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STANDING COMMITTEE ON FINANCE
(2023-2024)

SEVENTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF FINANCIAL SERVICES)

PERFORMANCE REVIEW AND REGULATION OF INSURANCE SECTOR

SIXTY SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

February, 2024 / Magha, 1945 (Saka)

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Presented to Lok Sabha on 06 February, 2024
Laid in Rajya Sabha on 06 February, 2024

LOK SABHA SECRETARIAT
NEW DELHI

February, 2024 / Magha, 1945 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE (2023-24)

Shri Jayant Sinha - Chairperson

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3. Shri Sukhbir Singh Badal
4. Shri Subhash Chandra Baheria
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23. Shri Raghav Chadha
24. Shri Damodar Rao Divakonda
25. Shri Ryaga Krishnaiah
26. Shri Sushil Kumar Modi
27. Dr.Amar Patnaik
28. Dr. C.M. Ramesh
29. Shri G.V.L. Narasimha Rao
30. Shri Pramod Tiwari
31. Dr. Dinesh Sharma*

SECRETARIAT

1. Shri Siddharth Mahajan - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Joint Secretary
3. Shri Puneet Bhatia - Deputy Secretary
4. Shri Manish Kumar - Committee Officer

** Dr. Dinesh Sharma has been nominated to the Standing Committee on Finance (2023-24) w.e.f 25 October, 2023.*

INTRODUCTION

I, the Chairperson of the Parliamentary Standing Committee on Finance, having been authorized by the Committee, present this Sixty-Sixth Report on the subject ‘Performance Review and Regulation of Insurance Sector’.

2. The Committee took oral evidence of the representatives of the State Bank of India (Economic Research Department) on the subject on 27 July, 2023. Thereafter, on the same day, they also took the oral evidence of the representatives of the Insurance Regulatory and Development Authority of India (IRDAI). In the next Sitting on the subject on 1 September, 2023, the Committee took the oral evidence of the representatives of the Department of Financial Services (DFS). After that, on the same day, the Committee heard the views of the representatives of Private Insurance Companies on the subject. During their Study Visit from 17 to 21 August, 2023, the Committee also held informal discussions with the representatives of the Public Sector Insurance Companies.

3. The Committee considered and adopted this Report at their sitting held on 22 December, 2023.

4. The Committee wish to express their thanks to the representatives of the above-mentioned organizations for appearing before the Committee and furnishing the requisite material and information desired by the Committee in connection with the examination of the subject.

5. The Committee also place on record their appreciation of the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference, the observations/recommendations of the Committee have been printed in bold at the end of the Report.

NEW DELHI
22 December, 2023
01 Pausha, 1945 (Saka)

JAYANT SINHA,
Chairperson,
Standing Committee on Finance

REPORT

PART-I

I. INTRODUCTORY

1.1 The insurance sector is a crucial component of modern-day economies, providing protection and risk management to individuals and enterprises. For a citizen, it is a protection for life, health and assets, a financial support to them and their dependents, and a safety net for low-income sections. For enterprises, it not only promotes business continuity and provides cushion in case of untoward incidents but also enables them to scale up. Thus the insurance sector provides stability to markets, absorbs financial shocks, provides long term patient capital, brings in Foreign Direct Investment and also generates employment. Insurance also helps the Government as it ensures protection of citizens, covers enterprises, and strengthens the economy, and bringslong-term investments into Government Securities.

1.2 As per the Report of Household Finance Committee, 2017 of RBI, an average Indian household holds 77% of its total assets in real estate, 7% in other durable goods, 11% in gold, and the remaining 5% in financial assets such as deposits and savings accounts, publicly traded shares, mutual funds, life insurance, and retirement accounts. On the other hand, households in advanced economies hold relatively more and diverse financial assets. This meager insurance coverage in Indian households is substituted by non-institutional debt, as it serves as a high-cost, imperfect form of insurance.

1.3 Although the insurance industry in India has shown dynamic growth in recent years, with total insurance premiums increasing rapidly due to various reforms instituted by the current Government, the penetration and density ofIndian insurance products are still low, reflecting the under development of the sector. Comprising around 2% of the global insurance market in 2020, the

Indian insurance sector has a long way to go compared to the insurance sectors in advanced economies.

1.4 According to a Swiss Re Group report - in 2021, insurance penetration was 4.2% in India, while the global average was 7%. Similarly, insurance density was $91 in India, while the global average was $874. Moreover, the Indian insurance sector is heavily tilted towards the life insurance segment which has a share of 76%. Globally, the share of life insurance business in total premium was 43.7% and the share of non-life insurance premium was 56.3% in 2021.

II. INSURANCE SECTOR IN INDIA

1.5 In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra).The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics, and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, Great Britain in particular.

1.6 The Insurance Act, 1938, serves as the principal Act to provide the legislative framework for insurance in India.It provides the framework for the functioning of insurance businesses and regulates the relationship between an insurer, its policyholders, its shareholders, and the regulator, the Insurance Regulatory and Development Authority of India.

1.7 The Insurance Regulatory and Development Authority of India (IRDAI) was established under the provision of Insurance Regulatory and Development Authority (IRDA) Act, 1999. Section 14 of the IRDA Act, 1999 lays down the duties of the Authority to regulate, promote and ensure orderly growth of the insurance business and reinsurance business.

1.8 The Insurance Division of Department of Financial Services, the Ministry of Finance is responsible for policy formulation and administration of the following Acts:

(i) The Insurance Act, 1938,
(ii) The Life Insurance Corporation Act, 1956,
(iii) The General Insurance Business (Nationalisation) Act, 1972,
(iv) The IRDA Act, 1999,
(v) The Actuaries Act, 2006

1.9 Given below is the insurance penetration and density in India since 2001-02:

Year	Penetration (%)			Density (USD)		
	Life	Non-Life	Total	Life	Non-Life	Total
2001-02	2.15	0.56	2.71	9.1	2.4	11.5
2002-03	2.59	0.67	3.26	11.7	3.0	14.7
2003-04	2.26	0.62	2.88	12.9	3.5	16.4
2004-05	2.53	0.64	3.17	15.7	4.0	19.7
2005-06	2.53	0.61	3.14	18.3	4.4	22.7
2006-07	4.10	0.60	4.80	33.2	5.2	38.4
2007-08	4.00	0.60	4.70	40.4	6.2	46.6
2008-09	4.00	0.60	4.60	41.2	6.2	47.4
2009-10	4.60	0.60	5.20	47.7	6.7	54.3
2010-11	4.40	0.71	5.10	55.7	8.7	64.4
2011-12	3.40	0.70	4.10	49.0	10.0	59.0
2012-13	3.17	0.78	3.96	42.7	10.5	53.2
2013-14	3.10	0.80	3.90	41.0	11.0	52.0
2014-15	2.60	0.70	3.30	44.0	11.0	55.0
2015-16	2.72	0.72	3.44	43.2	11.5	54.7
2016-17	2.72	0.77	3.49	46.5	13.2	59.7
2017-18	2.76	0.93	3.69	55	18	73
2018-19	2.74	0.97	3.70	54	19	74
2019-20	2.82	0.94	3.76	58	19	78
2020-21	3.2	1.0	4.2	59	19	78
2021-22	3.2	1.0	4.2	69	22	91
2022-23	3.0	1.0	4.0	70	22	92

Source Swiss Re,Sigma Various Issues.

1.10 In India, as per the provisions of the Insurance Act, 1938, life insurers can only offer life insurance products, while general insurers can offer non-life insurance products, such as health, motor, fire, marine, etc. The IRDAI does not allow composite licensing for insurance companies, which means that an insurance company cannot offer both life and non-life insurance products under one entity. The Committee was apprised that at present there are 26 life insurers, 27 general insurers, 5 stand-alone health insurers, 1 Indian reinsurer and 11 foreign reinsurer branches are registered. After a gap of 11 and 5 years, life insurance industry and general insurance industry witnessed the entry of three new life insurers and one new general insurer respectively and a few more are under process. The list of insurance and reinsurance companies is given at Annexure-I.

Registered Insurers and Reinsurers

Type of Insurer	Public Sector	Private Sector	Total
Life	1	25	26
General	6	21	27
Stand-alone Health	-	5	5
Re-insurers	1	11	12
Total	**8**	**62**	**70**

1.11 The IRDAI opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from year 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

1.12 The snapshot of the growth of the insurance industry since liberalization in 2000,as furnished by IRDAI, includes:

(i) The number of insurers registered increased from 6 in 2000 to 70 in June 2023.

(ii) Insurance penetration increased from 2.71 per cent in 2001-02 to 4.2 per cent in 2021-22.
(iii) Insurance density has increased from USD 11.5 in 2001-02 to USD 91 in the year 2021-22.
(iv) Total insurance premium increased from ₹62,818 crore in 2001-02 to₹9.17 lakh crore in 2021-22, registering a CAGR of 14.34per cent.
(v) Claims increased from ₹25,425 crore in the year 2001-02 to₹6.42 lakh crore in 2021-22.
(vi) Assets Under Management increased from ₹2.18 lakh crore in 2001-02 to ₹54.37 lakh crore in 2021-22; and
(vii) Insurance Distribution Network/Points increased from 8.26 lakhs in 2001-02 to around 52.65 lakhs in 2021-22.

1.13 In regard to performance and coverage of various segments of insurance business during FY2022-23, the Department of Financial Services has furnished the following information:

Life Insurance

Total Life Business Premiums Underwritten as on 31.03.2023

Line of Business	No. of Policies	Lives Covered	Premium (Rs. Crore)
Individual Business	24,10,37,822	19,25,72,485	5,43,196
Group Business	1,21,870	33,02,18,848	2,38,865

Non-Life

Segment wise Number of Policies and Gross Direct Premium (GDP)

Segment	FY 2022-23		FY 2021-22	
	No. of policies (in Cr)	GDP (In Cr)	No. of policies (in Cr)	GDP (In Cr)
Health Insurance	2.81	89,678	2.72	73,139
Vehicle Insurance	15.84	81,280	14.53	70,434
Property Insurance	11.49	85,937	9.22	77,127
Grand Total	**30.14**	**2,56,894**	**26.48**	**2,20,700**

A. Indian Insurance Sector in the Global Scenario

1.14 As per Swiss Re data, India ranks tenth (eleventh in 2020) in global insurance business with a market share of 1.85 per cent in 2021 (1.78 percent in 2020). Total insurance premium in India increased by 13.46 per cent (7.8 per cent inflation adjusted real growth) in 2021 whereas global total insurance premium increased by 9.04 per cent (3.4per cent inflation adjusted real growth) during the year.

1.15 In life insurance business, India is ranked ninth (tenth in 2020) in the world in 2021. India's share in the global life insurance market was 3.23 percent (3.11 per cent in 2020) during 2021. Life insurance premium in India increased by 14.16 percent (8.5 per cent inflation adjusted real growth) in2021 whereas global life insurance premium increased by 9.91 per cent (4.5 per cent inflation adjusted real growth).

1.16 In non-life insurance business, India is ranked fourteenth in the world, same as last year. India's share in the global non-life insurance market was 0.78 per cent (0.76 per cent in 2020) during2021. The Indian non-life insurance sector recorded 11.30 per cent (5.8 percent inflation adjusted real growth) growth during 2021 whereas the global non-life insurance premium had only8.37 per cent growth (2.6 per cent inflation adjusted real growth).

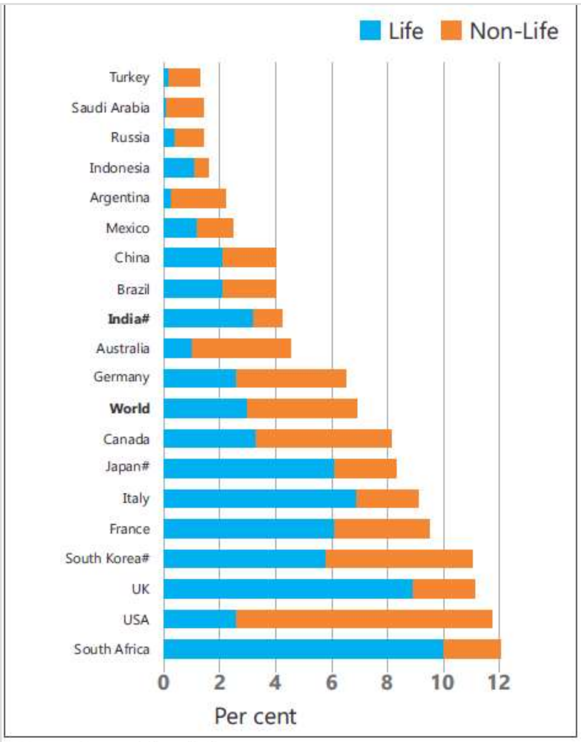
1.17 Globally, the share of life insurance business in total premium was 43.69% and the share of non-life insurance premium was 56.31% during 2021. However, the share of life insurance business for India was high at 76.14% while the share of non-life insurance business was at 23.86 per cent.

B. Insurance Penetration and Density

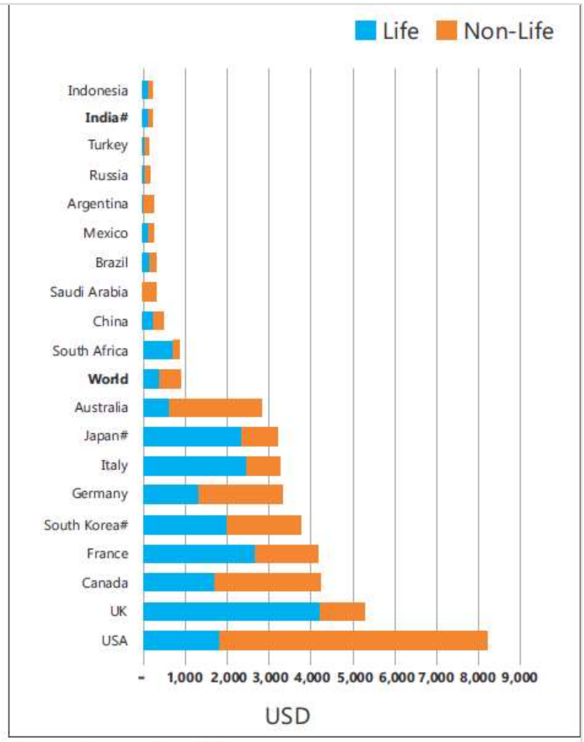
1.18 Insurance penetration and density are two metrics, among others, often used to assess the level of development of the insurance sector in a country.

