee considered and adopted this Report at their sitting held on 04 December, 2024.

4. An analysis of the action taken by the Government on the Recommendations contained in the Report of the Committee is given in the Appendix.

5. For facility of reference, the Observations/Recommendations of the Committee have been printed in bold in the body of the Report.

6. The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

New Delhi;
4 December, 2024
13 Agrahayana, 1946 (Saka)

Bhartruhari Mahtab
Chairperson,
Standing Committee on Finance

REPORT

CHAPTER-I

This Report of the Standing Committee on Finance deals with the action taken by the Government on the recommendations/observations contained in their Sixty-Sixth Report (Seventeenth Lok Sabha) on 'Performance Review and Regulation of Insurance Sector' pertaining to the Ministry of Finance (Department of Financial Services) which was presented to Lok Sabha and laid in Rajya Sabha on 6th February, 2024. The Report contained 19 Observations/Recommendations.

2. Action taken replies in respect of all the 19 Observations/ Recommendations contained in the Report were received from the Ministry of Finance (Department of Financial Services) on 4th July, 2024. The replies have been analyzed and categorized as follows:

(i) Observations/Recommendations that have been accepted by the Government:

Recommendation No. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 19

Total - 16
(Chapter- II)

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies:

Recommendation No. – Nil -

Total - Nil
(Chapter- III)

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee:

Recommendation No. 7, 12 and 18

Total - 3
(Chapter -IV)

(iv) Observations/Recommendations in respect of which final replies by the Government are still awaited:

Recommendation No. – Nil -

Total - Nil
(Chapter- V)

3. The Committee desire that action taken statement on the Observations/Recommendations contained in Chapter-I of this Report may be furnished to the Committee within three months of its presentation.

4. The Committee will now deal with action taken by the Government on some of their Observations/Recommendations that require reiteration or merit comments.

Recommendation No. 2

Promotion of Microinsurance

5. The Committee, in their Report, had observed/ recommended as under:

> "The Committee find that microinsurance protects low-income people from financial losses with affordable products. This section of society faces many risks that make them vulnerable to uncertainty, therefore, microinsurance is essential to help them cope and recover. microinsurance could be an important tool for financial inclusion and poverty alleviation in India, where a large section of the population lacks access to formal insurance services.
>
> The Committee note that IRDAI had issued the IRDAI (Micro Insurance) Regulations, 2015, which define the eligibility criteria, product features, distribution channels, and reporting requirements for microinsurance. The Committee further note that in the promotion of microinsurance, there are several challenges such as small ticket size coupled with high transaction and service delivery costs, absence of a business model that can attract good intermediaries, capacity building of intermediaries, and lack of basic awareness and knowledge on how insurance works. The Committee, therefore, recommend that new microinsurance products need to be developed and provided as affordably as possible for the financial protection and security of the low-income and vulnerable sections of society who are exposed to various risks such as health, crop, life, etc. The Committee believe that it can bring about a positive change in poor people's perceptions of insurance. Current microinsurance products such as PM Suraksha Bima Yojana and Jeevan Jyoti Bima Yojana have already been very successful. Therefore, developing innovative and customized products that suit the needs and preferences of the target population is vitally important. The Committee feel that this may require encouraging smaller, niche players in various geographic areas. The Committee, therefore, also recommend that the capital requirement of Rs. 100 crores may be reduced for such players."

6. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

> "IRDAI has informed that they support to reduce the minimum capital requirement for smaller insurance companies. This proposal involves:
>
> - Amending the Insurance Act, 1938 to remove the fixed capital requirement of Rs. 100 crore.
> - Enabling IRDAI to set capital requirements through regulations based on factors like company size, business type, and complexity.

This change aims to promote financial inclusion by making insurance more accessible to low-income groups.

The IRDAI (Rural, Social Sector, and Motor Third Party Obligations) Regulations, 2024 consolidate erstwhile regulations pertaining to minimum business obligations of insurers in rural, social sector and motor third party business for insurers. Compliance and measurement of these statutory obligations has been revised where the unit of measurement under the rural obligations will now be Gram Panchayat, the scope of social sector has been extended to cover cardholders and beneficiaries under various schemes.

Obligations of the insurers in Rural Sector

(a) Life Insurance

Financial year following notification of Regulations	Minimum number of gram panchayats	Minimum percentage of lives to be covered in a gram panchayat
First year	25,000	10%

(b) General Insurance (General Insurers other than stand-alone health insurer (SAHI), Agriculture Insurance Co. Ltd (AIC) and ECGC) –

Financial year following notification of Regulations	Minimum number of gram panchayats	Minimum percentage of dwellings and shops to be covered in a gram panchayat	Minimum percentage of vehicles to be covered under motor insurance in a gram panchayat
First year	25,000	10%	10%

(c) Health Insurance (General Insurers including SAHI other than AIC and ECGC)

Financial year following notification of Regulations	Minimum number of gram panchayats	Minimum percentage of lives to be covered in a gram panchayat under health insurance	Minimum percentage of lives to be covered in a gram panchayat under personal accident insurance
First year	25,000	10%	10%

Obligations of the insurers in Social Sector:

In respect of all Insurers (Life, General and Standalone Health, excluding AIC and ECGC)

Financial Year following notification of Regulations	Minimum percentage of lives to be covered as a proportion of total lives covered
First year	10%

PSGICs have informed that they offer various micro insurance products by leveraging various channels to distribute micro insurance products in rural areas, including:

- Cattle, Horse/Pony, Pig, Camel, and Duck Sukshma Bima Policies
- Agricultural Pumpset Insurance
- Animal Driven Cart, Lift Irrigation, Sheep & Goat, and Poultry Sukshma Bima Policies
- Farmers' Package, Hut Sukshma Bima Policies

PSICs remains committed to increasing micro insurance sales in rural areas through its distribution channels."

7. In regard to the recommendation of the Committee to consider a reduction of the capital requirement of Rs. 100 crores, the Ministry have submitted that IRDAI supports this. They have also stated that the proposal involves amending the Insurance Act, 1938, to remove the fixed capital requirement of Rs. 100 crore and enabling IRDAI to set capital requirements through regulations based on factors like company size, business type, and complexity. The Committee, however, also observe that the Ministry have not given any roadmap as to how the said recommendation will be implemented. The Committee therefore, expect the Ministry to furnish the same at the time of providing the Final Action Taken Statement.

Further, in regard to the recommendation of the Committee that new microinsurance products need to be developed and provided as affordably as possible, the Committee observe that the Ministry have enumerated existing schemes and products being offered. Therefore, the Committee desire the Ministry to also provide details of any new initiatives taken by them in view of the recommendation of the Committee.

Recommendation No. 4

Insurance Companies may be permitted to offer Value Added Services

8. The Committee, in their Report, had observed/ recommended as under:

"The Committee are of the belief that insurance is not just about the underwriting of risk but also the management of risk and value-added services. Preventive risk mitigation activities on a standalone basis would not only help in the popularization and penetration of insurance but would also help to reduce the incidence of losses, thereby resulting in better-priced products and lower overall risk for the nation. Further, insurers would be able to provide a comprehensive risk mitigation solution to customers. The Committee, therefore, recommended that insurance companies be permitted to provide risk management and value-added services that are ancillary to the insurance business."

9. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

"IRDAI has informed that the insurance industry is seeking regulatory amendments to allow insurers to offer value-added services (VAS) beyond core insurance products as the industry is exploring innovative ways to deliver new and valuable services to customers.

Rationale for VAS:

- Permitting VAS would enable insurers to:
  - Expand product offerings.
  - Enhance customer satisfaction through additional benefits.
  - Increase market competitiveness.
  - Offer risk mitigation services, potentially leading to lower premiums.

IRDAI has provided following examples of VAS:

- Health Insurance:
  - Embedding VAS and wellness covers in retail health policies.
  - Offering basic healthcare services like annual check-ups.
  - Organizing health camps in rural areas.
- Property Insurance:
  - Providing risk mitigation services like:
- Roadside assistance.
- Safety consultations.
- Disaster preparedness guidance.
- Offering anti-theft alarms or fire extinguishers as add-ons.
- General Insurance:
  - Risk inspections with suggestions for loss prevention.
  - SMS alerts during disasters to safeguard life and property.
  - Valuation services for optimal asset coverage.

Benefits for Policyholders:

- Access to a wider range of services beyond financial compensation.
- Potential for lower premiums due to risk mitigation strategies.
- Improved risk management and preparedness.

The proposal to enable insurers and insurance intermediaries to provide services related or incidental to the insurance business as specified by IRDAI is under consideration."

10. The Committee are satisfied that their recommendation has been taken positively. The Ministry have stated that the proposal to enable insurers and insurance intermediaries to provide services related or incidental to the insurance business as specified by IRDAI is under consideration. The Committee would like the Ministry to apprise the Committee of the developments in this regard at the time of furnishing Final Action Taken Statement.

Recommendation No.5

Allow composite license for life and non-life insurance

11. The Committee, in their Report, had observed/ recommended as under:

> "The Committee note that the Insurance Act, 1938, and the regulations of the Insurance Regulatory Development Authority of India do not allow composite licensing for an insurer to undertake life, general, or health insurance under one entity. However, the Committee are of the view that allowing composite licensing could provide further impetus to the insurance sector owing to its various benefits. It can cut costs and compliance hassles for insurers, as they can run different insurance lines under one roof. It can also offer customers more choice and value, such as a single policy that covers life, health, and savings. It can boost insurance reach and awareness in India, as customers can get all-in-one insurance from one provider, with lower premiums and easier claims. The Committee are aware that to enable composite licensing in India, the Government and the IRDAI are planning to bring amendments to the existing insurance legislation. However, there are some challenges and issues that need to be resolved, such as the capital and solvency requirements for the composite insurers, as they have to deal with different risks and returns from different types of insurance; the accounting and reporting standards for the composite insurers, as they have to keep separate funds and records for different types of insurance; etc. The Committee, therefore, recommend that the Government should hold deliberations with stakeholders to find solutions to these issues. They further recommend the Government to introduce a provision for composite licensing for insurance companies and make the related amendment in legislation at the earliest."

12. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

> "IRDAI has informed that they have proposed amendments to the Insurance Act, 1938, allowing for composite insurance businesses. This means an insurer could apply for registration to offer both life and non-life insurance products. Upon approval, IRDAI will develop regulations for composite insurers. These regulations will address risk profiles, business dynamics, and ensure a smooth transition through consultations with industry stakeholders. The proposal of IRDAI is under consideration."

13. The Committee note that IRDAI has proposed amendments to the Insurance Act, 1938, allowing for composite insurance businesses and the same is under consideration of the Ministry. The Committee expect the Ministry to expedite the matter to enable insurer to offer both life and non-life products.

