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

LOK SABHA SECRETARIAT
NEW DELHI

December, 2024/ Agrahayana, 1946 (Saka)

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MINISTRY OF FINANCE
(DEPARTMENT OF FINANCIAL SERVICES)

Presented to Lok Sabha on 06th December, 2024

Laid in Rajya Sabha on 06th December, 2024

LOK SABHA SECRETARIAT
NEW DELHI

December, 2024/ Agrahayana, 1946 (Saka)

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REPORT

** Not appended in the cyclostyled copy*

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

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3. Shri P. P. Chaudhary
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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

<u>Health Insurance – Missing Middle</u>

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

<u>Public Sector General Insurance Companies Competitiveness Roadmap</u>

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**

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