While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium).

1.19 Below is the information related to insurance penetration and density in select countries in 2021:



Data relates to financial year
Note: Insurance Penetration is measured as percentage of insurance premium to GDP
Source: Swiss Re, Sigma No. 4/2022



Data relates to financial year
Note: Insurance Density is measured as ratio of insurance premium to population.
Source: Swiss Re, Sigma No. 4/2022

1.20 Insurance penetration in India during 2021-22 was 4.2% and remained the same as in2020-21. During the first decade of insurance sector liberalization, the sector has reported an increase in insurance penetration from 2.71% in 2001-02 to 5.2% in 2009-10. Since then, the level of insurance penetration declined till 2014-15 due to decline in life insurance penetration. However, insurance penetration started again increasing from 2015-16 and reached 4.20% in 2021-22. While penetration of the life insurance sector has gone up from 2.15% in 2001-02 to 3.2% in 2021-22, non-life insurance penetration has gone up from 0.56% to 1.0% during the same period.

1.21 Insurance density in India increased from USD 78 in 2020-21 to USD 91 in 2021-22. The level of insurance density has reported a consistent increase from USD 11.5 in 2001-02 to USD 64.4 in the year 2010-11. After some ups and downs, insurance density recorded steady increase from the year 2016-17. While life insurance density has gone up from USD 9.1 in 2001-02 to USD 69 in 2021-22, non-life insurance density has gone up from USD 2.4 to USD 22 during the same period.

1.22 Insurance coverage refers to the number of lives covered under insurance for life, health, and other insurance categories. As per the Annual Report, 2022-23 of the Ministry of Finance, the cumulative enrolments as on 28.12.2022 under PMJJB is 14.82 crore and PMSBY is 31.88 crore. In addition, as per IRDAI report, during 2021-22 the general & health insurance companies have covered 52.04 crore lives under 2.26 crore health insurance policies. Personal accident insurance covered a total of 115.66 crore number of lives (including PMSBY, PMJDY and IRCTC e-ticket passengers) and 19.09 lakh lives were covered under travel insurance policies.

1.23 While responding to the issue of low insurance penetration, density and coverage in our country raised by the Committee, the Additional Secretary, Department of Financial Services, deposed as before the Committee as under:

> *"With regard to lack of insurance coverage, that is a concern, you are aware of the figures. In the twenty years, from 2002, the penetration of life insurance has gone up from 2.2 per cent to 3.2 per cent. That is not a healthy figure. We need much more penetration. Non-life insurance penetration is in fact even worse. It has gone up from 0.5 to 1 per cent. So, the density also is of concern. It has improved from about 10 dollars to about 70 dollars. Even there is a huge potential. It is also a fact that the Insurance Regulatory and Development Authority has also been taking some measures regarding improving the penetration on the horizon. There are projects such as Bima Sugam, Bima Vistar and Bima Vahak by which the regulator has*

ambitious plans to actually go for higher penetration of insurance products."

1.24 On the same issue, the representative of the Insurance Regulatory Development Authority of India apprised the Committee about the steps being taken to improve the condition, as under:

> *"For the purpose of ensuring that appropriate coverage is made available to all sections of the population and to all the risks that require enactment of coverage, the Authority has made certain facilitations to the industry. One of the main facilitations is to let the insurance company offer products without having pre-approval of IRDAI under use-and-file procedure by means of which an insurance company can design a product of its choice commensurate to the risks that they wish to offer to the marketed clause and subsequently they can inform the insurance authority. So, the facilitation is already made available to the industry as a whole. That is the first point. Secondly, the authority has also unleashed a state insurance plan where under a couple of stakeholders of a particular State are joining their hands with a coordinated approach for the purpose of identifying the protection gaps in a particular State and then devising a specified policy for the purpose of enhancing the insurance penetration in the particular State. We have unleashed that particular aspect and we have put it in place. We have assigned various States to various insurance companies and leading insurance companies for the purpose of taking forward the insurance penetration in a particular State."*

C. *Life Insurance*

1.25 It was stated that the total capital of the life insurers increased by 25.40 per cent to Rs. 35,547 crore as on March 31, 2022. During 2021-22, additional capital of Rs. 7,200 crore was brought in the life insurance industry and about 86 per cent of this was by LIC. The details of paid-up capital of life insurers, are given below:

(₹crore)

Insurer	As at March 31, 2021	Additions during 2021-22	As at March 31, 2022
LIC	100.00	6,225.00	6,325.00
Private Sector	28,246.37	975.38	29,221.75
Total	**28,346.37**	**7,200.38**	**35,546.75**

Note: Paid up Capital excludes Share premium and Share application money

1.26 Below are the segment-wise details of premium underwritten by Life Insurers:

(Rs. crore)

Segment	Linked Premium		Non-Linked Premium		Total Premium	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Annuity	-	-	31,594.43	27,855.71	31,594.43	27,855.71
Health	185.22	163.64	634.43	634.04	819.65	797.68
Life	82,150.38	88,625.45	4,00,526.24	4,45,678.26	4,82,676.61	5,34,303.71
Pension	8,671.04	11,537.61	1,01,158.54	1,12,987.92	1,09,829.58	1,24,525.52
Variable	-	-	3,810.77	5,131.51	3,810.77	5,131.51
Total	**91,006.64**	**1,00,326.69**	**5,37,724.41**	**5,92,287.45**	**6,28,731.04**	**6,92,614.14**

1.27 The details of new individual policies issued by life insurers is as under:

(in lakh)

Insurer	2020-21	2021-22
LIC	209.75 (-4.21)	217.19 (3.54)
Private Sector	71.52 (2.89)	73.94 (3.38)
Total	**281.27 (-2.49)**	**291.13 (3.51)**

Note : Figures in bracket indicates the growth (in per cent) over the previous year.

1.28 IRDAI (Expenses of Management of Insurers transacting life insurance business) Regulations, 2016 prescribe the allowable limits of expenses of management considering, inter alia the type and nature of product, premium paying term and duration of insurance business. During the year 2021-22, out of 24 life insurers, 16 were compliant with the above regulations. Eight life insurers had exceeded the limits of expenses on an overall basis or segmental basis and the same are under examination and consideration for grant of forbearance. The life insurance industry reported gross expenses of management of ₹1.07 lakh crore during 2021-22 which was 15.50 per cent of total gross premium.

1.29 It was stated that the commission expenses ratio (commission expenses as a percentage of premium) decreased marginally to 5.18 per cent in 2021-22 from 5.25 per cent in 2020-21. However, total commission increased by 8.77 per cent (total premium growth 10.16 per cent) during 2021-22.

1.30 Further, the operating expenses of the life insurers increased by 17.93 per cent to ₹71,435 crore in 2021-22 and operating expenses ratio (operating expenses as a per cent of gross premium underwritten) increased from 9.77 per cent in 2020-21 to 10.31 per cent in 2021-22. Given below are the operating expenses of life insurers:

(₹crore)

Insurer	2020-21	2021-22
LIC	34,989.52 (8.68)	38,890.68 (9.09)
Private Sector	26,432.76 (11.72)	32,544.34 (14.44)
Total	**61,422.29 (9.77)**	**71,435.02 (10.31)**

Note: Figures in bracket are Operating Expense Ratio in per cent.

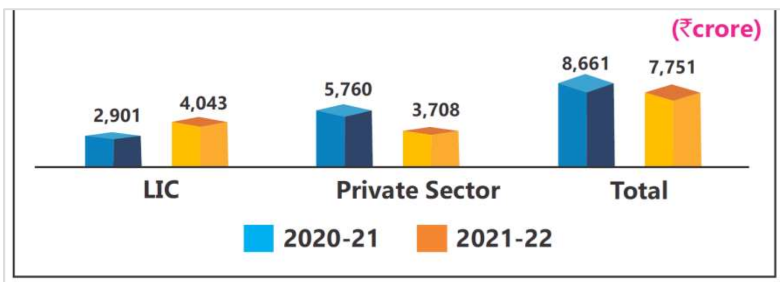
1.31 The details of the offices of life insurers in the country is given below:

(Number of Offices)

Location	As on March 31, 2021			As on March 31, 2022		
	LIC	Private sector	Total	LIC	Private sector	Total
Tier I	1,844	4,717	6,561	1,848	4,746	6,594
Tier II	559	735	1,294	561	706	1,267
Tier III	1,353	476	1,829	1,357	458	1,815
Tier IV	1,037	107	1,144	1,042	106	1,148
Tier V	123	29	152	123	30	153
Tier VI	54	26	80	54	29	83
Total	**4,970**	**6,090**	**11,060**	**4,985**	**6,075**	**11,060**

Note: Tier I - Population 1,00,000 & Above
Tier II - Population of 50,000 to 99,999
Tier III - Population of 20,000 to 49,999
Tier IV - Population of 10,000 to 19,999
Tier V - Population of 5,000 to 9,999
Tier VI - Population less than 5,000

1.32 Profits of life insurance industry declined by 10.50 per cent in 2021-22 with profit after tax (PAT) of ₹7,751 crore as against ₹8,661 crore in 2020-21. Out of the 24 life insurers in operation during 2021-22, 15 companies reported profits. LIC reported increase in profits by 39.39 per cent while private insurers together reported a loss of 35.62 per cent in 2021-22. Below is the profit after tax of life insurers:



D. General and Health Insurance

1.33 The sector wise details of Gross Direct Premium of General and Health Insurers is as under:

(₹crore)

Insurer	Within India		Within and Outside India	
	2020-21	2021-22	2020-21	2021-22
Public Sector Insurers	71,843.72 (-1.94)	75,032.84 (4.44)	75,211.29 (-1.73)	78,335.45 (4.15)
Private Sector Insurers	98,000.96 (8.00)	1,09,753.37 (11.99)	98,000.96 (8.00)	1,09,753.37 (11.99)
Stand-alone Health Insurers	15,755.19 (8.86)	20,867.18 (32.45)	15,755.19 (8.86)	20,867.18 (32.45)
Specialized Insurers	13,114.85 (25.66)	15,046.83 (14.73)	13,114.85 (25.66)	15,046.83 (14.73)
Total	**1,98,714.72** **(5.19)**	**2,20,700.21** **(11.06)**	**2,02,082.30** **(5.15)**	**2,24,002.82** **(10.85)**

Note:

1. Figure in brackets indicate growth in per cent over previous year.
2. Reclassification/Regrouping in the previous year's figures, if any, by the insurer has not been considered.

1.34 The general and health insurers have issued 26.57 crore policies in the year 2021-22 reporting an increase of 7.68 per cent. The sector wise details of new policies issued by General and Health Insurers is as under:

(in lakhs)

Insurer	2020-21	2021-22
Public Sector Insurers	684.27 (-6.71)	631.93 (-7.65)
Private Sector Insurers	1,259.72 (-0.33)	1,423.53 (13.00)
Stand-alone Health Insurers	105.41 (14.34)	125.94 (19.47)
Specialized Insurers	417.93 (28.40)	475.30 (13.73)
Total	**2467.33** **(2.16)**	**2,656.70** **(7.68)**

Note: Figures in brackets indicate growth in per cent over previous year.

1.35 The details of policies, lives covered and premium under health insurance business of general and health Insurers is given below:

Class of Business	No. of Policies (lakhs)		No. of Lives Covered (lakhs)		Gross Premium (₹crore)	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Government Sponsored Business	0.001 (-53.50)	0.001 (0.00)	3,429.14 (-5.26)	3,065.08 (-10.62)	4,290.00 (-12.82)	6,075.87 (41.63)
Group Business	9.09 (19.49)	7.00 (-36.30)	1,186.95 (26.92)	1,622.88 (36.73)	28,108.09 (8.61)	36,890.58 (31.25)
Individual Business	228.30 (32.95)	219.25 (-3.96)	531.39 (22.94)	516.23 (-2.85)	25,839.77 (29.48)	30,085.07 (16.43)
Total	**237.39** **(32.38)**	**226.25** **(-5.20)**	**5,147.47** **(3.22)**	**5,204.19** **(1.10)**	**58,237.86** **(14.74)**	**73,051.52** **(25.44)**

Note: Figures in bracket indicates growth (in per cent) over previous year.

Chart I.27: Lives covered and Premium under Health Insurance (2021-22)

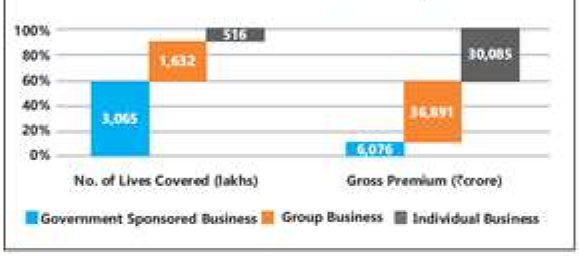
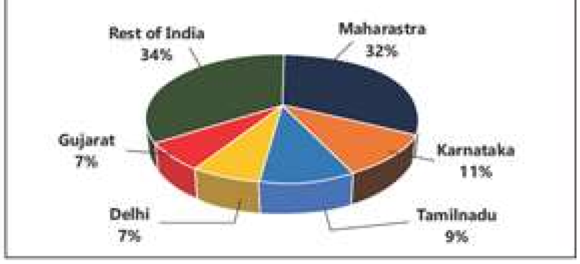
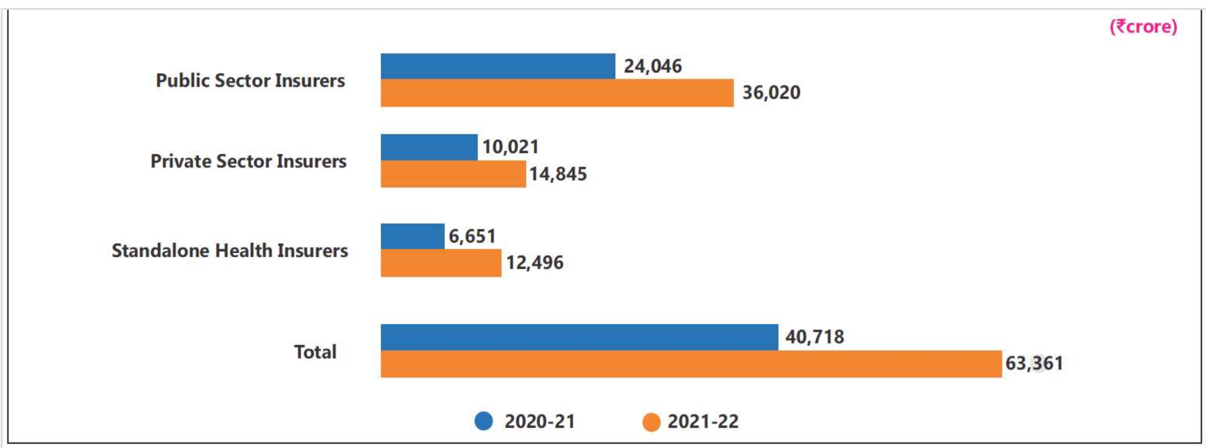


Chart I.28: Share of States in Health Insurance Premium (2021-22)



1.36 Net incurred claims under health insurance:



1.37 Status of claims under health insurance business of general and health insurers:

(No. in lakhs & Amount in ₹crore)

Claims outstanding at the beginning of the period		New claims registered during the period		Total Claims		Claims paid during the period		Claims disallowed as per terms and conditions of policy contract		Claims repudiated during the period		Claims outstanding at the end of the year	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
14.73	5,661.79	240.22	93,840.46	254.95	99,502.24	218.52	69,498.48	-	14,955.09	16.37	9,070.24	20.06	5,978.44
				(100.00)	(100.00)	(85.71)	(69.85)	-	(15.03)	(6.42)	(9.12)	(7.87)	(6.01)

Note: Figures in brackets are percentage to total

1.38 Paid-up capital of General and Health Insurers (Rs.in crore):

Insurer	As at March 31, 2021	Additions during 2021-22	As at March 31, 2022
Public Sector Insurers	13,724.00	5,000.00	18,724.00
Private Sector Insurers	11,493.19	-1,151.43	10,341.76
Stand-alone Health Insurers	4,235.06	404.27	4,639.33
Specialized Insurers	3,390.00	760.00	4,150.00
Total	**32,842.24**	**5,012.84**	**37,855.09**

Note: Reclassification/Regrouping in the previous year's figures, if any, by the insurer has not been considered.