Recommendation No.7

Health Insurance – Missing Middle

14. The Committee, in their Report, had observed/ recommended as under:

"The Committee note that according to NITI Aayog's report, 'Health Insurance for India's Missing Middle', the *Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana*(AB-PMJAY), and State Government extension schemes, provide comprehensive hospitalization cover to the bottom 50% of the population - around 70 crore individuals. Around 20% of the population - 25 crore individuals – are covered through social health insurance, and private voluntary health insurance. These innovative insurance solutions have transformed health insurance in the country and become enormously popular. Moreover, this demand increase has increased the availability of health care services through the growth of the hospitals and medical professionals.

The Committee further note that, as per the Economic Survey 2022–23,the out-of-pocket expenditure on health has reduced substantially from 64.2% in 2013–14 to 48.2% in 2018–19 due to an increase in government health expenditure from 28.6% to 40.6% during the said period. The Committee appreciate the efforts made by the government to reduce out-of-pocket expenditure. The Committee, therefore, recommend that steps such as increasing consumer awareness, developing simple and standardized health insurance products, sharing government data and infrastructure, ensuring the quality of services, and partial financing of health insurance should be initiated to increase health insurance coverage.

The Committee, considering that many people in the country are just one medical bill away from slipping into poverty, believe that insurance products with affordable premiums and cashless settlement facilities would be instrumental in encouraging more people to opt for health insurance. The Committee also feel that the coverage of OPD, the diagnostic and wellness component, for regular medical claim insured, including group medical insurance, would reduce the financial burden of significant recurrent expenses, particularly for patients with chronic illnesses.

The Committee are of the view that the Ayushman Bharat Scheme is an outstanding and highly successful initiative of the government to provide much-needed health insurance coverage to low-income families. The Committee feel that the scheme can be further strengthened by making it possible for the Missing Middle to participate on a paid basis would close a major insurance gap that exists in society.Providing such health insurance solutions will require close coordination with the Health Ministry and the National Health Authority (NHA). The Committee believe that an Inter-Ministerial Working Group with participation from IRDA, NHA, other concerned agencies, consumers, health care providers, and health care insurance companies should be established to develop a long-term plan to be able to cover all sections of society with tailored government and private sector health insurance solutions."

15. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

“IRDAI has informed that they have been taking various steps for increasing the Health Insurance coverage, consumer awareness etc. some of the recent measures are as under:

- Use and File procedure facilitates faster launch of products. Insurers are facilitated with faster launch of products as per the market needs by Use and File procedure vide circular dated 01.06.2022.
- Dedicated products for Health Insurance coverage to Disabled persons. IRDAI issued Model product to the Insurers vide circular dated 27.02.2023.
- Insurers shall ensure to offer Health Insurance products to cater to all the age groups
- Insurers are advised to design products specifically for Senior Citizens, Students, Children, Maternity etc.
- Insurers shall endeavour to offer coverage for persons with all types of existing medical conditions.
- Insurers are advised to establish connectivity with NHCX (National Health Claim Exchange) for faster settlement of claims
- Insurers are advised to create ABHA (Ayushman Bharat Health Account) ID. So that they can be part of National Health Digital eco-system
- Regarding cashless settlement, it is submitted that
    - IRDAI has been monitoring cashless claims settlements and promoting 100% cashless.
    - Mandated Insurers to establish connectivity with NHCX and such connectivity help to seamless integration of Hospitals with the Insurers and would promote cashless settlements.

Towards reinforcing empowerment of policyholders and bolstering inclusive health insurance, IRDAI has issued a comprehensive Master Circular on Health Insurance Products. The Master Circular has brought in one place the entitlements in a health insurance policy available to a Policyholder/prospects for their easy reference and also emphasizes measures towards providing seamless, faster and hassle-free claims experience to a policyholder procuring health insurance policy and ensuring enhanced service standards across the health insurance sector.

Some of the salient features of the Master Circular are:

- Wider choice to be provided by the Insurers by making available products/addons/riders by offering diverse insurance products catering to all ages, regions, occupational categories, medical conditions/ treatments, all types of Hospitals and Health Care Providers to suit the affordability of the policyholders/prospects.
- Customer Information Sheet (CIS) which is provided by the Insurer along with every policy document. It explains the basic features of insurance policies in simple words like type of insurance, sum insured, coverage details, exclusions, sub-limits, deductibles, and waiting periods
- Customer to be provided with the flexibility to choose products/addons/riders as per his/her medical conditions/specific needs.
- A Policyholder with multiple health insurance policies gets to choose the policy (s) under which he/she can get the admissible claim amount. The primary insurer with whom claim is first submitted shall coordinate and facilitate settlement of balance amount from the other insurers.
- Insurer to decide on cashless authorization requests immediately and within one hour and final authorization on discharge from hospital within three hours of request from the hospital.”

16. The Committee, with a view to fill the major health insurance gap that exists in society, had desired that an Inter-Ministerial Working Group with participation from IRDA, NHA, other concerned agencies, consumers, health care providers, and health care insurance companies should be established to develop a long-term plan to be able to cover all sections of society with tailored government and private sector health insurance solutions. However, the Committee find that though the Ministry, in their reply, have enumerated various other initiatives, they have not mentioned anything about their efforts for the formation of such an Inter-Ministerial Working Group. Since the task of covering the gap in health insurance is complex and involves multiple agencies, close coordination among them would immensely help in formulating and executing a comprehensive plan. The Committee, therefore, would like to reiterate their recommendation and expect the Ministry to make sincere efforts at the appropriate level for the formation of such a group.

Further, the Committee also note that IRDAI has issued a comprehensive Master Circular on Health Insurance Products which inter alia provides Insurer to decide on cashless authorization requests immediately and within one hour and final authorization on discharge from the hospital within three hours of a request from the hospital. The Committee, while welcoming such steps, would also like to emphasize that these provisions are strictly implemented at the ground to reduce the hassle for the beneficiaries. All the grievances in this regard should be taken seriously and resolved promptly.

Recommendation No.8

Reduce GST for health insurance and microinsurance products

17. The Committee, in their Report, had observed/ recommended as under:

> "The Committee feel that there is a need to rationalize the GST rate on insurance products, especially health and term insurance, which is 18% at present. The high rate of GST results in a high premium burden, which acts as a deterrent to getting insurance policies. The Committee, with a view to make insurance more affordable, recommend that GST rates applicable to health insurance products, particularly retail policies for senior citizens and microinsurance policies (up to limits prescribed under PMJAY, presently Rs. 5 lakh), and term policies may be reduced."

18. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

> "IRDAI has informed that several developed countries, including the European Union and Canada, exempt insurance products from VAT or GST. This reinforces the argument for providing similar benefits in India to encourage greater insurance penetration.
>
> **Supporting Arguments**
>
> - Increased longevity and healthcare needs necessitate greater health insurance adoption.
> - Extending GST exemption to micro-insurance and senior citizen health policies would benefit disadvantaged sections.
> - The current inconsistency where medical services are exempt but premiums attract GST creates an unfair burden.
>
> To give relief to disadvantageous and vulnerable sections of society, IRDAI has suggested to extend exemption from GST for retail health policies offered to senior citizens, micro-Insurance policies and term insurance policies upto a suitable limit. This Department supports the proposal of reduction of GST."

19. The Committee are glad that the IRDAI is in agreement with the recommendation of the Committee to reduce GST rates. Moreover, the Department of Financial Services also supports this proposal. However, the Committee note that the reply does not contain any roadmap as to how the recommendation of the Committee would be implemented. Since, the matter also involves the GST Council and the Department of Revenue, the Committee, therefore, expect the Ministry of Finance to coordinate and do the needful so that a decision in this regard may be taken.

Recommendation No.9

Home and Property insurance in disaster prone areas

20. The Committee, in their Report, had observed/ recommended as under:

> "The Committee note that India has been ranked 3rd, after the US and China, in recording the highest number of natural disasters since 1900. By disaster type, India is marred mostly by floods. The Committee feel that the natural disasters can cause a lot of damage to infrastructure in India, a country that faces many natural hazards because of its demographic and geographic features. Also, many houses are not safe enough to resist earthquakes and floods. These factors make them very prone to damages resulting from natural disasters. Considering the increased occurrence of unforeseen and erratic natural calamities in recent times, the Committee recommend that the government should explore options as to how homes and properties, especially those of economically vulnerable groups, can be insured in areas susceptible to catastrophic damages with the aid of Central/State Government. This may require a specialized insurance

business to be set up by one of the Public Sector General Insurance Companies with subsidized premiums for disaster-prone areas. Such insurance businesses have been established in many other areas, such as Florida which is subject to regular hurricane damage. Similarly, the government may need to consider how to provide insurance for projects that have to deal with extreme weather such as glacial lake outbursts. This happened recently to the Teesta III dam in Sikkim. These additional insurance products will require extensive consultation with general insurance companies, reinsurers, and enterprises that are facing such risks. The Committee therefore proposes that IRDA set up a Working Group with all concerned stakeholders to examine all these issues in detail and then provide appropriate policy recommendations to address this important set of issues."

21. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

"IRDAI has informed that the issue of providing insurance to economically vulnerable groups in disaster-prone areas is already under the consideration of various committees constituted by different organizations such as NDMA.
It is also important to consider mandating the homeowners, through respective RERAs home insurance for all, especially, those living in disaster-prone areas. The above issues have to be deliberated at length with various stakeholders, then only a proposal to provide insurance to economically vulnerable groups in disaster-prone areas can be considered.
The insurance sector supports catastrophic insurance to which requires collaboration between the government, insurers, reinsurers and regulators. While discussions are ongoing, specific solutions like subsidized premiums and specialized insurance businesses are under consideration. Additionally, parametric insurance offers significant advantages including faster claims payment, cost efficiency, clear triggers for pay-outs and financial stability for the insured following disasters.
NDMA has constituted a working group, Committee on Disaster Risk Reduction (CoDRR) to make single peril parametric insurance product available to Indian market. DFS is the member of the said working group."

22. The Committee note that NDMA has constituted a working group, Committee on Disaster Risk Reduction (CoDRR) to make single peril parametric insurance product available to Indian market and the Department of Financial Service is the member of the said working group. The Committee expect that due deliberation with stakeholders will be conducted expeditiously, ensuring that, among other things, insurance at subsidized premiums is provided to economically vulnerable groups in disaster-prone areas.