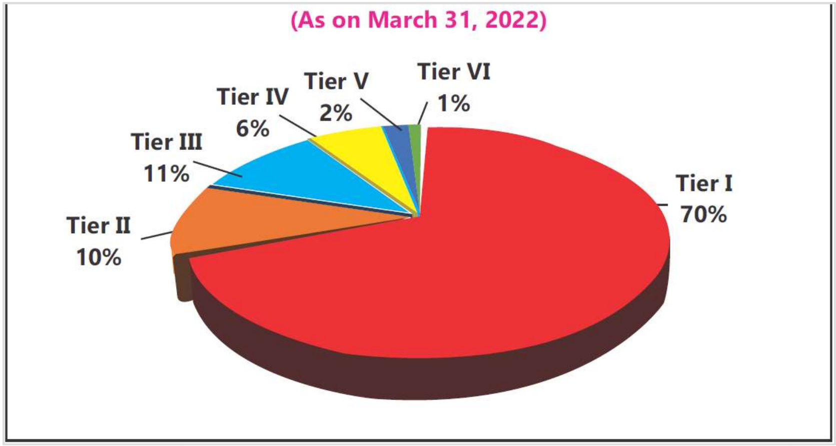
1.39 The details regarding offices of general and health insurers:

Location	As on March 31, 2021					As on March 31, 2022				
	Public Sector	Private Sector	SAHI	Specialized	Total	Public Sector	Private Sector	SAHI	Specialized	Total
Tier I	4,175	2,527	930	86	7,718	3,995	2,363	1,085	73	7,516
Tier II	843	138	125	-	1,106	779	144	156	-	1,079
Tier III	1,194	37	81	-	1,312	1,040	39	104	-	1,183
Tier IV	722	9	14	-	745	632	14	19	-	665
Tier V	241	11	-	-	252	216	11	-	-	227
Tier VI	106	9	-	-	115	98	6	1	-	105
Total	**7,281**	**2,731**	**1,150**	**86**	**11,248**	**6,760**	**2,577**	**1,365**	**73**	**10,775**

Note:

Tier I - Population 1,00,000 & Above
Tier II - Population of 50,000 to 99,999
Tier III - Population of 20,000 to 49,999
Tier IV - Population of 10,000 to 19,999
Tier V - Population of 5,000 to 9,999
Tier VI - Population less than 5,000

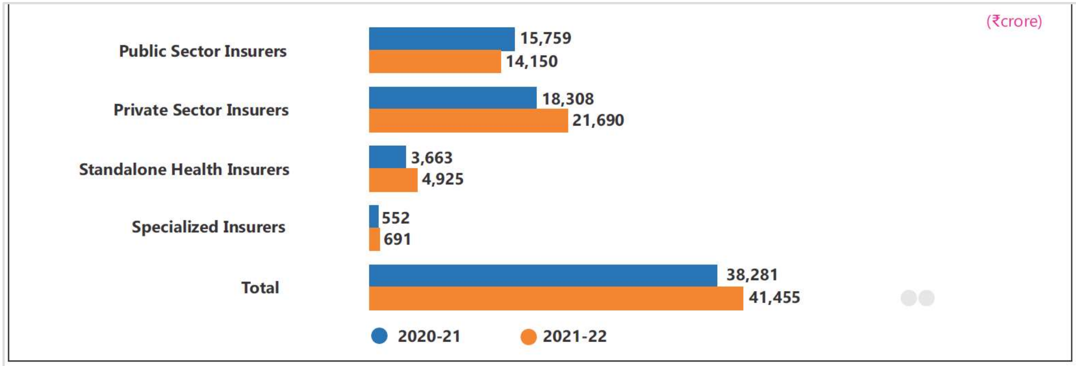
1.40 Tier-wise distribution of offices of general and health insurers:



1.41 Commission expenses and operating expenses constitute a major part of the total expenses. The gross commission expenses of the general insurance industry were ₹16,931 crore for the year 2021-22 increased by 9.87 per cent from the previous year. The operating expenses of general insurers stood at ₹41,455 crore in 2021-22, showing an overall increase of 8.29 per cent.

1.42 During the year 2021-22, five private insurers were under exemption period as the insurers are yet to complete the first five years of operations. Out of remaining insurers, 18 insurers were compliant, nine insurers were non-compliant and eight general insurers were granted forbearance in accordance with the Insurance Regulatory Development Authority of India (Expenses of Management of Insurers transacting General or Health Insurance Business) Regulations,2016, subject to the condition that excess of expenses of management shall be charged to shareholders' fund. In case of Reliance Health Insurance Ltd., its business portfolio has been transferred to Reliance General Insurance Co. Ltd.

1.43 The sector-wise operating expenses of general and health insurers:



1.44 As per IRDAI, the net incurred claims of the general insurers stood at ₹1.41 lakh crore in 2021-22 as against ₹1.12 lakh crore in 2020-21 reported an increase of about 26 per cent during 2021-22. The incurred claims ratio (net incurred claims to net earned premium) of the general insurance industry was 89.08 per cent during 2021-22 against 81.06 per cent of previous year. Public sector general insurers experienced the highest claims ratio of 103.17 per cent whereas private sector general insurers had the lowest claims ratio of 77.95 per cent during the year 2021-22. Among the various segments, health segment had the highest claims ratio at 105.68 per cent against a claim ratio of 89.51 per cent during the previous year.

1.45 The sector wise incurred claims ratio under health insurance business of general and health insurers (in %):

Insurer	Govt. Business		Group Business		Individual Business		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Public Sector Insurers	124.67	121.27	104.33	130.33	95.52	117.99	103.61	126.17
Private Sector Insurers	96.53	111.71	89.79	106.19	78.64	102.52	85.78	105.11
Standalone Health Insurers	-1170.91	0.00	79.95	87.73	84.45	79.38	78.09	81.18
Total	**120.09**	**119.82**	**97.88**	**118.64**	**84.69**	**95.54**	**93.80**	**109.12**

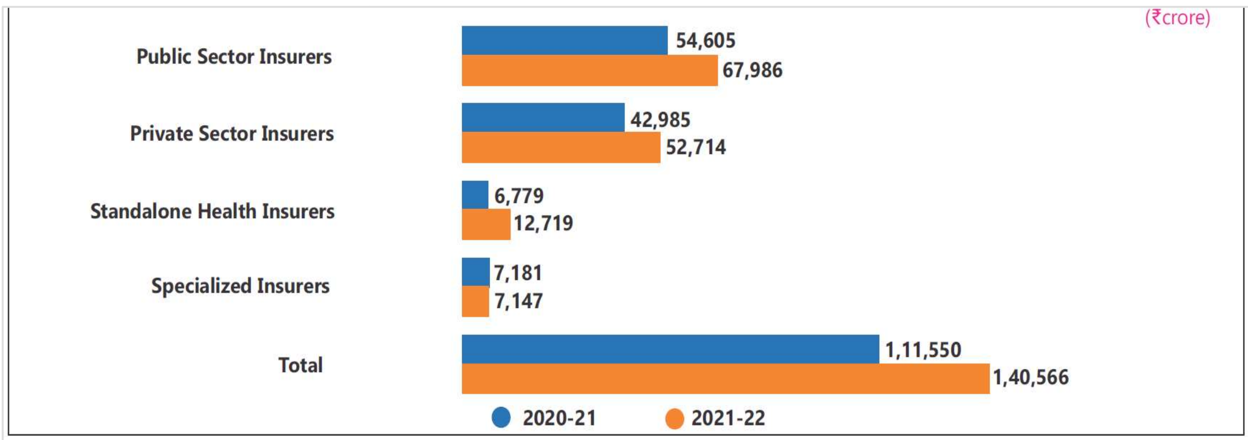
Note:
1. It is excluding of Personal Accident and Travel Insurance Business
2. Data as per the Health returns submitted by insurers

1.46 Incurred claim ration of general and health insurers:

(in per cent)

Segment	Public Sector Insurers		Private Sector Insurers		Standalone Health Insurers		Specialised Insurers		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Fire	68.33	66.96	57.60	51.27	NA	NA	NA	NA	65.07	60.33
Marine	69.49	86.02	80.32	85.78	NA	NA	NA	NA	75.11	85.88
Motor	78.60	94.03	73.59	74.53	NA	NA	NA	NA	75.61	81.30
Health	101.02	126.80	78.44	94.66	75.43	79.06	NA	NA	89.51	105.68
Others	86.58	58.54	63.60	64.96	NA	NA	93.95	92.47	83.47	72.72
Total	**87.48**	**103.17**	**73.39**	**77.95**	**75.43**	**79.06**	**93.95**	**92.47**	**81.06**	**89.08**

1.47 Sector-wise details of net incurred claims of general and health insurance:



1.48 The segment-wise details of premium (within India) underwritten by general and health insurers are as under:

(₹crore)

Segment	Public Sector Insurers		Private Sector Insurers		Stand-alone Health Insurers		Specialised Insurers		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Fire	8,375.40	8,514.95	11,737.49	13,036.08	NA	NA	NA	NA	20,112.89	21,551.03
Marine	1,724.82	1,834.43	1,763.27	2,333.18	NA	NA	NA	NA	3,488.09	4,167.61
Motor	23,218.11	21,768.98	44,574.07	48,664.50	NA	NA	NA	NA	67,792.19	70,433.48
Health	28,902.71	35,374.27	19,095.07	24,260.83	15,755.19	20,867.18	NA	NA	63,752.97	80,502.27
Others	9,622.68	7,540.22	20,831.06	21,458.78	NA	NA	13,114.85	15,046.83	43,568.58	44,045.82
Total	**71,843.72**	**75,032.84**	**98,000.96**	**1,09,753.37**	**15,755.19**	**20,867.18**	**13,114.85**	**15,046.83**	**1,98,714.72**	**2,20,700.21**

1.49 Profit after tax of general and health insurers:

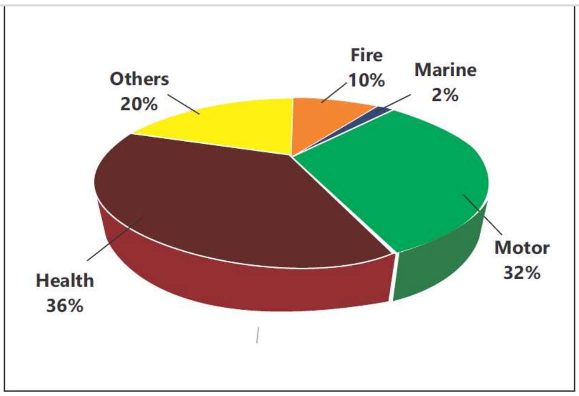
(₹crore)

Insurer	2020-21	2021-22
Public Sector Insurers	-1,467.29	-6,761.16
Private Sector Insurers	5,729.06	4,098.77
Standalone Health Insurers	-1,359.73	-1,808.01
Specialised Insurers	950.50	1,613.46
Total	**3,852.53**	**-2,856.93**

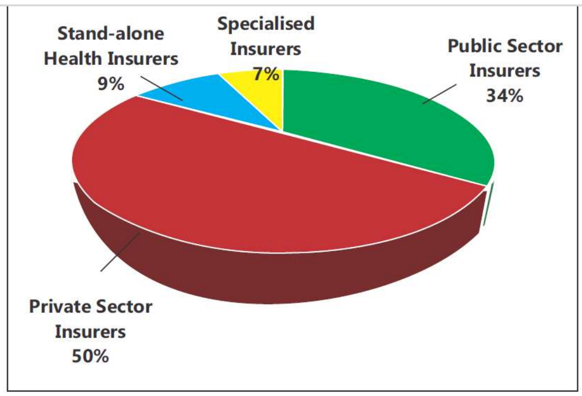
Note: Reclassification/Regrouping in the previous year's figures, if any, by the insurer has not been considered.