Recommendation No.11

Public Sector General Insurance Companies Competitiveness Roadmap

23. The Committee, in their Report, had observed/ recommended as under:

> "The Committee observe that the financial condition of 4 Public Sector General Insurance Companies needs to be strengthened. They lack adequate capital and have lagging insolvency ratios. In regard to their performance, the Committee have been apprised that their overexposure in health insurance business, i.e., 50% of their total business, has been one of the reasons, as the same has led to Rs. 26,000 crore of losses in five years from 2016–17 to 2020–21. Further, wage revisions which were affected in 2017 and 2023, and COVID-19 losses which were a wider industry-level phenomenon, have been assigned as the other causes of their performance decline. In regard to remedial steps being taken, the Committee have been given to understand that almost Rs. 17,000 crore has already been infused in terms of capital into these 4 Public Sector Companies over the past 3-4 years; more capital is also being infused now through the Supplementary Demand for Grants. It has also been stated that the focus area for improving their performance such as the need to exit from unprofitable lines of business and rebalance the business mix, improve underwriting capacity, improve the retail business portfolio controllable expenses, improvement in technology, rationalization of office rentals, and organizational restructuring involving bringing more people on the marketing side of their operations rather than sitting in the back office, have been identified. The Committee, in view of the above, recommend that an appropriate strategic roadmap to implement all the intended remedial steps, should be established for these companies to improve their competitiveness and enable them to attract sufficient capital and talent to grow. This roadmap should have appropriate timelines for demonstrable performance improvement. If performance does not improve sufficiently quickly, there should be further aggressive measures that should be evaluated. The Board of each of these Public Sector General Insurance Companies should approve these strategic roadmaps and commit to performance improvements. The Committee would like to be apprised of the details of such roadmap drawn and the concrete action taken thereof to improve the performance of these companies."

24. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

> "IRDAI has informed that they had highlighted the deteriorating financial position of National Insurance Company Limited (NICL), Oriental Insurance Company Limited (OICL), and United India Insurance Company Limited (UIIC) since FY 2016-17. They have urged the Department of Financial Services (DFS) to consider measures like
>
> - capital infusion,
> - stricter performance monitoring, and
> - corrective plans to improve the companies' solvency and
> - overall financial health.

IRDAI has also emphasized the possibility of taking regulatory actions to protect policyholder interests.
The financial health of National, Oriental, and United India requires improvement. While the government considers options like capital infusion and potential privatization, IRDAI continues its focus on regulatory measures. Each company has outlined strategies to achieve sustainable growth and profitability. Addressing these concerns is crucial for ensuring a strong and secure public sector general insurance market in India.
Further, companies have been advised to formulate a strategic roadmap with appropriate timelines and get the same approved by their Board."

25. The Committee note that the Ministry in their reply, apart from that the companies have been advised to formulate a strategic roadmap with appropriate timelines and get the same approved by their Board has not mentioned any concrete action to improve their financial conditions. The Committee therefore, desire the Ministry to provide all the details of the action that have been taken or planned to be taken in this regard. It is needless to emphasize that the concerns of the Public Sector Insurance Companies would also be appropriately addressed by the Ministry.

Recommendation No.12

Level Playing Field for Public Sector Companies

26. The Committee, in their Report, had observed/ recommended as under:

"The Committee find that at present, TDS on GST applies to insurance provided by the Public Sector Insurance Companies, whereas it doesn't apply to insurance offered by Private Sector Insurance Companies. The Committee also find that the Public Sector Insurance Companies have to mandatorily participate in government-run insurance schemes which impacts their profitability. The Committee with a view to ensure a level playing field, recommend that such provisions be uniformly applied to all players."

27. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

"IRDAI has informed that the Public Sector Undertaking (PSU) insurers are required to deduct TDS (Tax Deduction at Source) at a rate of 2% (CGST + SGST) on payments exceeding Rs. 2.5 lakh, while private insurers are not. This is due to a notification extending the TDS requirement to entities specified under Section 51 of the CGST Act, 2017. The Committee recommends removing the TDS requirement for PSU insurers and de-notifying them from the relevant section. This would create a level playing field between public and private insurers.

Both private and public insurers participate in government insurance schemes like PMFBY (Pradhan Mantri Fasal Bima Yojana), PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana), PMSBY (Pradhan Mantri Suraksha Bima Yojana), and PMJAY (Pradhan Mantri Jan Arogya Yojana).
Recommendation by the Insurers

- Favors a uniform tax structure for all non-life insurers (public and private) instead of TDS.
- Supports mandatory participation by private players in government schemes for wider coverage.

Highlights existing delegation from IRDAI (Insurance Regulatory and Development Authority of India) to insurer boards for areas like commission payments, agent appointments, intermediary utilization, and management expenses. This delegation allows insurers to set their priorities and act independently within regulatory guidelines."

28. The Committee find the reply of the Ministry ambiguous. It seems that the Ministry have not examined the matter as to how the anomaly in regard to treatment of Public and Private Sector be removed. Rather they have presented the factual positions. The Committee while reiterating their recommendation would like the Ministry to examine the matter and come up with the solutions to ensure fair parity for the two sectors.

Recommendation No.18

Policy Roadmap

29. The Committee, in their Report, had observed/ recommended as under:

"The Committee note that 'Insurance for All by 2047' is a mission set by the Insurance Regulatory and Development Authority of India (IRDAI) to increase insurance penetration and coverage in the country. According to the IRDAI, the objective is to ensure that every citizen has appropriate life, health, and property insurance cover and that every enterprise is supported by appropriate insurance solutions. The IRDAI also aims to make the Indian insurance sector globally attractive and competitive by moving to principles-based regulation and streamlining regulatory processes. The Committee appreciate IRDAI for this much-needed initiative and believe that it will not only give a boost to the insurance sector but also pave the way for sustainable economic and social development in the country. The Committee, however, find that at present, there is no Policy Roadmap for achieving the envisaged ambitious target of Insurance for All by 2047. They, therefore, recommend that a Policy Roadmap White Paper be prepared with comprehensive stakeholder consultation so that it can act as a beacon for all stakeholders with a view to sustaining the insurance sector with affordable and useful products."

30. In their Action Taken Reply the Ministry of Finance (Department of Financial Services) have submitted as follows:

"IRDAI has informed that it aligns with the Government of India's vision of Viksit Bharat@2047, committed to promoting a congenial business environment for "Insurance for all by 2047."

The Indian insurance sector, currently the tenth-largest globally, is poised for significant growth. As per a report by the reinsurer Swiss Re, Indian Insurance market is poised to become the sixth-largest by 2032. This growth potential is attributed to India's large and unique market, supported by a robust economy, an expanding middle class, a young population, growing disposable incomes, and widespread technology usage.

IRDAI has further informed that it is pursuing structured regulatory reforms to foster development of insurance sector. A number of initiatives to promote ease of doing business are also taken as part of overall regulatory reforms. The overall objective of these reforms is to enhance insurance penetration while safeguarding policyholder interests.

Over the past two years, IRDAI has implemented a series of reforms aimed at promoting ease of doing business and reducing compliance burdens for insurers which include, inter alia,

- extending 'Use and File' procedure for all the health and general insurance products and most of the life insurance products;
- simplifying the process of registration of insurance companies, raising investment threshold for individual investors and specifying indicative criteria for determination of 'Fit and proper' status of investors and promoters;
- increasing the period for considering state/ central government dues for calculation of solvency margin and reduction of solvency factor related to crop insurance;
- revising factor for calculation of solvency for Unit Linked Business (without guarantees) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY);
- increasing the roles and responsibilities of Appointed Actuaries;
- increasing the threshold for companies to raise other forms of capital (viz., subordinated debt and/or preference shares);
- increasing the experimentation period of regulatory sandbox to test innovative products;
- increasing the maximum limit of tie-ups for corporate agents and insurance marketing firms with insurers;
- revamping the guidelines for cross-border reinsurers; and
- revising expenses of management (EoM) and commission limits for insurers. To further incentivize insurers to invest in insurance awareness, IRDAI allowed insurers to spend an additional 5% of allowable expenses for management of both life and general insurance.
- Requiring Insurers to issue concise and updated Customer Information Sheet (CIS) to the policyholders (CIS contains all important information about health insurance policy with details such as coverage, exclusions, and key concepts in health insurance policy)
- Issuing guidelines on Bima Vahaks, a women-centric dedicated distribution channel, for enhancing insurance inclusion and awareness with a focus on rural areas

- Amendments to reinsurance regulations with an objective to promote more favorable business environment, including requiring Indian reinsurers to maintain a minimum retention of 50% within India, simplifying the Order of Preference for reinsurance placements, relaxing compliance requirements, and reducing the minimum capital requirement for new FRBs.

In response to the dynamic changes in the Indian insurance market, IRDAI has informed that it is comprehensively reviewing the regulatory architecture to move to principle-based regulations, from the existing rule-based regulatory framework. The reforms/ initiatives towards the same include the following:

- Formation of Mission mode teams to implement a Risk Based Supervisory (RBS) framework and a Risk Based Capital (RBC) regime with an objective to align the insurance sector with global standards and industry dynamics.
- Continuing its reform agenda, IRDAI has undertaken a comprehensive review of the regulatory framework, leading to the approval of nine principle-based consolidated regulations. These regulations replaced 37 regulations with seven regulations and introduction of two new regulations enhancing clarity and coherence in the regulatory landscape. These regulations encompass key domains such as safeguarding of policyholders' interests, rural and social sector responsibilities, electronic insurance marketplace, insurance products and operation of foreign reinsurance branches, as well as aspects of registration, actuarial, finance, investment and corporate governance.
- IRDAI is committed to supporting digital initiatives, with the development of the 'Bima Sugam' e-marketplace platform and the issuance of related regulations.
- The comprehensive framework laid down in the recently notified IRDAI (Registration, Capital Structure, Transfer of Shares & Amalgamation Insurers) Regulations, 2024) aims to foster the growth of the insurance sector by simplifying various processes, including registration of insurers, transfer of shareholding, capital structure, amalgamation of insurers, and listing of shares on stock exchanges. By streamlining these procedures, the regulations seek to enhance the ease of doing business within the insurance industry, facilitating smoother operations and promoting overall sectoral growth.

  The reforms so far undertaken are also showing results with a number of domestic investors establishing new insurance companies. In the last preceding two years itself, IRDAI has issued Certificate of Registration to six insurance companies after a gap of 11 years in case of life insurers and 5 years in case of non-life insurers.

  - De-notified tariffs of insurance products to allow competitive pricing and designing of products by the insurance companies to the serve a broad range of population.
  - Recommendations are also made to DFS for effecting certain important amendments to the provisions of Insurance Act, 1938 to further expand the insurance market and deepen the insurance penetration.

These reforms, coupled with recommendations for amendments to the Insurance Act, 1938, demonstrate IRDAI's commitment to expanding the insurance market and deepening penetration."

31. The Committee note that the Ministry in their reply have stated that the IRDAI aligns with the Government of India's vision of Viksit Bharat@2047 and committed to promoting a congenial business environment for "Insurance for all by 2047". They have also enumerated various steps that have been taken as well as planned by the IRDAI for the development of the Sector. Moreover, the Ministry have indicated that there may be amendments to the Insurance Act, 1938 in this regard. However, the Committee observe that the reply of the Ministry is silent on their specific recommendation of preparing a Policy Roadmap White Paper for achieving the envisaged target of 'Insurance for All by 2047'. The Committee firmly believe that having a Policy Roadmap would not only provide clear direction and impetus to the Insurance Sector but also dispel any lingering uncertainties. The Committee while reiterating their recommendation would expect the Ministry to make concrete efforts in this regard by having comprehensive consultation with the stakeholders and come up with a Policy Roadmap White Paper.

New Delhi;	**Bhartruhari Mahtab**
4 December, 2024	**Chairperson,**
13 Agrahayana, 1946 (Saka)	**Standing Committee on Finance**

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI No. 1)

INSURANCE COVERAGE

Increasing Awareness through Public Campaigns

2.1 The Committee note that the insurance penetration in India in 2021 was 4.2%, while the global average was 7%. Similarly, insurance density in India was $91, whereas the global average was $874. Moreover, the Indian insurance sector is heavily tilted towards the life insurance segment which has a share of 76%. Whereas, globally, the share of life insurance business in total premium was 43.7% and the share of non-life insurance premium was 56.3%. The gap in coverage is more in the general and health insurance segments.

2.2 The Committee find that the insurance sector is a vital component of modern-day economies, offering protection and risk management to individuals and enterprises. It safeguards citizens' lives, health, and assets, providing financial support to them and their dependents while serving as a safety net for low-income sections. For enterprises, it not only ensures continuity and cushions against untoward incidents but also enables scalability. A vibrant insurance sector fosters market stability, absorbs financial shocks, provides long-term patient capital, attracts Foreign Direct Investment, and generates employment. Moreover, insurance aids governments by ensuring citizen protection, covering businesses, strengthening the economy, and attracting long term investment in government securities and other investments.

2.3 The Committee are, therefore, of the view that there is an imminent need to create mass-level awareness about the need and benefits of having necessary insurance protection of diverse insurance products, not just life insurance. The Committee acknowledge that the Association of Mutual Funds of India (AMFI) has done a stellar public awareness campaign in building up awareness about investing in the stock markets, particularly through systematic investment plans (SIPs). The Committee recommend that a similar campaign be launched to educate consumers about the benefits of different types of insurance products, claims paid during COVID-19, and how claims have uplifted families in the country, how the insurance sector has helped in large claims during floods, cyclones, etc.. This awareness campaign should be launched jointly by insurance companies and IRDAI and feature life, health, and general insurance products. Reputed and credible celebrities can highlight that they have purchased different insurance products such as for motor, home, and health and recommend that the general public should also purchase such products for their family's security.

Reply of the Government

- IRDAI has informed that they acknowledge the importance of insurance awareness campaigns and are undertaking a multi-pronged approach involving various stakeholders. The insurance industry is undertaking a variety of initiatives to raise awareness about the importance of insurance and its benefits.

- The Insurance Councils, along with insurance companies are actively engaged in awareness campaigns to reach a diverse audience:
    - Mass Media: Utilizing television, social media, and prominent public spaces like railway stations and airports for widespread reach.
    - Rural Outreach: Tailored programs using WhatsApp and local language communication to bridge the gap in rural areas (as implemented by NIACL).
    - Joint Initiatives: Collaborating with the General Insurance Council for the "BIMA SUGAM" platform, a comprehensive resource for all insurance needs (as highlighted by NIACL).
    - National Events: Leveraging National Insurance Awareness Day (June 28th) for focused campaigns to raise public consciousness (mentioned by both NIACL and UIICL).

- Additionally, companies are implementing specific strategies:
    - Radio FM: Public awareness campaigns for various purposes, including claim settlements, new product launches and agent recruitment.
    - Print Media: Targeted newspaper advertisements for special insurance offers (e.g., Women's Day discounts).
    - Digital Media: Utilizing social media platforms like YouTube and Facebook for educational content (e.g., safety measures during disasters) and positive testimonials (e.g., Pradhan Mantri Suraksha Bima Yojna beneficiaries highlighted). Continued expansion into newer platforms like launch of a WhatsApp channel.

- Out-of-Home Media: Product advertisements in prominent locations with plans for expansion to Tier II & III cities through metro trains, bus branding, and airports
- Event Sponsorships: Collaborations with institutions like The Hindu Group and National Insurance Academy to promote insurance awareness.
- Public Campaigns: Distributing flyers, product brochures, and conducting training sessions for staff, agents, and intermediaries.
- State Insurance Plan: Focused awareness programs in adopted states and allocated districts. This involves activities like awareness camps in schools, colleges, village markets, and Gram Panchayats, distribution of local language pamphlets on relevant insurance products, and agent/POS recruitment to generate local employment opportunities.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 2)

Promotion of Microinsurance

2.4 The Committee find that microinsurance protect low-income people from financial losses with affordable products. This section of society faces many risks that make them vulnerable to uncertainty, therefore, microinsurance is essential to help them cope and recover. microinsurance could be an important tool for financial inclusion and poverty alleviation in India, where a large section of the population lacks access to formal insurance services.

The Committee note that IRDAI had issued the IRDAI (Micro Insurance) Regulations, 2015, which define the eligibility criteria, product features, distribution channels, and reporting requirements for microinsurance. The Committee further note that in the promotion of microinsurance, there are several challenges such as small ticket size coupled with high transaction and service delivery costs, absence of a business model that can attract good intermediaries, capacity building of intermediaries, and lack of basic awareness and knowledge on how insurance works. The Committee, therefore, recommend that new microinsurance products need to be developed and provided as affordably as possible for the financial protection and security of the low-income and vulnerable sections of society who are exposed to various risks such as health, crop, life, etc. The Committee believe that it can bring about a positive change in poor people's perceptions of insurance. Current microinsurance products such as PM Suraksha Bima Yojana and Jeevan Jyoti Bima Yojana have already been very successful. Therefore, developing innovative and customized products that suit the needs and preferences of the target population is vitally important. The Committee feel that this may require encouraging smaller, niche players in various geographic areas. The Committee, therefore, also recommend that the capital requirement of Rs. 100 crores may be reduced for such players.

Reply of the Government

IRDAI has informed that they support to reduce the minimum capital requirement for smaller insurance companies. This proposal involves:

- Amending the Insurance Act, 1938 to remove the fixed capital requirement of Rs. 100 crore.
- Enabling IRDAI to set capital requirements through regulations based on factors like company size, business type, and complexity.

This change aims to promote financial inclusion by making insurance more accessible to low-income groups.

The IRDAI (Rural, Social Sector, and Motor Third Party Obligations) Regulations, 2024 consolidate erstwhile regulations pertaining to minimum business obligations of insurers in rural, social sector and motor third party business for insurers. Compliance and measurement of these statutory obligations has been revised where the unit of measurement under the rural obligations will now be Gram Panchayat, the scope of social sector has been extended to cover cardholders and beneficiaries under various schemes.

Obligations of the insurers in Rural Sector

(a) Life Insurance

Financial year following notification of Regulations	Minimum number of gram panchayats	Minimum percentage of lives to be covered in a gram panchayat
First year	25,000	10%

(b) General Insurance (General Insurers other than stand-alone health insurer (SAHI), Agriculture Insurance Co. Ltd (AIC) and ECGC) –

Financial year following notification of Regulations	Minimum number of gram panchayats	Minimum percentage of dwellings and shops to be covered in a gram panchayat	Minimum percentage of vehicles to be covered under motor insurance in a gram panchayat
First year	25,000	10%	10%

(c) Health Insurance (General Insurers including SAHI other than AIC and ECGC)

Financial year following notification of Regulations	Minimum number of gram panchayats	Minimum percentage of lives to be covered in a gram panchayat under health insurance	Minimum percentage of lives to be covered in a gram panchayat under personal accident insurance
First year	25,000	10%	10%

Obligations of the insurers in Social Sector:
In respect of all Insurers (Life, General and Standalone Health, excluding AIC and ECGC)

Financial Year following notification of Regulations	Minimum percentage of lives to be covered as a proportion of total lives covered
First year	10%

PSGICs have informed that they offer various micro insurance products by leveraging various channels to distribute micro insurance products in rural areas, including:

- Cattle, Horse/Pony, Pig, Camel, and Duck Sukshma Bima Policies
- Agricultural Pumpset Insurance
- Animal Driven Cart, Lift Irrigation, Sheep & Goat, and Poultry Sukshma Bima Policies
- Farmers' Package, Hut Sukshma Bima Policies

PSICs remains committed to increasing micro insurance sales in rural areas through its distribution channels.

[Ministry of Finance (Department of Revenue), O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

(For Comments of the Committee, please refer Para No. 7 of Chapter I)

Recommendation (Sl No. 3)

DISTRIBUTION NETWORK

Open Architecture for Agents

2.5 The Committee note that, as per the Insurance Act of 1938, insurance agents can associate with one life, one non-life, and one health insurance company for the distribution of insurance business. However, the Committee, during deliberation on the subject, felt that in order to facilitate a larger outreach of insurance products and a stronger distribution infrastructure, Open Architecture for insurance agents is required. Open Architecture enables agents to associate with multiple insurance companies, resulting in higher insurance penetration while accelerating financial inclusion and lower distribution costs. It will also provide an equitable footing for the insurance agents vis-à-vis the insurance intermediaries. Also, customers would have access to more options at a competitive price. However, the Committee recommend extensive industry consultations on this matter to ensure that policies provide a level playing field to all players and do not unduly disadvantage incumbents. Additionally, any changes should be implemented over a period of time to enable all participants to prepare for these major changes.

Reply of the Government

The recommendation of the committee is noted. The strength of agency force of leading life insurance companies as on 31.03.2024 is: -

Sr. no	**Life insurance company**	**No. of agents**	**Percentage share of agents**	**Percentage of Market share (Individual First year premium)**
1	Bajaj Allianz Life Insurance Company Limited	1,50,841	5.21%	4.57%
2	TATA AIA Life Insurance Company Limited	1,17,656	4.06%	5.49%
3	ICICI Prudential Life Insurance Company Limited	2,09,521	7.24%	5.91%
4	Max Life Insurance Company Limited	1,02,693	3.5%	6.18%
5	HDFC Life Insurance Company Limited	2,14,275	7.40%	9.92%
6	SBI Life Insurance Company Limited	2,46,078	8.50%	15.90%

7	Life Insurance Corporation of India	14,14,743	48.87%	38.44%
	Total	24,55,807	85%	86.41%

LIC has submitted that out of total 28.94 lakh individual agents of life insurance industry, their agency force consists of around 14.15 lakh agents i.e. approx. 49% of the total life insurance agency force bringing in 96% business of LIC. LIC gives a lot of long-term benefits to its agents in the form of gratuity, Medi-claim, group insurance etc., as per the LIC of India (Agents) Regulations, 2017. LIC also ensures growth and professional training of the agents. LIC being a Domestic Systemically Important Insurer, its performance and stability is of vital significance to the citizens and the economy as a whole.

It is further submitted that life insurance policies are generally long-term commitments and the policyholders require services of the agents from time to time. In case of open architecture, agents may switch over from one insurer to another, which could be detrimental to the interest of the policyholders and have a disbalancing effect on life insurance companies as enumerated from the table above.