1.50 Segment and Sector wise share in premium of General and Health Insurance:

Segment-wise



Sector-wise



1.51 The underwriting losses of the general and health insurers was ₹31,810 crore in 2021-22 reporting an increase of 58.74 per cent. The ratio of underwriting loss to net earned premium for the general insurance industry in 2021-22 was 20.13 per cent as compared to 14.56 per cent in the year 2020-21. Given below are the sector wise details of underwriting experience of general and health insurers:

(₹crore)

Insurer	2020-21	2021-22
Public Sector Insurers	-13,497.75 (-21.62)	-20,443.55 (-30.71)
Private Sector Insurers	-4,052.83 (-6.92)	-8,158.25 (-12.06)
Standalone Health Insurers	-2,373.65 (-26.41)	-3,263.34 (-20.29)
Specialized Insurers	-114.59 (-1.50)	55.56 (0.72)
Total	**-20,038.83 (-14.56)**	**-31,809.59 (-20.13)**

Note:
1. Figures in bracket indicate ratio (in per cent) of underwriting profit/ loss to net earned premium.
2. Regrouping/Reclassification, if any, in previous years figures by the insurer has not been considered.
3. Underwriting Profit/Loss = Premium Earned (Net) - Claim Incurred (Net) – Net Commission – Operating Expenses related to Insurance Business - Premium Deficiency Reserve

1.52 India has been ranked at the 3rd position, after the US and China in recording the highest number of natural disasters since 1900. By disaster type, India is marred mostly by floods. Almost 41% of disasters occurred in the form of floods. As per the SBI Research ECOWRAP (Learning from the Frequent Natural Disasters in India - July 2023), an average Indian is roughly insured for only 8% of what is desired, leaving an insurance gap of 92%, while the global average for insurance protection is 54%. The Report has also highlighted that in the MSME Sector, only 5% of the units are insured in the country; however, this sector needs a much higher level of protection. The full Report is at Annexure - II

1.53 As per the Annual Report of Indian Meteorological Department (IMD), during 2021, 10 cyclonic disturbances over the North Indian Ocean including 7 over the Bay of Bengal and 3 over the Arabian Sea against the normal of 11-12 cyclonic disturbances per year over the North Indian Ocean based on the data of 1961-2020. Out of these, 5 intensified into cyclonic storms against the normal of 4.8 CS per year over the North Indian Ocean based on the data of 1961-2020. Out of these 5 CS, 3 intensified into severe category storms. Overall, there was 1 extremely severe cyclonic storm, 1 very severe cyclonic storm, 1 severe cyclonic storm and 2 cyclonic storms.

1.54 When the Committee desired to know the views of the Government on this matter, the Department of Financial Services, in their written reply has stated as under:

> "Protection gap is the difference between the amount of insurance that is in place and the amount of insurance required for adequate risk protection. Traditionally, insurance in India was seen as a savings product, wherein insured are eligible for maturity/survival benefits at the end of policy period. This is changing due to awareness amongst the younger generation. In recent years, term insurance has gained popularity.
>
> There is an ongoing study on comprehensive multi hazard risk finance strategy by NDMA, with aim to:
>
> i. To develop a database of economic and financial losses caused by selected hazards of earthquake, cyclone, and flood together with a report describing the data collected and its limitations.
>
> ii. To develop catastrophic risk profiles for the selected perils of earthquake, cyclone, and flood for the four states of Kerala, Uttarakhand, Orissa and Gujarat encompassing the hazard and vulnerability modules for each peril with results calibrated to historical events.
>
> iii. Through leveraging the output from (i) and (ii) above, to develop in conjunction with the World Bank Group, disaster risk financing and insurance strategies that include state specific disaster financing mechanisms and consider the potential benefits of risk pooling of disaster risks of multi-states."

1.55 The Department of Financial Services has also informed the Committee that insurance is not mandatory at the time of mortgage of a house. Insurance is a subject matter of solicitation; hence, through awareness campaigns people may be made aware to insure their assets from various risks. Nowadays, banks do offer various insurance products at the time of mortgage of house etc., however it is up to the customer to opt for insurance or not, hence such insurance is not mandatory.

1.56 When the Committee desired to know what percentage of the MSME sector in our country is covered under insurance and what steps/reforms can be taken to enhancetheir coverage, the Department of Financial Services in their written reply have furnished the following:

"Insurance take-up rate specific to MSMEs sector is not available with the regulator IRDAI or this Department. Adequate insurance coverage for a business is important because it safeguards the small businesses against various risks, supports business continuity, ensures compliance with legal requirements, safeguards employee benefits and provides peace of mind to business owners and stakeholders.

Following steps are taken by regulator to enhance the insurance coverage in MSME Sector:

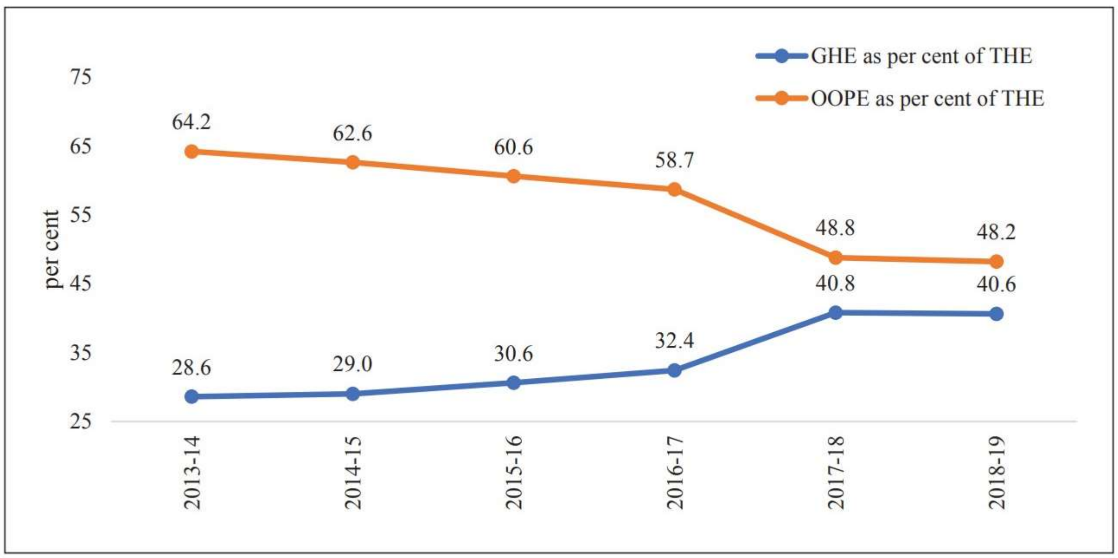
i. Regulator has in 2021 revised the Trade Credit to enable general insurance companies to offer trade credit insurance with customized covers to improve businesses for the SMEs and MSMEs, considering the evolving insurance risk needs of these sectors.
ii. Standardization of Health insurance contracts: IRDAI has issued a Master Circular Ref No. IRDAI/HLT/REG/CIR/193/07/2020 dated 22nd July, 2020 on standardization in Health Insurance Business.
iii. Non-life Insurance Contracts: In Retail, Small and Micro segments, the IRDAI has introduced Standard Products in fire line of general insurance business viz. Bharat Griha Raksha, Bharat SukshaUdyam and Bharat LaghuUdyam. These products are designed with simplified wording and coverages to enable the targeted segments easy to understand in terms of coverages and procedures.
iv. Life Insurance contracts: The IRDAI has introduced two standard life insurance products: Saral Jeevan Bima (a standard term life insurance product) and Saral Pension (an immediate annuity plan). These products are available in the market and offer simplified features.
v. The State Insurance Plan being initiated by the regulator seeks to collaborate with the State and UT administrations to identify uninsured segments and address their insurance protection needs.
vi. Further, IRDAI from time to time undertake various awareness campaigns to spread awareness amongst the people, in order to encourage them to safeguard their assets with insurance."

1.57 In October 2021, NITI Aayog had released a Report titled 'Health Insurance for India's Missing Middle', which brings out the gaps in the health insurance coverage across the Indian population and offers solutions to address the situation. As per the said report, the *Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana* (AB-PMJAY) launched in September 2018, 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. The remaining 30% of the population is devoid of health insurance; the actual uncovered population is higher due to existing coverage gaps in PMJAY and overlap between schemes. This uncovered population is termed as the 'missing middle'. The missing middle is not a monolith – it contains multiple groups across all expenditure quintiles. The missing middle is spread across all expenditure quintiles, in both urban and rural areas, though they are concentrated in the top two quintiles of rural areas, and top three quintiles of urban areas. The missing middle predominantly constitutes the self-employed (agriculture and non-agriculture) informal sector in rural areas, and a broad array of occupations – informal, semi-formal, and formal – in urban areas.

1.58 The said report also highlights the need for designing a low-cost comprehensive health insurance product for the missing middle. It primarily recognizes the policy issue of low financial protection for health for the missing middle segment and highlights health insurance as a potential pathway in addressing that. In doing so, the report offers a starting point for broader discussions on solutions, and specific products, to improve insurance coverage for the missing middle. The report proposes wider industry and government stakeholder consultations, and discussion with consumer groups to delve deeper into the specifics of the problem, and potential solutions.

1.59 According to Economic Survey 2022-23, National Health Account (NHA) for the year FY19 (which is the latest available account) highlights the rising importance of public healthcare and social security in ensuring universal health coverage. The NHA estimates for FY19 show that there has been an increase in the share of Government Health Expenditure (GHE) in the total GDP from 1.2 per cent in FY14 to 1.3 per cent in FY19. Additionally, the share of GHE in Total Health Expenditure (THE) has also increased over time, standing at 40.6 per cent in FY19, substantially higher than 28.6 per cent in FY14.

Government Health Expenditure and Out of Pocket Expenditure as per cent of Total Health Expenditure



Source: Economic Survey, 2022-23

1.60 When the Committee desired to know as to how the out-of-pocket expenses being borne by the people on medical emergencies/expenses, the Department of Financial Services in their written reply has stated as under:

> "Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) is the largest health assurance scheme in the world providing cashless cover of up to INR5,00,000 to each eligible family, per annum, on family floater basis for listed secondary and tertiary care conditions, for

1,949 treatment procedures across 27 specialties. National Health Authority (NHA) is mandated to implement AB PM-JAY. This scheme is being implemented in 33 States and UTs across India. PM-JAY has no cap on family size or age of family members. In addition, pre-existing diseases are covered from the very first day. This means that any eligible person suffering from any medical condition before being covered by PM-JAY will now be able to get treatment for all those medical conditions as well under this scheme right from the day they are enrolled. Beneficiary base under the AB-PMJAY has been expanded from existing 10.74 Crore to 12 Crore beneficiary families in 2022. Further, many States/UTs implementing AB PM-JAY have expanded the beneficiary base under the scheme to approximately 15.5 Crore families, at their own cost.

Further, the Employees' State Insurance Act, 1948 is applicable to all non-seasonal factories employing 10 or more persons. The existing wage limit for coverage under the Act, is Rs.21,000/- per month (Rs.25,000/- per month in the case of Persons with Disability).ESI Act encompasses health related eventualities that the workers are generally exposed to; such as sickness, maternity, temporary or permanent disablement, occupational disease or death due to employment injury, resulting in loss of wages or earning capacity. As on 31st March, 2022total no. of beneficiaries under ESI act is 12.04 crore.

As per NITI Aayog, the out-of-pocket expenses (OOPE)stood at 69% in 2013 this has declined to 63%* in 2018.Nowadays, long term health insurance products are available and cashless facility contributes 60% of insurance claims which will further bring down the OOPEs incurred by people in India. Following steps are advised to reduce OOPE:

1. Expanding private voluntary insurance through commercial insurers. A modified standardized health insurance product development can increase uptake of health insurance.
2. Allowing voluntary contribution using AB-PMJAY infrastructure or ESIC scheme"

1.61 In regard to a specific query of the Committee about the rationalization of GST rate and other charges, the Department of Financial Services has stated as under:

"Health insurance premiums are taxed at a GST rate of 18 percent. Long term health insurance plans are available in Indian market that are cheaper as compared to annual health insurance policies."

E. Motor Insurance

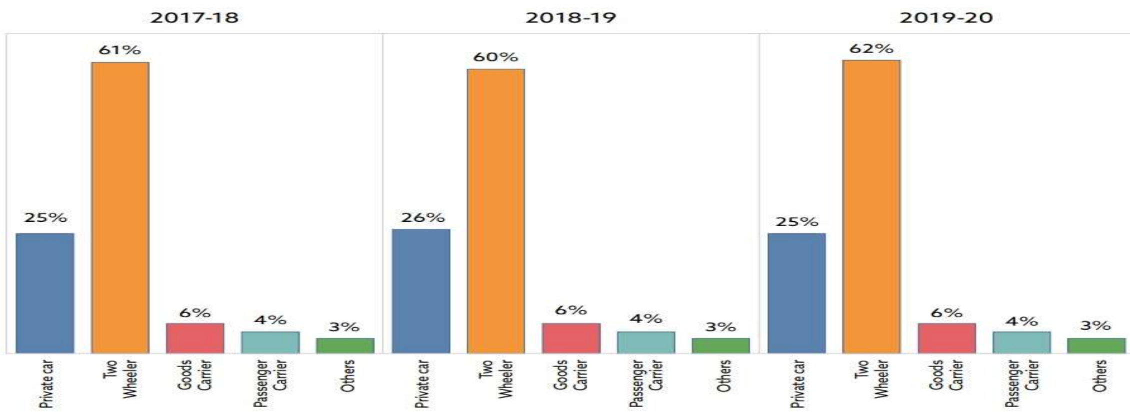
1.62 According to the Motor Annual Report, 2019-20 of Insurance Information Bureau of India (IIB), motor continues to be the largest line of business in the General Insurance industry with gross underwritten premium in the Financial Year (FY) 2019-20 at Rs. 68,951.07 Crores (37% of general insurance) with a growth rate of 7%. Interestingly, 6 states i.e. Maharashtra, Tamil Nadu, Uttar Pradesh, Karnataka, Gujarat, and Kerala contribute nearly 50% of the total policies and claims. The share of insurance claims in Kerala was nearly 85% of the total third-party claims reported whereas Bihar had 81% of the TP claims reported on account of Death and for Jharkhand it was nearly 78%, consistent from the previous FY. Even states like Uttarakhand, Uttar Pradesh, Arunachal Pradesh, Mizoram, Punjab and West Bengal had a major portion, more than 60%, of their third-party claims on account of death.

1.63 The report also states that of the over 25.33 crore vehicles on road in India as on 31st March 2020, the percentage of uninsured vehicles was nearly 56% whereas in 2018-19, of the nearly 23.12 crore vehicles on road it is 57%. Due to the impact of long term policies, the percentage of renewals has increased by around 10%. This has not had much impact on the number of uninsured vehicles and the uninsured rate remains almost constant in comparison to earlier years. Even though renewals have shown a growth, it remains to be seen what the impact will be once the tenure of long term policies expire.