At present, insurance can be also distributed through Brokers, Corporate Agents, Web Aggregators, Point Of Sales Persons, Insurance Marketing Firms, etc. In order to enable the policyholders/prospects to have wider choice and access to insurance through various distribution channels, the maximum number of tie-ups for Corporate Agents (CA) and Insurance Marketing Firms (IMF) have been increased. Now, a CA can tie up with 9 insurers (earlier 3 insurers), and IMF can tie up with 6 insurers (earlier 2 insurers) in each line of business of life, general and health for distribution of their insurance products.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (SI No. 4)

Insurance Companies may be permitted to offer Value Added Services

2.6 The Committee are of the belief that insurance is not just about the underwriting of risk but also the management of risk and value-added services. Preventive risk mitigation activities on a standalone basis would not only help in the popularization and penetration of insurance but would also help to reduce the incidence of losses, thereby resulting in better-priced products and lower overall risk for the nation. Further, insurers would be able to provide a comprehensive risk mitigation solution to customers. The Committee, therefore, recommended that insurance companies be permitted to provide risk management and value-added services that are ancillary to the insurance business.

Reply of the Government

IRDAI has informed that the insurance industry is seeking regulatory amendments to allow insurers to offer value-added services (VAS) beyond core insurance products as the industry is exploring innovative ways to deliver new and valuable services to customers.

Rationale for VAS:

- Permitting VAS would enable insurers to:
    - Expand product offerings.
    - Enhance customer satisfaction through additional benefits.
    - Increase market competitiveness.
    - Offer risk mitigation services, potentially leading to lower premiums.

IRDAI has provided following examples of VAS:

- **Health Insurance:**
    - Embedding VAS and wellness covers in retail health policies.
    - Offering basic healthcare services like annual check-ups.
    - Organizing health camps in rural areas.
- **Property Insurance:**
    - Providing risk mitigation services like:
        - Roadside assistance.
        - Safety consultations.
        - Disaster preparedness guidance.
        - Offering anti-theft alarms or fire extinguishers as add-ons.
- **General Insurance:**
    - Risk inspections with suggestions for loss prevention.
    - SMS alerts during disasters to safeguard life and property.
    - Valuation services for optimal asset coverage.

Benefits for Policyholders:

- Access to a wider range of services beyond financial compensation.

- Potential for lower premiums due to risk mitigation strategies.
- Improved risk management and preparedness.

The proposal to enable insurers and insurance intermediaries to provide services related or incidental to the insurance business as specified by IRDAI is under consideration.

[Ministry of Finance (Department of Revenue), O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

(For Comments of the Committee, please refer Para No. 10 of Chapter I)

Recommendation (Sl No. 5)

Allow composite license for life and non-life insurance

2.7 The Committee note that the Insurance Act, 1938, and the regulations of the Insurance Regulatory Development Authority of India do not allow composite licensing for an insurer to undertake life, general, or health insurance under one entity. However, the Committee are of the view that allowing composite licensing could provide further impetus to the insurance sector owing to its various benefits. It can cut costs and compliance hassles for insurers, as they can run different insurance lines under one roof. It can also offer customers more choice and value, such as a single policy that covers life, health, and savings. It can boost insurance reach and awareness in India, as customers can get all-in-one insurance from one provider, with lower premiums and easier claims. The Committee are aware that to enable composite licensing in India, the Government and the IRDAI are planning to bring amendments to the existing insurance legislation. However, there are some challenges and issues that need to be resolved, such as the capital and solvency requirements for the composite insurers, as they have to deal with different risks and returns from different types of insurance; the accounting and reporting standards for the composite insurers, as they have to keep separate funds and records for different types of insurance; etc. The Committee, therefore, recommend that the Government should hold deliberations with stakeholders to find solutions to these issues. They further recommend the Government to introduce a provision for composite licensing for insurance companies and make the related amendment in legislation at the earliest.

Reply of the Government

IRDAI has informed that they have proposed amendments to the Insurance Act, 1938, allowing for composite insurance businesses. This means an insurer could apply for registration to offer both life and non-life insurance products. Upon approval, IRDAI will develop regulations for composite insurers. These regulations will address risk profiles, business dynamics, and ensure a smooth transition through consultations with industry stakeholders. The proposal of IRDAI is under consideration.

[Ministry of Finance (Department of Revenue), O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

(For Comments of the Committee, please refer Para No. 13 of Chapter I)

Recommendation (SI No. 6)

<u>*Actuarial*</u>

2.8 Actuaries play an important role in the insurance sector as they are skilled in the risk analysis for different insurance products and provide support in designing and pricing of policies and financial modelling. The Actuaries Act, 2006 governs the profession of actuaries in India. As of now there are about 1000 actuaries including app. 600 Fellow Members of Institute of Actuaries of India which is too few given the projected growth of insurance sector. An enabling environment for the growth of actuarial profession in India should be created by building awareness in schools/colleges, encouraging more people to take the exam, coaching classes, and providing better career prospects. Further, as of now actuaries are used only in Insurance Sector, but their competence in financial modelling, risk analysis etc. could be used in government, banking, asset management, and other financial services sectors as well.

Reply of the Government

IRDAI has informed that the Institute of Actuaries of India (IAI), a statutory body formed under the Actuaries Act, 2006, has been established to promote and regulate Actuarial profession in India. IRDAI is involved in promoting actuarial profession in the following manner:

1. Member (Actuary) is ex-officio member of the Council of Institute of Actuaries of India (IAI). The Council is the apex body for decision making. The president of IAI is a member of Insurance Advisory Committee.
2. The Institute of Insurance and Risk Management (IIRM), Hyderabad is a leading education institution jointly promoted by IRDAI and Government of Telangana.

IIRM actively promotes Actuarial Science within its educational programs, offering a range of specialized courses including Post Graduate Diplomas specializing in Actuarial Science and Executive Post Graduate Diplomas for working professionals. Additionally, it also plans to introduce advanced diploma programs to enhance expertise in this field.

3. Further, IIRM is in the process of collaborating with Institute of Actuaries of India (IAI) whereby its students can receive exemptions for certain specific subjects.

**[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]**

Recommendation (Sl No. 8)

Reduce GST for health insurance and microinsurance products

2.9 The Committee feel that there is a need to rationalize the GST rate on insurance products, especially health and term insurance, which is 18% at present. The high rate of GST results in a high premium burden, which acts as a deterrent to getting insurance policies. The Committee, with a view to make insurance more affordable, recommend that GST rates applicable to health insurance products, particularly retail policies for senior citizens and microinsurance policies (up to limits prescribed under PMJAY, presently Rs. 5 lakh), and term policies may be reduced.

Reply of the Government

IRDAI has informed that several developed countries, including the European Union and Canada, exempt insurance products from VAT or GST. This reinforces the argument for providing similar benefits in India to encourage greater insurance penetration.

Supporting Arguments

- Increased longevity and healthcare needs necessitate greater health insurance adoption.
- Extending GST exemption to micro-insurance and senior citizen health policies would benefit disadvantaged sections.
- The current inconsistency where medical services are exempt but premiums attract GST creates an unfair burden.

To give relief to disadvantageous and vulnerable sections of society, IRDAI has suggested to extend exemption from GST for retail health policies offered to senior citizens, micro-Insurance policies and term insurance policies upto a suitable limit. This Department supports the proposal of reduction of GST.

**[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]**

(For Comments of the Committee, please refer Para No. 19 of Chapter I)

Recommendation (Sl No. 9)

GENERAL INSURANCE

Home and Property insurance in disaster prone areas

2.10 The Committee note that India has been ranked 3rd, after the US and China, in recording the highest number of natural disasters since 1900. By disaster type, India is marred mostly by floods. The Committee feel that the natural disasters can cause a lot of damage to infrastructure in India, a country that faces many natural hazards because of its demographic and geographic features. Also, many houses are not safe enough to resist earthquakes and floods. These factors make them very prone to damages resulting from natural disasters. Considering the increased occurrence of unforeseen and erratic natural calamities in recent times, the Committee recommend that the government should explore options as to how homes and properties, especially those of economically vulnerable groups, can be insured in areas susceptible to catastrophic damages with the aid of Central/State Government. This may require a specialized insurance business to be set up by one of the Public Sector General Insurance Companies with subsidized premiums for disaster-prone areas. Such insurance businesses have been established in many other areas, such as Florida which is subject to regular hurricane damage. Similarly, the government may need to consider how to provide insurance for projects that have to deal with extreme weather such as glacial lake outbursts. This happened recently to the Teesta III dam in Sikkim. These additional insurance products will require extensive consultation with general insurance companies, reinsurers, and enterprises that are facing such risks. The Committee therefore proposes that IRDA set up a Working Group with all concerned stakeholders to examine all these issues in detail and then provide appropriate policy recommendations to address this important set of issues.

Reply of the Government

IRDAI has informed that the issue of providing insurance to economically vulnerable groups in disaster-prone areas is already under the consideration of various committees constituted by different organizations such as NDMA.

It is also important to consider mandating the homeowners, through respective RERAs home insurance for all, especially, those living in disaster-prone areas. The above issues have to be deliberated at length with various stakeholders, then only a proposal to provide insurance to economically vulnerable groups in disaster-prone areas can be considered.

The insurance sector supports catastrophic insurance to which requires collaboration between the government, insurers, reinsurers and regulators. While discussions are ongoing, specific solutions like subsidized premiums and specialized insurance businesses are under consideration. Additionally, parametric insurance offers significant advantages including faster claims payment, cost efficiency, clear triggers for pay-outs and financial stability for the insured following disasters.

NDMA has constituted a working group, Committee on Disaster Risk Reduction (CoDRR) to make single peril parametric insurance product available to Indian market. DFS is the member of the said working group.

**[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]**

(For Comments of the Committee, please refer Para No. 22 of Chapter I)

Recommendation (Sl No. 10)

Motor Insurance Enforcement

2.11 The Committee observe that, as per the Motor Vehicles Act, 1988, all vehicles that operate in any public space must have motor vehicle insurance coverage; however, its enforcement is an issue. The Committee also note that, as per the Motor Annual Report, 2019–20, of the Insurance Information Bureau of India (IIB), of the over 25.33 crore vehicles on the road in India as on 31st March 2020, the percentage of uninsured vehicles was nearly 56%. This indicates that a large number of vehicles (particularly commercial vehicles) are plying on the roads without any insurance cover, which poses a risk to the owners and third parties in case of accidents or damages. In particular, many innocent victims suffer due to accidents caused by commercial vehicles. There is no proper insurance coverage that can be identified after the accident and this often leads to local communities shutting down traffic till appropriate compensation is provided. The Committee, therefore, recommend that, apart from taking other measures to enhance the compliance of motor vehicles, they should examine the implementation of E-Challan enforcement across states by leveraging data integration by IIB, mPrivahan, and National Informatics Centre data. Individual states should also report data on vehicle registrations and insurance coverage so that appropriate follow-up action can be identified. Financial institutions should also consider whether they should provide auto and commercial vehicles loans when they have proof of insurance coverage. IRDA and Reserve Bank of India should evaluate these requirements.