1.64 Below is the chart showing details of the motor policies:

Number of Policies

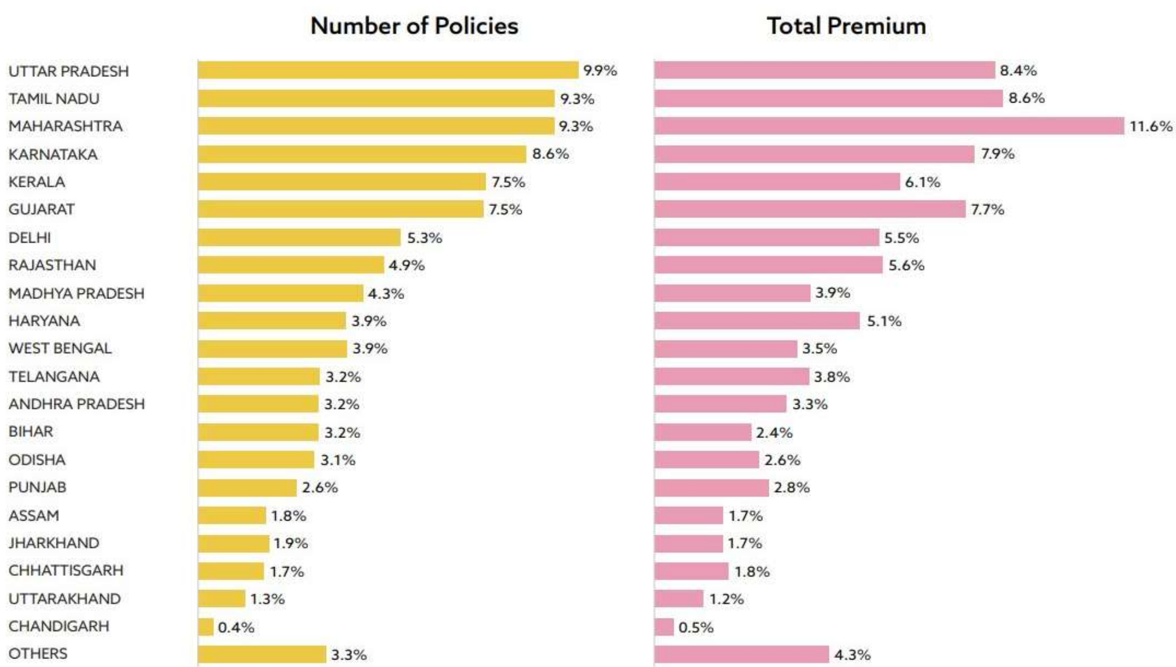
FY 2017-18	FY 2018-19	FY 2019-20
97,129,743	100,746,451	111,825,659



The above chart includes long term policies as well.

Source: Motor Annual Report, 2019-20, IIB

1.65 Share of different states in terms of total policies and premium:



Source: Motor Annual Report, 2019-20, IIB

F. Microinsurance

1.66 Microinsurance is specifically intended for the protection of low-income people, with affordable insurance products to help them cope with and recover from financial losses. The need for insurancefor the underprivileged section cannot be avoided as this section of society is more prone to many risks which ultimately leads to incapacity to face such uncertain situations. Hence, the role that micro insurance plays thus becomes inevitable.

1.67 It has been stated that distribution is the most critical link in the insurance value chain, especially for micro insurance where the customer is semi-literate or even illiterate, has limited financial resources and is largely inaccessible. Distribution becomes even more crucial in case of voluntary micro insurance since it also involves a 'hard-selling' element. On the other hand, due to the low insurance penetration among the low-income segment, there also lies a huge opportunity in terms of business as well extending financial protection to those who need it the most.

1.68 On being asked by the Committee, the Department of Financial Services has furnished the following information related to promotion of microinsurance:

> "Following steps are being taken to promote Micro Insurance:
> a) IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2015set out specific obligations that insurers have to meet, in the rural and social sectors on an annual basis.IRDAI has notified IRDAI (Micro Insurance) Regulations, 2015. Further, to promote micro-insurance, IRDAI has allowed micro-insurance policies to be reckoned towards of fulfillment of rural and social sector obligations.
> b) To increase accessibility, distribution of micro insurance products is permitted through NGOs, Self Help Groups, Micro Finance Institutions, NBFCs, District Corporate Banks, etc.
> c) Insurers are required to print the policy documents in regional languages for better understanding and awareness of general public.

d) GSTis exempted onthe premium paid on micro-insurance products.

Insurance industry has deployed technology in policy solicitation and servicing, distribution, claim evaluation, claim payments and insurance awareness harnessing digital infrastructure including UPI, Account Aggregators, e-KYC, Digi-locker, UIDAI.

1.69 The IRDAI has enumerated the major challenges in microinsurance distribution:

- 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.
- Lack of basic awareness and knowledge on how insurance works

G. Reinsurance

1.70 According to the IRDAI, there is only one Indian Reinsurer registered with the Authority, namely General Insurance Corporation of India (GIC Re). GIC Re has been providing re-insurance support to direct insurers in India and foreign insurers/re-insurers. The Corporation's reinsurance program has been designed to meet the objectives of optimizing retention within the country, ensuring adequate coverage for cedants' exposure at reasonable cost and developing technical expertise and adequate financial capacities within the domestic market. GIC Re is also managing the Nuclear Pool and Terrorism Pool. It receives obligatory cessions on each and every policy issued by domestic general insurers subject to certain limits and leads most of the treaty programs and facultative programs of these insurers. This obligatory cession for 2021-22 is five per cent.

1.71 With the view to make India a reinsurance hub, the Insurance Law (Amendment) Act, 2015 has allowed Foreign Reinsurers and the Society of

Lloyd's to open their Branches in India to transact reinsurance business in India. As on March 31, 2022, there are 11 Foreign Reinsurance Branches (FRBs) including Lloyd's operating in India. Lloyd's India is operating through one service company. These FRBs are branches of prominent reinsurers across the world with rich experience and expertise.

1.72 Reinsurance is being done by Indian reinsurer, Foreign Reinsurance Branches (FRBs) and Cross Border Reinsurers (CBRs). Out of the gross reinsurance premium of ₹61,337 crore in the year 2021-22 by Indian reinsurer and FRBs, Indian business accounted for about 75 per cent and foreign business accounted for the remaining. Out of the total Indian business of ₹45,981 crore in the year 2021-22, GIC Re accounted for about 61 per cent and remaining by FRBs.

1.73 In 2021-22, reinsurance premium placed by general insurers within and outside India remained 20.16 per cent and 7.99 per cent of gross premium respectively. Net retention of general insurers increased from 70.82 per cent in 2020-21 to 71.85 per cent in 2021-22. Below is the segment-wise details of retention of general and health insurers:

(As a Per cent of Gross Premium)

Segment	Public Sector		Private Sector		Total	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Fire	46.68	43.68	23.73	23.57	33.03	31.39
Marine Cargo	72.54	72.40	64.52	64.98	67.22	67.26
Marine Hull	24.06	31.50	3.00	2.33	20.71	26.77
Motor	94.52	94.64	83.07	84.88	87.15	87.87
Engineering	54.72	51.86	23.47	22.53	40.22	37.59
Aviation	10.82	18.67	15.69	15.79	11.85	18.07
Other Misc.	80.60	80.15	61.69	65.55	70.42	72.29
Total	**79.20**	**78.29**	**64.64**	**67.43**	**70.82**	**71.85**

1.74 On being asked by the Committee about further development of reinsurance sector, the Department of Financial Services has submitted as under:

"The Government of India established International Financial Services Authority (IFSCA) in April 2020 under the International Financial Services Centres Authority Act passed by the parliament. IFSCA is a unique four-in-one unified financial sector regulator regulating the financial services, financial products and financial institutions in International Financial Services Centre, Gandhinagar by exercising the powers of all domestic financial sector regulators namely RBI, SEBI, IRDAI and PFRDA. GIFT-IFSC enables registered entities, including branches, wherever permitted, to operate, innovate and succeed, facilitated by an internationally comparable regulatory framework under a special offshore status within India. The GOI envisions promoting GIFT-IFSC into a global reinsurance hub.

Further, as part of a comprehensive long-term strategy for the growth of the reinsurance market in India, IRDAI has taken following steps: -

i. The recent amendments to the Reinsurance Regulations aim at promoting a level playing field for domestic and foreign reinsurers, enhancing retention within the country, and developing India as a reinsurance hub.
ii. The minimum assigned capital required for the foreign reinsurer to open a branch in India has been reduced with provision to repatriate excess assigned capital
iii. Reporting requirements and compliance burden for insurers/reinsurers have been reduced to enhance ease of doing business.
iv. The regulations for registration of Indian reinsurance companies have been amended to further streamline the process of registration.

H. Solvency Margins of Insurers

1.75 Every insurer is required to maintain a Required Solvency Margin as per Section 64VA of the Insurance Act, 1938. Every insurer shall maintain an excess of the value of assets over the amount of liabilities of not less than amount prescribed by the IRDAI, which is referred to as a Required Solvency Margin. The IRDAI (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016, IRDAI (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016 and the IRDAI (Actuarial

Report and Abstract for Life Insurance Business) Regulations, 2016 describe in detail the method of computation of the Required Solvency Margin.

1.76 As per Insurance Regulatory Development Authority of India, at the end of March 2022, all 24 life insurers complied with the stipulated solvency ratio of 1.5.

1.77 The IRDAI has stated that as of March 31, 2022, 25 out of 26 private sector general insurers including the standalone health insurers have complied with the stipulated Solvency Ratio of 1.50. For computation of solvency ratio as on March 31, 2022, three public sector general insurance companies viz. National, Oriental, and United have been granted forbearance of 75 per cent of Fair Value Change Account as on March 31, 2022. Further, all the four public sector general insurance companies have been allowed to amortise their pension liability towards OMOP over a period not exceeding five years from financial year 2019-20.

III. CAPITAL AND INVESTMENT

A. Investments of the Insurance Sector

1.78 Insurers have been mandated to follow the pattern of investment, as required under IRDAI (Investment) Regulations 2016.As on March 31, 2022, the investments made by the insurance industry stood at ₹54.37 lakh crore as against ₹49.13 lakh crore as on March 312021, registering an increase of 10.65 per cent. The share of life insurers stood at 91.09 per cent, general insurers including specialized insurers and Standalone Health Insurers (SAHI) constituted 7.10 per cent and reinsurers including branches of foreign reinsurers constituted 1.81 per cent as on March 31, 2022. The share of PSUs stood at 72.19 per cent and private sector constituted 27.81 per cent in the same period.

1.79 The details of the total investment of the insurance sector is as under:

(As on March 31)

(₹Crore)

Sector	Life Insurers		General and Health Insurers		Reinsurers		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
Public	33,97,832	36,79,475	1,58,703	1,67,993	68,799	77,349	36,25,333	39,24,816
	(10.65)	(8.29)	(16.44)	(5.85)	(17.09)	(12.43)	(11.01)	(8.26)
Private	10,82,142	12,72,712	1,90,067	2,18,214	15,733	20,985	12,87,942	15,11,911
	(32.06)	(17.61)	(21.92)	(14.81)	(34.33)	(33.38)	(30.49)	(17.39)
Total	**44,79,973**	**49,52,187**	**3,48,770**	**3,86,206**	**84,532**	**98,334**	**49,13,275**	**54,36,727**
	(15.16)	**(10.54)**	**(19.37)**	**(10.73)**	**(19.96)**	**(16.33)**	**(15.53)**	**(10.65)**

Note:
1. Figures in brackets represent growth in percentage over the previous year
2. Reinsurers included Branches of Foreign Reinsurers

1.80 The category-wise details of investments of general, health and reinsurance companies are given below:

(As on March 31)

(₹crore)

Category	General and Health Insurers		Reinsurers		Total	
	2021	2022	2021	2022	2021	2022
Central Government Securities	91,089	1,03,130	29,445	36,037	1,20,533	1,39,166
	(26.12)	(26.70)	(34.83)	(36.65)	(27.82)	(28.72)
State government and other approved securities	69,585	83,491	18,392	21,154	87,977	1,04,645
	(19.95)	(21.62)	(21.76)	(21.51)	(20.30)	(21.60)
Housing and Loans to State Govt. for Housing & FFE	28,404	31,122	6,263	7,347	34,667	38,470
	(8.14)	(8.06)	(7.41)	(7.47)	(8.00)	(7.94)
Infrastructure Investments	57,572	58,402	8,359	9,779	65,931	68,181
	(16.51)	(15.12)	(9.89)	(9.94)	(15.22)	(14.07)
Approved Investments	92,098	96,625	17,968	20,088	1,10,066	1,16,713
	(26.41)	(25.02)	(21.26)	(20.43)	(25.40)	(24.09)
Other Investments	10,023	13,437	4,105	3,928	14,128	17,365
	(2.87)	(3.48)	(4.86)	(3.99)	(3.26)	(3.58)
Total	**3,48,770**	**3,86,206**	**84,532**	**98,334**	**4,33,301**	**4,84,540**
	(100.00)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**

FFE: Fire Fighting Equipment
Note :
1. Figures in brackets are percentage to total
2. Reinsurers included Branches of Foreign Reinsurers

B. Requirement of Capital

1.81 When the Committee desired to know about any constraints faced in regard to capital in the insurance sector, the representative of Insurance Regulatory Development Authority of India apprised the Committee as under:

> *"With respect to capital constraints, it is not an entry barrier as far as insurance business is concerned. It is more an issue of expansion barrier. So, in the recent reforms, we allowed the insurance companies to raise the other forms of capital by means of debentures and others to the extent of 50 per cent of the paid-up equity. Earlier, that particular cap was to the extent of 25 per cent. So, gradually we see that capital constraints, if any, will be addressed by all these means. In addition to this, the country has already permitted 74 per cent of FDI in the insurance sector. That is likely to invite or attract a greater number of foreign players to enter the insurance market which will also result into some sort of expansion of insurance market. With respect to catastrophe risk and capacity in this country, at present the retention capacity of the general insurance industry is in the range of 80 per cent. It means, out of every Rs. 100/- of the premium that the insurance companies are underwriting, 80 per cent is retained in India and 20 per cent is seeded by way of reinsurance. Therefore, there is adequate retention capacity amongst the insurance companies. But as we move forward, there are various other risk transfer mechanisms that are already in place by way of transferring specified risk even to the capital bonds by way of catastrophe bonds or by way of life bonds which could also be explored as we move forward in the direction of expanding the role of the insurance industry."*

1.82 While replying to a query of the Committee regarding provision of 74% of Foreign Direct Investment in Insurance Sector, the Chairman, IRDAI, stated as under:

> *"It is final and the controls have been removed by and large. It only says that 50 per cent of the Independent Directors should be Indian citizens and either the Chairman or the CEO should be an Indian citizen. It is Indian citizen and not resident.*

1.83 All insurers are required to maintain minimum regulatory control level of solvency margin of 150 percent. Currently, minimum regulatory capital requirements are driven by factor-based approach intended to capture major risks associated with insurance business. However, the IRDAI has informed that it is in the process of development and implementation of risk based capital regime which is expected to result in further rationalization/optimization of regulatory capital requirements.