Reply of the Government

IRDAI has informed that even though Motor Vehicle (MV) Act mandates compulsory third party motor insurance for all vehicles plying on Indian roads, there are still around 50% of the vehicles which are uninsured. This requires strict implementation of provisions of Motor Vehicles Act by State Enforcement Authorities. It is, therefore, important that Ministry of Road Transport and Highways (MoRTH) may issue necessary directions to all State Governments and UTs for strict enforcement of the provisions of the MV Act. MoRTH should also monitor the progress of implementation on a regular basis to ensure that every vehicle is insured. It is suggested that MoRTH may consider various measures like issuance of SMS by State RTAs to uninsured vehicle owners for insuring vehicles, mandating issuance of TP Insurance to obtain Fastag, renewal of driving licenses, Pollution Certificate and at petrol bunks etc. These initiatives may be undertaken in consultation with State Governments.

Further, DFS vide D.O. Letter dt. 07/11/2023 and 05/06/2024 requested the chief secretaries & Administrator of all states /UTs to ensure that all uninsured vehicles are duly insured in accordance with the Law.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 11)

PUBLIC SECTOR INSURANCE COMPANIES

Public Sector General Insurance Companies Competitiveness Roadmap

2.12 The Committee observe that the financial condition of 4 Public Sector General Insurance Companies needs to be strengthened. They lack adequate capital and have lagging insolvency ratios. In regard to their performance, the Committee have been apprised that their overexposure in health insurance business, i.e., 50% of their total business, has been one of the reasons, as the same has led to Rs. 26,000 crore of losses in five years from 2016–17 to 2020–21. Further, wage revisions which were affected in 2017 and 2023, and COVID-19 losses which were a wider industry-level phenomenon, have been assigned as the other causes of their performance decline. In regard to remedial steps being taken, the Committee have been given to understand that almost Rs. 17,000 crore has already been infused in terms of capital into these 4 Public Sector Companies over the past 3-4 years; more capital is also being infused now through the Supplementary Demand for Grants. It has also been stated that the focus area for improving their performance such as the need to exit from unprofitable lines of business and rebalance the business mix, improve underwriting capacity, improve the retail business portfolio controllable expenses, improvement in technology, rationalization of office rentals, and organizational restructuring involving bringing more people on the marketing side of their operations rather than sitting in the back office, have been identified. The Committee, in view of the above, recommend that an appropriate strategic roadmap to implement all the intended remedial steps, should be established for these companies to improve their competitiveness and enable them to attract sufficient capital and talent to grow. This roadmap should have appropriate timelines for demonstrable performance improvement. If performance does not improve sufficiently quickly, there should be further aggressive measures that should be evaluated. The Board of each of these Public Sector General Insurance Companies should approve these strategic roadmaps and commit to performance improvements. The Committee would like to be apprised of the details of such roadmap drawn and the concrete action taken thereof to improve the performance of these companies.

Reply of the Government

IRDAI has informed that they had highlighted the deteriorating financial position of National Insurance Company Limited (NICL), Oriental Insurance Company Limited (OICL), and United India Insurance Company Limited (UIIC) since FY 2016-17. They have urged the Department of Financial Services (DFS) to consider measures like

- capital infusion,
- stricter performance monitoring, and
- corrective plans to improve the companies' solvency and
- overall financial health.

IRDAI has also emphasized the possibility of taking regulatory actions to protect policyholder interests.

The financial health of National, Oriental, and United India requires improvement. While the government considers options like capital infusion and potential privatization, IRDAI continues its focus on regulatory measures. Each company has outlined strategies to achieve sustainable growth and profitability. Addressing these concerns is crucial for ensuring a strong and secure public sector general insurance market in India.

Further, companies have been advised to formulate a strategic roadmap with appropriate timelines and get the same approved by their Board.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

(For Comments of the Committee, please refer Para No. 25 of Chapter I)

Recommendation (Sl No. 13)

Delegation of Power

2.13 During the deliberations on the subject, the Committee raised the issue of gratuity and term insurance for LIC agents, which had been proposed long before but were pending with the Ministry for approval. The Committee note with satisfaction that the said proposal has now been approved by the Ministry. The Committee believes that there is a need for a complete delegation of power by empowering the Board to deal with such matters. The Committee, therefore, desire that the government should expeditiously examine this issue and apprise the Committee of the outcome at the time of submitting action-taken notes.

Reply of the Government

IRDAI has informed that they had granted insurers flexibility by allowing them to establish Board-approved policies within notified regulations and guidelines. These areas include:

- Payment of Commission to agents
- Appointment of Insurance Agents
- Utilization of Insurance Marketing Firms (IMFs)
- Expenses of Management

Level Playing Field: Delegation creates a more level playing field for insurers by allowing each company to independently set priorities and take action within the regulatory framework.

The current delegation structure empowers boards to make key decisions while maintaining government oversight and adhering to IRDAI regulations. This approach aims to balance autonomy with accountability, allowing these companies to operate strategically within the insurance market.

Further, the recommendation of Committee regarding complete delegation of power to Board of LIC by empowering the Board to deal with such matters is under active consideration.

[Ministry of Finance (Department of Revenue), O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 14)

Government-Run Insurance Schemes

2.14 The Committee observe that Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojna (PMSBY), Pradhan Mantri Jan Arogya Yojana (PM-JAY), and Pradhan Mantri Fasal Bima Yojna (PMFBY) are excellent microinsurance products introduced by the government, and they have been instrumental in plugging the insurance protection gap in the country to a great extent. The Committee observe that there have been some issues related to these schemes that need to be addressed to make them more effective. In regard to PMFBY, the Committee have observed that there are issues such as delay in processing of claim settlement, high premium rates, etc. The Committee also note that there are claims amounting to Rs. 2,761 crore (as on 30.06.2023) pending under the scheme. The Committee, therefore, recommend that an effective mechanism should be devised to expedite the process of claim settlement. The Committee further desire that efforts should be made to make premium under the scheme more affordable to increase its reach and for the overall benefit of farmers.

Reply of the Government

As informed by Ministry of Agriculture & Farmers Welfare, the Pradhan Mantri Fasal Bima Yojana (PMFBY) is a yield index based Insurance scheme and Restructured Weather Based Crop Insurance Scheme (RWBCIS), a weather index-based insurance scheme was launched by the Government of India from Kharif 2016 to provide simple and affordable crop insurance, ensure comprehensive risk cover for crops of farmers against all nonpreventable natural risks from pre-sowing to post harvest, provide adequate claim amount and timely settlement of claims.

As against erstwhile Crop Insurance Schemes, PMFBY covers increased risks of the entire crop cycle, from pre-sowing to post-harvest against non-preventable natural risks.

While actuarial/bided premium rates are payable to the insurance companies for ensuring risk coverage, farmers have to pay a maximum 2% for Kharif & 1.5% for Rabi food & oilseed crops and 5% for commercial/ horticultural crops. Balance of actuarial/bided premium is shared by the Central and State Government on 50:50 basis except in North Eastern Region (from Kharif 2020 season) and Himalayan States (from Kharif 2023 season), where the centre to state sharing ratio is 90:10.

Several interventions have been implemented recently in the scheme, as

a. Freedom to States to choose alternative risk management mechanisms in addition to original PMFBY,

b. Provision of escrow account for States for timely release of premium subsidy for facilitating timely settlement of claims,

c. New technological initiatives to increase transparency and rationalize yield estimation and premium rates, namely

- Yield Estimation System Based on Technology (YES-TECH)- for gradual migration to Remote-Sensing based yield estimation to help assess fair and accurate crop yield estimation,

- Weather Information Network and Data System (WINDS) - for establishing network of Automatic Weather Stations (AWS) & Automatic Rain-Gauges (ARG) for collecting hyper-local weather data at GP & Block level;
- Collection of Realtime photos and Observations of Crops (CROPIC) - for Geo tagged photographs for validation of sown Crop with Insured Crop and use of pictorial analytics for Objective Crop Damage Assessment & Crop Yield Estimation;
- Development of a dedicated module namely, "DigiClaim" module on National Crop Insurance Portal through which claim settlement process has been automated using Public Financial Management System (PFMS). In this module, the claims are calculated and timely remittance of claims amount is being made directly to farmers account w.e.f. Kharif 2022 claims. This has also helped the Government both Central and State in tracking and monitoring of claim settlement process. Claims of over Rs.16,000 crore to about 1 crore farmers have been settled through Digiclaim module.

As a result of these interventions, there has been a steady reduction of average premium rates from 16.7% in 2021-2022 lo 14.5% in 2022-2023 and further to 11.1% in 2023-2024. Further, there has been a significant improvement in timelines and transparency of claim settlement process under the scheme. As a result of these interventions, the cumulative amount of claims as of 31.03.24 stands at Rs. 2043.6 Cr only, which is primarily on account of

- non-release of subsidy share by State government;
- pendency of yield data and disputes thereon; and
- decisions pending from State Government regarding over-insurance.

Department is taking all necessary steps, in consultation with stakeholders, to ensure timely release of all claims, including the pending claims.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 15)

CUSTOMER PROTECTION

Repudiation of claims

2.15 The Committee observe that due to the competition in the sector, some private companies are offering heavy discounts on premiums. Though the customers benefit from this, the claim settlement is being adversely impacted as insurance companies deliberately try to avoid settling claims. As the premium collected by the companies falls short, they have been resorting to repudiation/delay of large claims, particularly in Fire and other specialized areas, which leads to long and cumbersome legal battles. The Committee, therefore, recommend that there should be a provision for levying hefty penalties in such cases that can act as a deterrent. The Committee further desire that this should also be addressed in any new legislation being considered by the government.

Reply of the Government

As per Insurance Regulatory and Development Authority of India (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024:

(1) Every insurer shall have a system, including IT systems, and a procedure for receiving, registering and disposing of grievances in each of its offices. Every insurer shall publicize its grievance redressal procedure and ensure that it is specifically made available on its website.

(2) Every insurer and where relevant, the distribution channel, shall have in place robust procedures and effective mechanism to resolve grievances of policyholders and/ or claimants efficiently, effectively and
in a timely manner.

(3) No insurer or distribution channel shall prohibit, bar or discourage any policyholder or claimant from lodging any grievance to the Authority.

(4) The Grievance Redressal Procedure as may be specified shall be followed by all insurers and distribution channels.

(5) Insurers shall widely publish the availability of option to the complainant for taking up grievance with Insurance Ombudsman, in case the grievance is not resolved to the satisfaction of the complainant.

Insurance Ombudsman System: The Insurance Ombudsman System, established under the Insurance Ombudsman Rules, 2017, offers a quick and cost-effective way for policyholders to resolve grievances with insurance companies and intermediaries. If a complaint isn't resolved in the policyholder's favor, they can approach the relevant Ombudsman. The Ombudsman must resolve the issue within three months, and their decisions are legally binding on insurers and intermediaries. This system promotes transparency and trust in the insurance industry.

Centralized Public Grievance Redressal and Monitoring System (CPGRAMS): Monitored directly by the Department of Administrative Reforms & Public Grievances, Government of India, it is an online portal available to citizens to lodge their complaints to the public authorities on any subject related to service delivery. It is a single portal connected to all the Ministries/Departments of Government of India and States.