1.84 When the Committee specifically desired to know the capital that would be required considering solvency ratio and capital adequacy norms, to address the issue of underinsurance in the country, the Chairman Insurance Regulatory Development Authority of India deposed before the Committee as under:

> *"If we go by the growth of GDP, in India and across the world also, we have tried to figure out what will be the capital that will be required per annum. I had mentioned Rs. 50,000 crore in one of the presentations. This amount of Rs. 40,000 crore to Rs. 50,000 crore would be roughly required. Some of this capital is coming from the profit of the companies but new players have also started coming in."*

IV. DISTRIBUTION CHANNELS

1.85 Distribution channels play a prominent role in taking insurance to the footsteps of policyholders. In its constant endeavor to deepen the role of distribution channels, IRDAI has been permitting a number of individuals and entities to work in insurance distribution. The key distribution channels in theinsurance industry are individual agents and Insurance Intermediaries. The Insurance Intermediaries include - Insurance Brokers, Corporate Agents (including banks and NBFCs) and other distribution channels. There are around 52.65 lakh distribution touch points comprising of insurance agents, point of sales persons, representatives of insurance brokers, corporate agents and other insurance intermediaries.

Insurance Agents

1.86 The Insurance Companies appoint individual agents in accordance with Section 42 of Insurance Act 1938 to solicit or procure insurance business. Insurance Agents also provide services relating to continuance, renewal, or revival of policies of insurance. Insurance Agents can provide services for one life insurer, one general insurer, one health insurer and one each of the specialized insurers. Below is the details regarding insurance agents associated with life insurers:

Insurer	As on March 31, 2021	Appointment during 2021-22	Termination during 2021-22	As on March 31, 2022
LIC	13,53,808	3,61,615	3,88,991	13,26,432
Private Sector	11,01,269	3,22,078	3,07,170	11,16,177
Total	**24,55,077**	**6,83,693**	**6,96,161**	**24,42,609**

1.87 The details regarding insurance agents associated with general insurers:

Insurer	As on March 31, 2021	Appointment during 2021-22	Termination during 2021-22	As on March 31, 2022
Public Sector General Insurers	2,89,350	14,072	3,536	2,99,886
Private Sector General Insurers	3,62,224*	41,555	15,889	3,87,890
General Insurers Total	**6,51,574**	**55,627**	**19,425**	**6,87,776**
Stand-alone Health Insurers	7,71,906	2,08,558	16,871	9,63,593

*As per the revised data submitted by the insurers

Corporate Agents

1.88 Corporate Agents are entities holding a valid certificate of registration issued by the Authority under IRDAI (Registration of Corporate Agents) Regulations, 2015 for solicitation and servicing of insurance business for any of the specified category of life, general or health. Corporate Agents can represent three life insurers, three nonlife insurers and three stand-alone health insurers. As on March 31, 2022, there were 602 active Corporate Agents, out of which there are 253 banks, 349 NBFCs/ Cooperative Societies / Limited Liability Partnership Firms and other eligible firms. The details regarding corporate agents associated with insurance business (as on March 31, 2022):

Category	Banks	NBFCs and Others	Total
Life	15	23	38
General	12	34	46
Health	0	0	0
Composite	226	292	518
Total	**253**	**349**	**602**

Insurance Brokers

1.89 As per IRDAI, the number of registered brokers is 708 as on March 31, 2022. Out of this, the valid brokers stood at 562 and remaining 146 are not in force as on March 31, 2022. The 562 valid brokers comprise 494 direct brokers, 63 composite brokers and five reinsurance brokers.

Micro Insurance Agents

1.90 It was stated that the Authority reviewed the Micro Insurance Regulations, 2005 and notified IRDAI Micro Insurance) Regulations, 2015 permitting several more entities like RBI regulated NBFC-MFIs, District Cooperative Banks, Regional Rural Banks, Urban Co-operative Banks, Business Correspondents (BCs), Primary Agricultural Cooperative Societies (PACs) and other Cooperative Societies to be appointed as micro insurance agents facilitating better penetration of micro insurance business. The Regulations also included additional policyholder protection measures.

Insurance Marketing Firm

1.91 Insurance Marketing Firm (IMF) is registered by the Authority under IRDAI (Registration of Insurance Marketing Firm) Regulations, 2015. The registration is district-wise, and the IMFs are allowed to opt for a maximum of three districts within a state. The IMFs are allowed to deal with two insurance companies each in different lines of business, i.e. Life Insurance, General Insurance and Health Insurance in retail space. In addition, the IMFs are also allowed to tie-up with Agriculture Insurance Company of India Ltd. (AIC) and ECGC Ltd. IMFs are allowed to procure all types of life insurance products, whereas only retail lines of insurance products are permitted in respect of general insurance.

Web Aggregators

1.92 IRDAI (Insurance Web Aggregators) Regulations, 2017 was notified on April 13, 2017 with an objective to supervise and monitor the Insurance Web Aggregators. Insurance Web Aggregators are allowed to sell Life, General and Health Insurance products through online and distance marketing modes.

Point of Sales Person (POSP)

1.93 In order to facilitate the growth of insurance business in the country and to enhance insurance penetration and insurance density, the Authority as part of its developmental agenda issued guidelines on "Point of Sales Persons". Point of Sales Person or POSP means an individual who possesses the minimum qualifications, has undergone training and passed the examination as specified in POSP guidelines and solicits and markets only such products as specified by the IRDAI. The IRDAI has issued guidelines dated December 04 2019 on Regulatory Framework for appointment of Postmen and Grameen Dak Sevaks of Dept. of Posts as POSP by India Post Payment Bank (IPPB).

1.94 Given below is the details of new business performance of insurance agents and intermediaries in life insurance (2021-22):

(Figures in percentage of Premium)

S. No.	Type of Intermediary	Individual New Business			Group New Business		
		LIC#	Private Sector	Total	LIC#	Private Sector	Total
1	Individual Agents	96.26	22.87	55.01	3.00	0.71	2.45
2	Corporate Agents						
	i. Banks	2.63	54.79	31.94	1.06	21.47	5.92
	ii. Others*	0.09	3.44	1.96	0.01	5.94	1.42
3	Brokers	0.05	3.41	1.94	0.16	4.42	1.18
4	Direct sale	0.19	12.59	7.16	95.76	66.76	88.86
5	Online direct sale	0.16	2.29	1.36	-	-	-
6	Micro Insurance Agents	0.47	0.04	0.23	-	0.70	0.17
7	CSCs	-	0.01	0.01	-	-	-
8	Web Aggregators	-	0.33	0.19	-	-	-
9	IMF	0.14	0.18	0.17	-	-	-
10	Point of Sales	0.01	0.05	0.03	-	-	-
	Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
	Referrals	-	0.02	0.01	-	-	-

Does not include its overseas new business premium.
* Any entity other than banks but licensed as a corporate agent.

Note:
1. New business premium includes first year premium and single premium.
2. The leads obtained through referral arrangements have been included in the respective channels.

1.95 The details of new business performance of insurance agents and intermediaries associated with general insurers (2021-22) are as under:

(Figures in Percentage of Premium)

S.No.	Distribution Channel	Public Sector Insurers	Private Sector Insurers (excluding SAHI)	Specialized Insurers	Total
1	Individual Agents	36.76	14.72	0.00	22.01
2	Corporate Agents	1.57	14.19	0.00	8.43
	i. Banks	1.13	9.12	0.00	5.46
	ii. Others	0.44	5.07	0.00	2.96
3	Brokers	30.77	41.26	10.05	35.11
4	Direct Business	30.17	25.38	0.08	25.42
	i. Online	0.41	1.81	0.07	1.16
	ii. Other than online	29.76	23.57	0.01	24.25
5	Micro Insurance Agents	0.00	0.00	0.14	0.01
6	Others	0.74	4.45	89.72	9.03
	Total	**100.00**	**100.00**	**100.00**	**100.00**

1.96 When the Committee raised the issue of open architecture in the insurance sector, the representative of the Insurance Regulatory Development Authority of India deposed before the Committee as under:

"With reference to open architecture, let the insurance companies offer other financial products. The submission is that at present the provisions of Insurance Act 1938 will only permit the insurance companies to do business in life or general or health, for which they are given a certificate of registration. This is also one of the areas where the value-added services have to be graduated to the entire industry."

1.97 While responding to the issue raised by the Committee regarding technology and innovation in Insurance Sector, the Chairman, IRDAI, stated as under:

"We have made another significant change. For technology innovation and encouraging adoption of technology, we have a regulatory fan box arrangement which we have again made a complete revamp because there were difficulties in that. The product certification or launch has been made now like use and file instead of file and then use."

1.98 On the issue of ease of doing business, he further stated:

"To address the issue of compliance burden, 167 circulars have been repealed and removed, thereby lessening the burden. About 79 returns which the companies were supposed to file, they have been rationalised. Currently, we have 57 regulations and 22 amendment regulations. We are working now to bring it down to a bare minimum. It may be around two dozen max. That is how the whole ecosystem will operate."

V. PUBLIC SECTOR INSURANCE COMPANIES

1.99 There are a total 8 Public Sector insurance Companies: 1 in Life Insurance, 4 in General Insurance, 1 in Reinsurance and 2 in Specialized Insurance field. Below is the list of these companies:

Sector		Company
Life	1	Life Insurance Corporation of India
General	1	National Insurance Co. Ltd.
	2	The New India Assurance Co. Ltd.
	3	The Oriental Insurance Co. Ltd.
	4	United India Insurance Co. Ltd.
Specialized	1	Agriculture Insurance Company of India Ltd.
	2	ECGC Ltd.
Reinsurance	1	General Insurance Corporation of India (GIC Re)

1.100 Equity Share Capital of General and Health Insurers of Public Sector:

(₹Crore)

S.No.	Insurer	2019	2020	2021	2022*
1	National Insurance Co. Ltd.	100.00	2,500.00	5,675.00	9,375.00
2	The New India Assurance Co. Ltd.	824.00	824.00	824.00	824.00
3	The Oriental Insurance Co. Ltd.	200.00	250.00	3,420.00	4,620.00
4	United India Insurance Co. Ltd.	150.00	200.00	3,805.00	3,905.00
	Total	1,274.00	3,774.00	13,724.00	18,724.00

(* as on 31st March)

1.101 Underwriting Experience of General and Health Insurers of Public Sector is given below:

Particulars	Public Sector Insurers Total			
	2018-19	**2019-20**	**2020-21**	**2021-22**
Net Earned Premium	55,593.85	57,880.54	62,420.12	66,561.92
Claims Incurred (Net)	57,514.90	56,887.50	54,604.68	67,986.46

Commission, Expenses of Management*	16,575.80	19,770.50	21,012.97	19,103.05
Premium Deficency	36.10	(36.10)	300.23	(84.03)
Underwriting Profit/Loss	**(18,532.95)**	**(18,741.35)**	**(13,497.75)**	**(20,443.55)**

*Includes Excess Management of Expenses charged to shareholders.
Figures in brackets indicate negative values

1.102 Solvency Ratio of General Insurance Companies of Public Sector:

S. N.	Insurer	Sept 2019	March 2020	Sept 2020	March 2021	Sept 2021	March 2022
1	National Insurance Co. Ltd.@	0.42	0.02	0.20	0.62	0.01	0.63
2	The New India Assurance Co. Ltd.	2.08	2.11	2.14	2.13	1.90	1.66
3	The Oriental Insurance Co. Ltd.@	1.52	0.92	1.24	1.40	0.12	0.15
4	United India Insurance Co. Ltd.@	1.05	0.30	0.89	1.41	0.74	0.51

@after considering the forbearance granted for solvency computation. Forbearance was granted since 2016-17.

1.103 Financial performance of the General Insurance Companies of the Public Sector during the 2022-23:

(Amount in Rs. crore)

Particulars	National	New India	Oriental	United
Gross Direct Premium	15,206	37,482	15,993	17,644
Underwriting Profit/ (Loss)	(6,033)	(5,378)	(7,477)	(6,429)
Profit/ (Loss)	(1,929)	2,098	(2,604)	(415)
Ratios (in %)				
GDP growth Rate	16	5	14	12
Incurred Claims Ratio	100	95	112	92
Combined Ratio	145	117	154	140

1.104 Below is the information as furnished by the Department of Financial Services regarding additional outgoes incurred by General Insurance Companies of the Public Sector:

Amount in ₹ crore

Name of the Company	Wage revision 2016-17 due from 2012	Wage revision 2022-23 due from 2017	OMOP 2022-23	COVID-19		Net claim incurred on Motor TP 2022-23
				2021-22	2022-23	
OICL	1945	2425	297.14	1955	585.62	2423
NICL	1012	2605	157.76	1271.76	67.62	3277.54
UIICL	471	2901	253	1338	149	3748

1.105 During the evidence on the subject, the Committee pointed out the poor performance of the Public Sector General Insurance Companies and desired to know the reasons responsible for the same. In response, the Additional Secretary, Department of Financial Services, deposed before the Committee as under:

> *"In fact, the saga as we see it in DFS, de-tariffing, which happened in 2007, and I am not here trying to apportion blame or anything, but that was probably the genesis for the troubles that started afflicting the Public Sector General Insurance Companies. It is also because of the business mix that they typically had and have till date. The problem is that a lot of their portfolio is 50 per cent health, 40 per cent motor and only 10 per cent is other lines of business and those lines of business, in fact, as you said, need to be developed and work needs to be done in those areas. What happened was that the group health insurance became quite unviable and as I said this 50 per cent of health, as their portfolio is health, led to Rs. 26,000 crore of losses in five years from 2016-17 to 2020-21. This was also one of the reasons. There was also undercutting of pricing to focus on the top line.*
>
> *There were two other issues which had an effect. One was wage revision which was affected in 2017 and 2023. Finally, just for the sake of completeness, let me also say that COVID-19 losses were more of a*

wider industry-level thing. For these issues, in our opinion in DFS, we identified the causes for the decline."