IRDAI conducts meetings with GROs of all insurers on periodical basis to review the redressal of grievances. IRDAI also have periodical interactions with CEOs or Senior Management of Insurers to apprise the need for robust grievance management system. In the event of any deviations or violations noticed by IRDAI either during on-site or off-site inspections, IRDAI issues suitable directions to bring about corrective action by the insurers.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 16)

Central Portal for unclaimed policies

2.16 The Committee observe that UDGAM (Unclaimed Deposits: Gateway to Access information), a centralized web portal, has been launched by the Reserve Bank of India (RBI) to help citizens find and claim their unclaimed deposits across different banks. The Committee are of the view that such an initiative can be useful for the insurance sector also as there are a significant number of unclaimed policies that are currently being transferred to the Senior Citizen Fund. The Committee were apprised by the IRDAI that they have already given a direction to all the insurance companies to make a provision on their respective websites for the purpose of checking the amounts that are due to an individual. Further, in regard to disclosures of the unclaimed amounts, it was stated that these disclosures form part of the public disclosures made by the insurance companies in their respective public disclosures. However, the Committee feel that checking the individual websites of the companies would not fully serve the purpose of making the process hassle-free. The Committee, therefore, recommend that a central portal like UDGAM be created for unclaimed insurance policies. The Committee also desire that IRDAI should make it mandatory for insurance companies to disclose and share information in this regard. Simultaneously, the Committee also recommend that there should be provision for insurance companies to reach and deliver the insurance benefits at the doorstep of the nominee/survivor in case of the death of a policyholder. This provision will not only ensure prompt relief for the nominee but also create trust and goodwill among people for the insurance industry.

Reply of the Government

IRDAI has informed that that efforts are already underway to address unclaimed amounts in insurance policies through various measures:

a) Individual links to access unclaimed amounts of all insurers have been consolidated on the home page of Bhima Bharosa – Grievance redressal portal of IRDAI (bimabharosa.irdai.gov.in/Home/Unclaimed Amount).
b) Insurance companies are mandated to settle claims promptly, not exceeding 30 days after receipt of claim intimation from the claimant, with penalties for delays.
c) Insurers are mandated to transfer the claim amount directly to the bank account of the claimant/ Nominee and collect bank details at the point of sale.
d) Life insurers are obligated to provide policyholders with annual status reports, disclosing pertinent information regarding their policies.
e) In the proposed draft master circular on policyholder matters to be issued, insurers are instructed to verify and update policyholders' contact information and bank account details annually.

Further, to make penal provisions more stringent, IRDAI has proposed amendments to Insurance Act, 1938, which includes an increase in the maximum penalty from one crore to ten crores for default in complying with the Insurance Act or the IRDA Act or rules or regulations made thereunder. The proposal is under consideration.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 17)

Consumer-friendly ecosystem

2.17 The Committee feel that there is a need to develop a consumer-friendly environment to alleviate their hardship in regard to the selection of appropriate and affordable policies; prevent them from various frauds and mal-practices such as mis-selling, misleading marketing practices, delay, and unfair denial of claims, and provide speedy and satisfactory grievance redressal. The Committee, therefore, recommend that the required steps be taken to improve customer experience and satisfaction by offering personalized and customized products, simplifying the application and claim processes, providing timely and transparent communication, and resolving grievances effectively with the aid of technology. The Committee are also of the opinion that creating a common platform for coordination and information sharing among various stakeholders, such as IRDAI, insurers, ombudsmen, consumer forums, and consumer associations, and establishing a single-window system for grievance registration and tracking across all channels, such as online, offline, etc., can go a long way in improving customer satisfaction. The Bima Sugam platform developed by IRDAI is therefore very much required. The Bima Sugam platform should be able to dramatically streamline policy discovery, policy purchase, premium payments, and claim settlements making it much easier for customers to find suitable insurance schemes. The Reserve Bank of India has instituted a formal ombudsperson system to deal with consumer grievances associated with banks and NBFCs. IRDA may also consider instituting a similar system to ensure high-quality customer service. IRDA may also want to establish a Consumer Charter for retail insurance coverage that is binding on the industry and elevates service levels.

Reply of the Government

IRDAI has informed that they have taken several steps to enhance policyholder protection:

- Bima Sugam Platform: “Bima Sugam” shall be an insurance electronic market place to empower and protect the interest of policyholders, to increase penetration of insurance in India and to enhance availability, accessibility and affordability. Development is progressing with regulations already in place. This platform aims to simplify insurance products and make them more accessible.

- **Enhanced Grievance Redressal:**
  - The existing Insurance Ombudsman system with 17 centers nationwide has been strengthened.
  - The compensation limit has been increased to Rs. 50 lakh.
  - Insurers are now mandated to:
    - Comply with Ombudsman awards within 30 days.
    - Pay interest to complainants for delayed settlements as per IRDAI regulations (2024).
- **Investor Protection:** Following the Union Budget 2021-22, 19 out of 21 citizen rights have been incorporated into regulations (March 2024). The remaining two rights will be covered in a proposed master circular.
- **Customer-Centric Measures (IRDAI Regulations, 2024):**
  - Extended free-look period for policy review.
  - Requirement for insurers to collect bank and nominee details.
  - Provision of customer information sheets for greater transparency.
  - Reduced timelines for various insurance services offered to customers.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

Recommendation (Sl No. 19)

Long Dated Bonds

2.18 The Committee note that to address the issue of underinsurance in the country, considering the growth of GDP in India and across the world, it has been estimated that capital to the tune of Rs. 40,000 to Rs. 50,000 crore would be required. The Committee with a view to ensure adequate capital for the desired growth of the insurance sector in the country, recommend that the RBI on behalf of the Government of India, may issue 'on-tap' bonds of various maturities up to 50 years as against the current maximum tenure of 40 years for investment by insurance companies. The government may also explore avenues to earmark a portion of long-dated securities for insurance sector subscriptions as part of their annual borrowing programme.

Reply of the Government

IRDAI has informed that they agreed with the recommendation of the committee to issue 'on-tap' bonds of various maturities upto 50 years against the current maximum tenure of 40 years for investment by insurance companies. This will facilitate the Life Insurers to meet long term liabilities like payment of annuities. However, earmarking a portion of long dated securities may not be required as it will place an obligation on the insurers to subscribe. Further it is noticed that RBI during November 2023 issued Securities with Maturity period of 50 years amounting to Rs.30,000 crore.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

-NIL-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (SI No. 7)

HEALTH INSURANCE

Health Insurance – Missing Middle

2.19 The Committee note that according to NITI Aayog's report, 'Health Insurance for India's Missing Middle', the *Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana*(AB-PMJAY), and State Government extension schemes, provide comprehensive hospitalization cover to the bottom 50% of the population - around 70 crore individuals. Around 20% of the population - 25 crore individuals – are covered through social health insurance, and private voluntary health insurance. These innovative insurance solutions have transformed health insurance in the country and become enormously popular. Moreover, this demand increase has increased the availability of health care services through the growth of the hospitals and medical professionals.

The Committee further note that, as per the Economic Survey 2022–23,the out-of-pocket expenditure on health has reduced substantially from 64.2% in 2013–14 to 48.2% in 2018–19 due to an increase in government health expenditure from 28.6% to 40.6% during the said period. The Committee appreciate the efforts made by the government to reduce out-of-pocket expenditure. The Committee, therefore, recommend that steps such as increasing consumer awareness, developing simple and standardized health insurance products, sharing government data and infrastructure, ensuring the quality of services, and partial financing of health insurance should be initiated to increase health insurance coverage.

The Committee, considering that many people in the country are just one medical bill away from slipping into poverty, believe that insurance products with affordable premiums and cashless settlement facilities would be instrumental in encouraging more people to opt for health insurance. The Committee also feel that the coverage of OPD, the diagnostic and wellness component, for regular medical claim insured, including group medical insurance, would reduce the financial burden of significant recurrent expenses, particularly for patients with chronic illnesses.

The Committee are of the view that the Ayushman Bharat Scheme is an outstanding and highly successful initiative of the government to provide much-needed health insurance coverage to low-income families. The Committee feel that the scheme can be further strengthened by making it possible for the Missing Middle to participate on a paid basis would close a major insurance gap that exists in society. Providing such health insurance solutions will require close coordination with the Health Ministry and the National Health Authority (NHA). The Committee believe that an Inter-Ministerial Working Group with participation from IRDA, NHA, other concerned agencies, consumers, health care providers, and health care insurance companies should be established to develop a long-term plan to be able to cover all sections of society with tailored government and private sector health insurance solutions.

Reply of the Government

IRDAI has informed that they have been taking various steps for increasing the Health Insurance coverage, consumer awareness etc. some of the recent measures are as under:

- Use and File procedure facilitates faster launch of products. Insurers are facilitated with faster launch of products as per the market needs by Use and File procedure vide circular dated 01.06.2022.
- Dedicated products for Health Insurance coverage to Disabled persons. IRDAI issued Model product to the Insurers vide circular dated 27.02.2023.
- Insurers shall ensure to offer Health Insurance products to cater to all the age groups
- Insurers are advised to design products specifically for Senior Citizens, Students, Children, Maternity etc.
- Insurers shall endeavour to offer coverage for persons with all types of existing medical conditions.
- Insurers are advised to establish connectivity with NHCX (National Health Claim Exchange) for faster settlement of claims
- Insurers are advised to create ABHA (Ayushman Bharat Health Account) ID. So that they can be part of National Health Digital eco-system
- Regarding cashless settlement, it is submitted that
  - IRDAI has been monitoring cashless claims settlements and promoting 100% cashless.

- Mandated Insurers to establish connectivity with NHCX and such connectivity help to seamless integration of Hospitals with the Insurers and would promote cashless settlements.

Towards reinforcing empowerment of policyholders and bolstering inclusive health insurance, IRDAI has issued a comprehensive Master Circular on Health Insurance Products. The Master Circular has brought in one place the entitlements in a health insurance policy available to a Policyholder/prospects for their easy reference and also emphasizes measures towards providing seamless, faster and hassle-free claims experience to a policyholder procuring health insurance policy and ensuring enhanced service standards across the health insurance sector.
Some of the salient features of the Master Circular are:

- Wider choice to be provided by the Insurers by making available products/addons/riders by offering diverse insurance products catering to all ages, regions, occupational categories, medical conditions/ treatments, all types of Hospitals and Health Care Providers to suit the affordability of the policyholders/prospects.
- Customer Information Sheet (CIS) which is provided by the Insurer along with every policy document. It explains the basic features of insurance policies in simple words like type of insurance, sum insured, coverage details, exclusions, sub-limits, deductibles, and waiting periods
- Customer to be provided with the flexibility to choose products/addons/riders as per his/her medical conditions/specific needs.
- A Policyholder with multiple health insurance policies gets to choose the policy (s) under which he/she can get the admissible claim amount. The primary insurer with whom claim is first submitted shall coordinate and facilitate settlement of balance amount from the other insurers.
- Insurer to decide on cashless authorization requests immediately and within one hour and final authorization on discharge from hospital within three hours of request from the hospital.