1.106 In regard to effort being made to improve the condition of Public Sector General Insurance Companies, he further stated:

> *"Almost Rs. 17,000 crore has already been infused in terms of capital into the four GICs over the past three or four years. This capital infusion was with the clear understanding that they will now concentrate on profits and exit from unprofitable lines of businesses. We are also trying to improve their underwriting capacity so that the premium is quoted in line with the risks that are assumed by these companies. The key again is to rebalance the business mix to have newer and profitable lines of businesses. In retail business, we have also told them that they should improve the retail business portfolio controllable expenses. We are also concentrating on getting them with the improvement in technology etc. Office rentals need to be rationalised. We have told them to get away from holding real estate which is not needed. The commission structure can be looked at. The incurred claims ratios have to be brought down. Certain organizational restructuring is also on the anvil. The organisational structuring would essentially involve bringing more people on the marketing side of their operations rather than sitting in the back office. So, these are some of the things that we are trying to do with respect to the public sector general insurance companies. We do recognise that these have an important role to play because of the capital that has been invested and infused into them. We need to get them in order.*
>
> *As far as the privatisation or the merger issues are concerned, those are being discussed within the Department as well as with DIPAM. We need to find the right time if at all that budget announcement has to be followed."*

1.107 During the deliberation on the subject, the Committee raised the issue of TDS on GST that applies to insurance provided by Public Sector Companies, whereas it does not apply to insurance offered by Private Sector Insurance Companies. The Department of Financial Services, in their written reply, has stated as under:

> "TDS at the rate of 2% (1% towards CGST+1% towards SGST) is required to be deducted from the payment made or credited to the supplier of taxable goods or services or both, where the total value of

such supply, under a contract, exceeds two lakh and fifty thousand rupees as per Section 51 of CGST Act, 2017. The said requirement is applicable only on entities as specified in the said section. The notification 50/2018-Central Tax dated 13.09.2018 extended the said requirement of TDS to public sector undertakings. Accordingly, the PSU insurers are required to deduct TDS under the said section. The said requirement for TDS is not applicable on private insurers as the same is not notified under the said section.

Further, it is mentioned that Department of Revenue, Ministry of Finance has been requested to examine the matter and take necessary action in this regard."

1.108 In regard to issue of merger of General Insurance Companies of Public Sector, the Department of Financial Services, in their written reply has stated as under:

> "In the Budget Speech of 2018-2019, Hon'ble Finance Minister announced that the three Public Sector General Insurance Companies (PSGICs) *viz* National Insurance Company Ltd, the United India Assurance Company Ltd and Oriental India Insurance Company Ltd will be merged into a single insurance entity and will be subsequently listed. However, Cabinet in July, 2020 decided to infuse capital, focus on their growth and not to proceed with merger."

1.109 During the deliberation on the subject, the Committee raised the issue of gratuity and term insurance for LIC agents, which had been proposed three years ago but were pending with the Ministry for approval. Later on, the Department of Financial Services, in their written response, apprised the Committee that the said proposal has been approved by the Ministry.

1.110 Also, in response to the query of the Committee as to why such matters should not be completely delegated to the companies, the Department of Financial Services has stated that they are taking LIC's opinion in this regard and will do the needful accordingly.

VI. GOVERNMENT-RUN INSURANCE SCHEMES

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

1.111 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year Group Term Life insurance scheme designed by the Government of India. It is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. The life cover of ₹2 lakh shall be for the one-year period stretching from 1 June to 31 May and is auto-renewable every year thereafter. The premium is ₹436 per annum for policy w.e.f. 1st June, 2023. The scheme is being offered by LIC and other life insurers. As per a press release by the Ministry of Finance dated 31.05.2022, the number of active subscribers enrolled under PMJJBY and PMSBY as on 31.3.2022 were 6.4 crore and 22 crore, respectively. The state-wise details of beneficiaries, in terms of number and amount of claims paid, under PMJJBY, year-wise, since 2017, as furnished by the Ministry of Finance, is at Annexure-III.

1.112 It was stated that the following Private Sector insurance companies are participating in the PMJJBY:

(i) Bharti AXA Life Insurance Co. Ltd.
(ii) Bajaj Allianz Life Insurance Co. Ltd.
(iii) Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.
(iv) Exide Life Insurance Co. Ltd.
(v) HDFC Life Insurance Co. Ltd.
(vi) ICICI Prudential Life Insurance Co. Ltd.
(vii) Max Life Insurance Co. Ltd.
(viii) PNB MetLife India Insurance Co. Ltd.
(ix) SBI Life Insurance Co. Ltd.
(x) Star Union Dai-ichi Life Insurance Co. Ltd.
(xi) TATA AIA Life Insurance Co. Ltd
(xii) India First Life Insurance Co. Ltd

Pradhan Mantri Suraksha BimaYojana (PMSBY)

1.113 The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31 May for the coverage period 1 June to 31 May on an annual renewal basis. The risk coverage under the scheme is ₹2 lakh for accidental death and full disability and ₹1 lakh for partial disability. The premium is ₹20 per annum w.e.f. 1st June, 2023. The scheme is offered by general insurance companies who are having tie up with banks for this purpose. The state-wise details of beneficiaries, in terms of number and amount of claims paid, under PMSBY, year-wise, since 2017, as furnished by the Ministry of Finance, is at Annexure-IV.

1.114 The following Private Sector insurance companies are participating in the PMSBY:

(i) Bajaj Allianz General Insurance Co. Ltd
(ii) Bharti AXA General Insurance Co. Ltd.
(iii) Cholamandalam MS General Insurance Co. Ltd.
(iv) Future Generali India Insurance C. Ltd.
(v) ICICI Lombard General Insurance Co. Ltd.
(vi) Tata AIG General Insurance Co. Ltd.
(vii) Universal Sompo General Insurance Co. Ltd.

Pradhan Mantri Jan Arogya Yojana (PM-JAY)

1.115 Pradhan Mantri Jan Arogya Yojana (PMJAY) is a flagship scheme of Government of India under Ayushman Bharat scheme, waslaunched on September 23, 2018. The scheme provides a health cover of ₹5 lakh per family per year for secondary and tertiary care hospitalization to poor and vulnerable households. The scheme is fully funded by the Government and cost of implementation is shared between the Central and State Governments.

Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS)

1.116 Pradhan Mantri Fasal Bima Yojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS) were launched in the year 2016 with the aim of supporting production in agriculture by providing an affordable crop insurance product to ensure comprehensive risk cover for crops of farmers against all non-preventable natural risks from pre-sowing to post-harvest stage. RWBCIS uses weather parameters as "proxy" for crop yields in compensating the cultivators for deemed crop losses. The schemes are being administered by the Ministry of Agriculture [Department of Agriculture and Farmers' Welfare (DoAFW)]. PMFBY and RWBCIS have been revamped to address the existing challenges in implementation of crop insurance schemes in February 2020. The revamped scheme of PMFBY and RWBCIS is effective from the Kharif 2020 season.

1.117 The Ministry of Agriculture and Farmers Welfare, in reply to the Unstarred Question No. 734 dated 25th July, 2023 of Lok Sabha regarding details of companies participating in Crop Insurance Scheme, has stated that 20 general insurance companies including 5 Public Sector General Insurance Companies namely, Agriculture Insurance Company of India Ltd. (AIC), National Insurance Company Ltd. (NIC), New India Assurance Company Ltd. (NIA), Oriental Insurance Company (OIC), United India Insurance Company Ltd. (UIIC) and 15 private Sector general insurance companies namely, Bajaj-Allianz, HDFC-ERGO, Iffco-Tokio, Reliance, ICICI-Lombard, Universal-Sompo, Royal Sundaram, Chola-MS, Future Genereli, SBI General, Shriram General, Tata-AIG, GoDigit, Kshema and Raheja QBE General Insurance Company Ltd. have been empaneled by the Government of India for implementation of PMFBY in the country. But a specific insurance company is selected by the concerned State Government through a transparent bidding process.

1.118 Further, state-wise details of number of farmer applications enrolled, premium subsidy paid by the Central Government and State Government during 2020-21 to 2022-23 as furnished by the Ministry, is given at Annexure-V.

1.119 In reply to the Unstarred Question No. 3118 dated 8th August, 2023 of Lok Sabha relating to the issuethat insurance companies are not able to settle the claims despite the timely payment of premium by the farmers due to which several claims of farmers are pending for settlement, the Ministry of Agriculture and Farmers Welfare has furnished the following information:

> "The admissible claims under the Pradhan Mantri Fasal Bima Yojana (PMFBY) are generally paid by the concerned insurance companies within two months of completion of Crop Cutting Experiments (CCEs)/harvesting period and one month of notification for invoking the risks/perils of prevented sowing, mid-season adversity and post-harvest losses subject to receipt of total share of premium subsidy from concerned Government within time. However, settlement of few claims in some States got delayed due to reasons like delayed transmission of yield data; late release of their share in premium subsidy, yield related disputes between insurance companies and States, non-receipt of account details of some farmers for transfer of claims to the bank account of eligible farmers and National Electronic Fund Transfer (NEFT) related issues, erroneous/incomplete entry of individual farmers data on National Crop Insurance Portal (NCIP), delay in remittance of farmers share of premium/non-remittance of farmers share of premium to concerned insurance company etc. All the major work relating to the assessment of crop yield/crop loss for calculation of admissible claims are being performed by the concerned State Government or Joint Committee of State Government officials and concerned insurance company. However, during implementation of the PMFBY, some complaints against insurance companies about non-payment and delayed payment of claims; under payment of claims on

account of incorrect/delayed submission of insurance proposals by banks; discrepancy in yield data & consequent disputes between State Government and insurance companies, delay in providing State Government share of funds, non-deployment of sufficient personnel by insurance companies etc., have been received in the past in the country. Most of the complaints have been suitably addressed."

1.120 The Ministry of Agriculture and Farmers Welfare has also furnished details of cumulative state-wise details of pending claims till 2021-22 under PMFBY (as on 30.06.2023) which is given below:

State/UT Name	Pending Claims (Rs. In Cr.)
Andhra Pradesh	13.90
Assam	34.54
Chhattisgarh	17.41
Gujarat	258.87
Haryana	51.90
Himachal Pradesh	23.04
Jammu & Kashmir	3.91
Jharkhand	128.24
Karnataka	132.25
Kerala	53.96
Madhya Pradesh	77.69
Maharashtra	336.22
Odisha	69.61
Puducherry	10.58
Rajasthan	1,387.34
Sikkim	0.02
Tamil Nadu	83.55
Telangana	34.11
Tripura	0.00
Uttar Pradesh	26.46
Uttarakhand	13.17
West Bengal	4.31
Grand Total	**2,761.10**

Source: Reply to USQ No. 3118 dated 8.08, 2023 of LS

1.121 In regard to the corrective measures taken by the Government to resolve the problem and settle the said pending claims of the farmers, the Ministry of Agriculture and Farmers Welfare has further stated as under:

"With a view to ensure timely settlement of claims to the farmers, the Government has released Central share of subsidy for the period Kharif 2018 to Rabi 2020-21 by delinking the same with the States' share of subsidy. Insurance Companies have disbursed claims to the tune Rs.209.57 crore on pro-rata basis, benefitting around 4.82 lakh farmers throughout the country, Further, in the State of Jharkhand, with the intervention of Government of India, an amount of Rs. 764 crore has been disbursed for the Season Kharif 2018 to Rabi 2019-20. Department has been regularly monitoring the functioning of insurance companies, including timely settlement of claims through weekly video conferences of all stakeholders, one to one meeting as well as National Review Conferences. To more rigorously monitor claim disbursal process an end to end module by the name of 'Digiclaim Module' has been operationalized for payment of claims from Kharif 2022 onwards. It involves integration of National Crop Insurance Portal (NCIP) with PFMS and accounting system of Insurance Companies to provide timely & transparent processing of all claims. Various innovative technologies are also adopted to increase the timeliness for flow of requisite information/data amongst stakeholders."

Pradhan Mantri Jan Dhan Yojana (PMJDY)

1.122 Pradhan Mantri Jan-Dhan Yojana program under the National Mission for Financial Inclusion was launched in the year 2014. It envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance, and pension. Later, the Government extended the comprehensive PMJDY program with the modification in the accidental insurance cover wherein accidental insurance cover for new RuPay card holders raised from existing ₹1 lakh to ₹2 lakh to new PMJDY accounts opened after August 28, 2018.

1.123 Details of coverage under government sponsored personal accident schemes (2021-22):

Scheme	No. of persons covered (lakh)	Gross Premium (Rs. crore)
IRCTC	1,694.81	6.56
PMJDY	1,703.19	3.59
PMSBY	2,197.08	262.15
Total	**5,595.08**	**272.30**

(Source: IRDAI)

VII. INITIATIVES BY THE GOVERNMENT/IRDAI

1.124 The Insurance Regulatory Development Authority of India has released a press note on 25th November 2022 regarding Insuring India by 2047 - New landscape for Insurance Sector. The details provided therein are as under:

> "Insurance Regulatory and Development Authority of India (IRDAI) has committed to enable 'Insurance for All' by 2047, where every citizen has an appropriate life, health and property insurance cover and every enterprise is supported by appropriate insurance solutions and also to make the Indian insurance sector globally attractive. To attain this objective, efforts are being made towards creating a progressive, supportive, facilitative and a forward-looking regulatory architecture to foster a conducive and competitive environment leading to wider choice, accessibility, and affordability to policyholders. This reform agenda taken up by IRDAI derives inspiration from the Government of India's vision of financial inclusion and strong emphasis on accelerating reforms.
>
> The focus of IRDAI is to strengthen the three pillars of the entire insurance ecosystem viz. insurance customers (policyholders), insurance providers (insurers) and insurance distributers (intermediaries) by
>
> - making available right products to right customers;
> - creating robust grievance redressal mechanism;
> - facilitating ease of doing business in the insurance sector;
> - ensuring the regulatory architecture is aligned with the market dynamics;

- boosting innovation, competition and distribution efficiencies while mainstreaming technology and moving towards principle based regulatory regime."

1.125 It has further been stated:

"Towards this objective, amendments to various regulations were proposed and were placed for stakeholder comments. This was followed by a series of discussions and interactions with insurers, intermediaries (including individual agents, corporate agents, brokers, insurance marketing firms,.) and experts. A careful evaluation of comments and suggestions was carried out. The amendments to regulations were also placed before the Insurance Advisory Committee (an advisory committee for consultations formed under the IRDA Act 1999)."