**[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]**

(For Comments of the Committee, please refer Para No. 16 of Chapter I)

Recommendation (Sl No. 12)

Level Playing Field for Public Sector Companies

2.20 The Committee find that at present, TDS on GST applies to insurance provided by the Public Sector Insurance Companies, whereas it doesn't apply to insurance offered by Private Sector Insurance Companies. The Committee also find that the Public Sector Insurance Companies have to mandatorily participate in government-run insurance schemes which impacts their profitability. The Committee with a view to ensure a level playing field, recommend that such provisions be uniformly applied to all players.

Reply of the Government

IRDAI has informed that the Public Sector Undertaking (PSU) insurers are required to deduct TDS (Tax Deduction at Source) at a rate of 2% (CGST + SGST) on payments exceeding Rs. 2.5 lakh, while private insurers are not. This is due to a notification extending the TDS requirement to entities specified under Section 51 of the CGST Act, 2017. The Committee recommends removing the TDS requirement for PSU insurers and de-notifying them from the relevant section. This would create a level playing field between public and private insurers.

Both private and public insurers participate in government insurance schemes like PMFBY (Pradhan Mantri Fasal Bima Yojana), PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana), PMSBY (Pradhan Mantri Suraksha Bima Yojana), and PMJAY (Pradhan Mantri Jan Arogya Yojana).

Recommendation by the Insurers

- Favors a uniform tax structure for all non-life insurers (public and private) instead of TDS.
- Supports mandatory participation by private players in government schemes for wider coverage.

Highlights existing delegation from IRDAI (Insurance Regulatory and Development Authority of India) to insurer boards for areas like commission payments, agent appointments, intermediary utilization, and management expenses. This delegation allows insurers to set their priorities and act independently within regulatory guidelines.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

(For Comments of the Committee, please refer Para No. 28 of Chapter I)

Recommendation (Sl No. 18)

POLICY

<u>*Policy Roadmap*</u>

2.21 The Committee note that 'Insurance for All by 2047' is a mission set by the Insurance Regulatory and Development Authority of India (IRDAI) to increase insurance penetration and coverage in the country. According to the IRDAI, the objective is to ensure that every citizen has appropriate life, health, and property insurance cover and that every enterprise is supported by appropriate insurance solutions. The IRDAI also aims to make the Indian insurance sector globally attractive and competitive by moving to principles-based regulation and streamlining regulatory processes. The Committee appreciate IRDAI for this much-needed initiative and believe that it will not only give a boost to the insurance sector but also pave the way for sustainable economic and social development in the country. The Committee, however, find that at present, there is no Policy Roadmap for achieving the envisaged ambitious target of Insurance for All by 2047. They, therefore, recommend that a Policy Roadmap White Paper be prepared with comprehensive stakeholder consultation so that it can act as a beacon for all stakeholders with a view to sustaining the insurance sector with affordable and useful products.

Reply of the Government

IRDAI has informed that it aligns with the Government of India's vision of Viksit Bharat@2047, committed to promoting a congenial business environment for "Insurance for all by 2047."

The Indian insurance sector, currently the tenth-largest globally, is poised for significant growth. As per a report by the reinsurer Swiss Re, Indian Insurance market is poised to become the sixth-largest by 2032. This growth potential is attributed to India's large and unique market, supported by a robust economy, an expanding middle class, a young population, growing disposable incomes, and widespread technology usage.

IRDAI has further informed that it is pursuing structured regulatory reforms to foster development of insurance sector. A number of initiatives to promote ease of doing business are also taken as part of overall regulatory reforms. The overall objective of these reforms is to enhance insurance penetration while safeguarding policyholder interests.

Over the past two years, IRDAI has implemented a series of reforms aimed at promoting ease of doing business and reducing compliance burdens for insurers which include, inter alia,

- extending 'Use and File' procedure for all the health and general insurance products and most of the life insurance products;
- simplifying the process of registration of insurance companies, raising investment threshold for individual investors and specifying indicative criteria for determination of 'Fit and proper' status of investors and promoters;
- increasing the period for considering state/ central government dues for calculation of solvency margin and reduction of solvency factor related to crop insurance;
- revising factor for calculation of solvency for Unit Linked Business (without guarantees) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY);
- increasing the roles and responsibilities of Appointed Actuaries;
- increasing the threshold for companies to raise other forms of capital (viz., subordinated debt and/or preference shares);
- increasing the experimentation period of regulatory sandbox to test innovative products;
- increasing the maximum limit of tie-ups for corporate agents and insurance marketing firms with insurers;
- revamping the guidelines for cross-border reinsurers; and
- revising expenses of management (EoM) and commission limits for insurers. To further incentivize insurers to invest in insurance awareness, IRDAI allowed insurers to spend an additional 5% of allowable expenses for management of both life and general insurance.
- Requiring Insurers to issue concise and updated Customer Information Sheet (CIS) to the policyholders (CIS contains all important information about health insurance policy with details such as coverage, exclusions, and key concepts in health insurance policy)

- Issuing guidelines on Bima Vahaks, a women-centric dedicated distribution channel, for enhancing insurance inclusion and awareness with a focus on rural areas
- Amendments to reinsurance regulations with an objective to promote more favorable business environment, including requiring Indian reinsurers to maintain a minimum retention of 50% within India, simplifying the Order of Preference for reinsurance placements, relaxing compliance requirements, and reducing the minimum capital requirement for new FRBs.

In response to the dynamic changes in the Indian insurance market, IRDAI has informed that it is comprehensively reviewing the regulatory architecture to move to principle-based regulations, from the existing rule-based regulatory framework. The reforms/ initiatives towards the same include the following:

- Formation of Mission mode teams to implement a Risk Based Supervisory (RBS) framework and a Risk Based Capital (RBC) regime with an objective to align the insurance sector with global standards and industry dynamics.
- Continuing its reform agenda, IRDAI has undertaken a comprehensive review of the regulatory framework, leading to the approval of nine principle-based consolidated regulations. These regulations replaced 37 regulations with seven regulations and introduction of two new regulations enhancing clarity and coherence in the regulatory landscape. These regulations encompass key domains such as safeguarding of policyholders' interests, rural and social sector responsibilities, electronic insurance marketplace, insurance products and operation of foreign reinsurance branches, as well as aspects of registration, actuarial, finance, investment and corporate governance.
- IRDAI is committed to supporting digital initiatives, with the development of the 'Bima Sugam' e-marketplace platform and the issuance of related regulations.
- The comprehensive framework laid down in the recently notified IRDAI (Registration, Capital Structure, Transfer of Shares & Amalgamation Insurers) Regulations, 2024) aims to foster the growth of the insurance sector by simplifying various processes, including registration of insurers, transfer of shareholding, capital structure, amalgamation of insurers, and listing of shares on stock exchanges. By streamlining these procedures, the regulations seek

to enhance the ease of doing business within the insurance industry, facilitating smoother operations and promoting overall sectoral growth.

The reforms so far undertaken are also showing results with a number of domestic investors establishing new insurance companies. In the last preceding two years itself, IRDAI has issued Certificate of Registration to six insurance companies after a gap of 11 years in case of life insurers and 5 years in case of non-life insurers.

- De-notified tariffs of insurance products to allow competitive pricing and designing of products by the insurance companies to the serve a broad range of population.
- Recommendations are also made to DFS for effecting certain important amendments to the provisions of Insurance Act, 1938 to further expand the insurance market and deepen the insurance penetration.

These reforms, coupled with recommendations for amendments to the Insurance Act, 1938, demonstrate IRDAI's commitment to expanding the insurance market and deepening penetration.

[Ministry of Finance (Department of Revenue),
O.M. No. eF.No. H-12013/5/2023-Ins.II (E 300593396), Dated 3rd July, 2024]

(For Comments of the Committee, please refer Para No. 31 of Chapter I)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

-NIL-

New Delhi;	**Bhartruhari Mahtab**
4 December, 2024	**Chairperson,**
13 Agrahayana, 1946 (Saka)	**Standing Committee on Finance**

ANNEXURE

Minutes of the Seventh Sitting of the Standing Committee on Finance (2024-25)

The Committee sat on Wednesday, the 04 December, 2024 from 1500 hrs to 1530 hrs in Committee Room 'G-074', Parliament Library Building, New Delhi.

PRESENT

MEMBERS

Shri Bhartruhari Mahtab – Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri Lavu Sri Krishna Devarayalu
4. Shri Gaurav Gogoi
5. Shri Kishori Lal
6. Shri Harendra Singh Malik
7. Shri Chudasama Rajeshbhai Naranbhai
8. Thiru Arun Nehru
9. Shri N. K. Premachandran
10. Dr. C. M. Ramesh
11. Dr. Jayanta Kumar Roy
12. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

13. Shri Milind Murli Deora
14. Dr. Ashok Kumar Mittal
15. Shri Sanjay Seth
16. Dr. Dinesh Sharma
17. Smt. Darshana Singh
18. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	-	Joint Secretary
2.	Shri Vinay Pradeep Barwa	-	Director
3.	Shri Kuldeep Singh Rana	-	Deputy Secretary
4.	Shri T. Mathivanan	-	Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the following draft reports for consideration and adoption:

i. First Report on Demands for Grants (2024-25) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Investment & Public Asset Management and Public Enterprises).

ii. Second Report on Demands for Grants (2024-25) of the Ministry of Finance (Department of Revenue).

iii. Third Report on Demands for Grants (2024-25) of the Ministry of Corporate Affairs.

iv. Fourth Report on Demands for Grants (2024-25) of the Ministry of Planning.

v. Fifth Report on Demands for Grants (2024-25) of the Ministry of Statistics and Programme Implementation.

vi. Sixth Report on Action Taken by the Government on recommendations contained in 59th Report (Seventeenth Lok Sabha) on the subject 'Cyber Security and Rising Incidence of Cyber/White Collar Crimes'.

vii. Seventh Report on Action Taken by the Government on recommendations contained in 66th Report (Seventeenth Lok Sabha) on the subject 'Performance Review and Regulation of Insurance Sector'.

After some deliberations, the Committee adopted the above draft Reports with minor modifications and authorised the Chairperson to finalise them and present the Reports to the Parliament.

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTY-SIXTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SEVENTEENTH LOK SABHA) ON THE SUBJECT ‘PERFORMANCE REVIEW AND REGULATION OF INSURANCE SECTOR'

		Total	% of total
(i)	Total number of Recommendations	19	
(ii)	Observations/ Recommendations which have been accepted by the Government (*vide* Recommendation at Sl.Nos. 1, 2, 3,4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 19)	16	84.21%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the Government’s replies	Nil	0.00
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee (*vide* Recommendation at Sl.Nos. 7, 12 and 18)	03	15.79%
(v)	Observations/ Recommendations in respect of which final reply of the Government are still awaited	Nil	0.00