1.126 In regard to proposals approved, it has been stated as under:

"Some important proposals approved in the 120thMeeting of the Authority held at its headquarters in Hyderabad on Friday, 25thNovember 2022:

1.Registration of Indian Insurance companies

The amendments to regulations pertaining to registration of Indian insurance companies are aimed at promoting ease of doing business and simplify the process of setting up an insurance company in India. Key highlights of the amendments are - 2

i. Investment through Special Purpose Vehicle (SPV) has been made optional for Private Equity (PE) Funds enabling them to directly invest in insurance companies, providing more flexibility.

ii. Now, subsidiary companies are also allowed to be promotors of insurance companies (subject to certain conditions).

iii. Investment up to 25% of the paid-up capital by single investor (50% for all investors collectively) will now be treated as 'investor" and investments over and above that will only be treated as promoter". [Earlier the threshold was 10% for individual investor and 25% for all investors collectively]

iv. A new provision has been introduced to allow the promoters to dilute their stake up to 26%, subject to condition that the insurer has satisfactory solvency record for preceding 5 years and is listed entity.

v. Indicative criteria for determination of 'Fit and proper' status of investors and promotors has been included

vi. Lock-in period of investments for investors and promotors has been stipulated on the basis of age of insurer.

2. Increase in tie-up limits for intermediaries

In order to enable the policyholders/prospects to have wider choice and access to insurance through various distribution channels and facilitate the reach of insurance to the last mile, 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. The area of operation of IMF has also been expanded to cover entire state in which they are registered.

3. Regulatory sandbox

The Regulatory sandbox is a framework which provides a testing environment to the companies to enable them to test their innovative products, technologies, etc., in a controlled regulatory setting. It promotes innovation and technological solutions in the industry. Certain amendments were also carried out in the Regulatory Sandbox Regulations to allow the insurers/intermediaries to do experimentation on an ongoing basis by increasing the experimentation period from '6 months' to 'up to 36 months' and moving from the existing batch-wise (cohort approach) clearances/approvals to clearances/approvals on a continuous basis. A provision for review of rejected applications under sandbox has also been introduced as a part of amendments.

4. Other forms of capital

In order to facilitate ease of raising other forms of capital viz., subordinated debt and/or preference shares, the requirement of prior approval from IRDAI is dispensed with. The amendments have also enhanced the limits for raising such capital (threshold limits increased from 25% to 50% of paid-up capital & premium, subject to 50% of Net worth of company). This will enable companies 3 to raise the required capital in timely manner. Amendments have been introduced for Board's Oversight in raising such capital.

5. Appointed Actuary

Appointed Actuaries (AA) play a pivotal role in the operations of an insurer. To ensure sufficient supply of Actuary professionals in the industry, the experience and qualification requirements have been made flexible. Maintenance of solvency by the insurers is a critical aspect of the health of an insurer and AA play a significant role in maintaining the solvency levels. The responsibility of AA has been enhanced by introducing provisions for identification, monitoring, reporting, and recommending actions to be taken for the risks affecting the solvency position of the company. Obligations have also been placed on insurers to ensure that the AA can discharge his responsibilities appropriately.

6. Solvency Norms for General Insurers

With an objective of facilitating the insurers to efficiently utilize their capital and resources and to increase insurance penetration in Crop Insurance, the period for considering State/Central Government premium dues for calculation of solvency position has been increased from 180 days to 365 days. The solvency factors related to crop insurance are also reduced to 0.50 from 0.70 which will release the capital requirements for insurers by around Rs. 1,460 crore.

7. Solvency Norms for Life Insurers

In order to enable efficient utilization of capital by life insurers, the factors for calculation of solvency provided in regulations are revised as follows:

i. For Unit Linked Business (Without Guarantees) - reduced to 0.60% from 0.80%.
ii. For PMJJBY - reduced to 0.05% from 0.10%.

This will provide a relaxation in capital requirements by around Rs. 2,000 crore."

VIII. POLICYHOLDER PROTECTION AND GRIEVANCE REDRESSAL MECHANISM

1.127 The Committee was apprised that with the central theme of protecting the interests of policyholders, IRDAI has been issuing various regulations from time to time. IRDAI has also put in place effective mechanism to supervise and monitor the conduct of all insurers for efficient claim settlement and grievance redressal. Adequate regulatory framework is also in place for insurers, intermediaries, and agents on procedures to be followed at proposal stage, policy issuance stage and at claims stage. Board of insurers are made accountable for effective governance and for protection of policyholders' interests.

Grievance Redressal

1.128 In regard to grievance redressal mechanism, the IRDAI has furnished the following information:

"IRDAI facilitates resolution of policyholder grievances and mandated all insurers to have a Grievance Redressal Officer (GRO) at every office.

a) Insurers have a Board level Policyholder Protection Committee for receiving and analysing reports and undertake root cause analysis of the grievances and their redressal.
b) A one stop grievance registration portal, named, *Bima Bharosa*integrates insurers, intermediaries with policyholders and IRDAI equips policyholders to reach out to the insurers or intermediaries for resolution of their grievances.
c) In addition to the grievance redressal mechanism available at insurers, 17 insurance ombudsmen are appointed across the country to provide an expeditious and inexpensive forum for adjudication of matters relating to insurance. The insurance ombudsman resolves grievances either through mediation or by passing an award.
d) During 2021-22, 3.83 grievances per 1 lakh life policies and 2.95 grievances per 1 lakh non-life policies were registered. The insurers resolved 99.18 per cent of the complaints registered.

1.129 The basic framework for protection of policyholder's interests is contained in the IRDAI (Protection of Policyholder's Interests) Regulations 2017. IRDAI facilitates resolution of policyholder grievances by monitoring the insurers' policy of Grievance Redressal and takes several initiatives towards protecting the interests of the insurance consumers.

1.130 It has also been stated that in order to provide alternative channels to receive complaints against insurers, IRDAI has set up IRDAI Grievance Call Centre (IGCC). IRDAI has also put in place the Integrated Grievance Management System (IGMS) as an online system for grievance management that is not only a gateway for registering and tracking grievances online but also act as an industry-wide grievance repository for IRDAI to monitor disposal of grievances by insurance companies.

Complaints on Unfair Business Practices

1.131 The IRDAI has stated that due to effective supervision and their efforts, complaints are under control. The number of Unfair Business Practices (UFBP) complaints registered against private sector life insurers have reduced by about 17 per cent in 2021-22 from previous year and the ratio of UFBP complaints to new policies sold remained at 0.30 per cent in 2021-22.

Complaints on Spurious calls and Mis-selling

1.132 Spurious calls in the name of officials of IRDAI/IGMS, various government agencies and other financial institutions is a matter of concern for the insurance industry. IRDAI has issued several public notices, press releases, advertisements in leading TV Channels, newspapers, and directions to insurance companies to caution public against spurious calls etc. at various touch points and in media as well. In order to ensure that all the complaints under mis-selling and spurious calls are handled as per the laid down policy of the insurance company in all cases, all the life insurers were advised to draw out a company specific policy on handling mis-selling complaints and also a company specific policy on handling spurious calls complaints. All the life insurers have drawn above policies. IRDAI has cautioned the public not to transact with spurious callers in any manner.

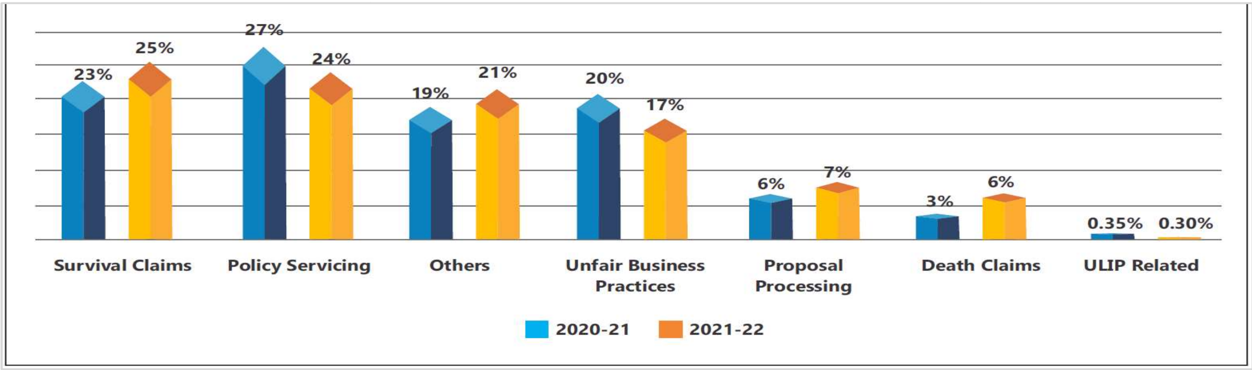
Grievance Redressal Policy

1.133 It has been stated that IRDAI facilitates resolution of policyholder grievances by monitoring the insurers' policy of grievance redressal and takes several initiatives towards protecting the interests of the insurance consumers. Grievance Redressal procedure is prescribed in protection of policyholders' interests Regulations, 2017 in terms of which IRDAI mandated all insurers to have in place a grievance redressal policy, designate a Grievance Redressal Officer at the Head Office/Corporate Office/Principal Office and also a Grievance Redressal Officer at every other office. The Regulations also prescribe insurers to constitute a policyholder protection committee in accordance with the corporate governance guidelines for receiving and analysing reports relating to grievances and their redressal.

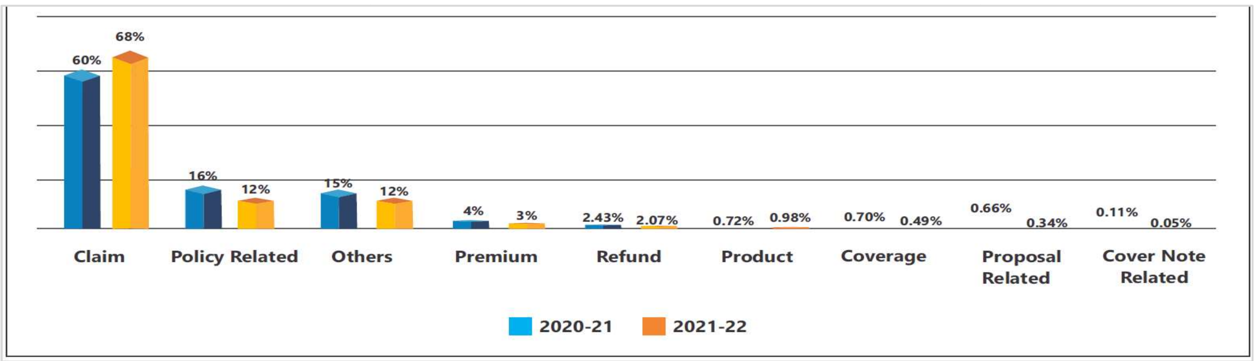
Integrated Grievance Management System

1.134 It has been further stated that in order to provide alternative channels to receive complaints against insurers, IRDAI has set up IRDAI Grievance Call Centre (IGCC) which receives complaints through a toll-free telephone number and by email and registers complaints apart from furnishing the status of the resolution. IRDAI has also put in place the Integrated Grievance Management System (IGMS) as an online system for grievance management that is not only a gateway for registering and tracking grievances online but also act as an industry-wide grievance repository for IRDAI to monitor disposal of grievances by insurance companies. IGCC has an interface with IGMS and through IGMS, IRDAI has an interface with grievance systems of all insurers.

1.135 Classification of Life Insurance Complaints:



1.136 Classification of General Insurance Complaints:



1.137 The details of status of grievances as per IGMS:

(number of grievances)

Insurer	2020-21			2021-22		
	Reported during the year	Attended during the year	Pending at the end of the year	Reported during the year	Attended during the year	Pending at the end of the year
Life Insurer						
LIC	1,09,631	1,12,454	29	1,14,202	1,14, 226	5
Private	41,415	41,286	153	40,624	40,664	113
Total	**1,51,046**	**1,53,740**	**182**	**1,54,826**	**1,54,890**	**118**
General Insurer						
Public Sector	21,192	21,456	378	23,822	23,663	537
Private Sector	26,825	26,421	433	41,693	40,692	1,164
Total	**48,017**	**47,877**	**811**	**65,515**	**64,625**	**1,701**
Grand Total	**1,99,063**	**2,01,617**	**993**	**2,20,341**	**2,19,515**	**1,819**

1.138 During the discussion on the subject, the Committee pointed out that Reserve Bank of India had launched UDGAM (Unclaimed Deposits: Gateway to Access information) Portal where all banks will put the information regarding unclaimed deposits in banks. When they desired to know as to why not similar provisions be made in the Insurance Sector by making it mandatory for insurance companies to disclose and share information in this regard, the representative of the Insurance Regulatory Development Authority of India responded as under:

> *"With respect to unclaimed amounts that are pending with any of the insurance companies, even IRDAI has already given a direction to all the insurance companies to make a provision in their respective websites for the purpose of checking the amounts that are due to an individual. That check could be made based on any of the identifiers such as PAN, policy number, claim number, whatever the policy holder is having. So, the provision is already made available. With respect to disclosures of the unclaimed amounts, these disclosures form a part of the public disclosures made by the insurance companies in their respective public disclosure."*

1.139 While replying to the specific query of the Committee as to whether the Government is in the process of formulating a Policy Roadmap or white paper in the insurance sector that considers different aspects, the Additional Secretary, Department of Financial Services stated as under:

> *"Not at the moment. We will take that into account and I will come back with further instructions."*

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Part-II

Observations/ Recommendations of the Committee

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.

(Para No.2.3, Recommendation No.1)

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.

(Para No.2.4, Recommendation No.2)

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.

(Para No.2.5, Recommendation No.3)

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.

(Para No.2.6, Recommendation No.4)

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.

(Para No.2.7, Recommendation No.5)

Actuarial

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.

(Para No.2.8, Recommendation No.6)

<u>HEALTH INSURANCE</u>

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

2.9 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.

TheCommittee 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.

(Para No.2.9, Recommendation No.7)

<u>Reduce GST for health insurance and microinsurance products</u>

2.10 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.

(Para No.2.10, Recommendation No.8)

<u>GENERAL INSURANCE</u>

<u>Home and Property insurance in disaster prone areas</u>

2.11 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.

(Para No.2.11, Recommendation No.9)

Motor Insurance Enforcement

2.12 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.

(Para No.2.12, Recommendation No.10)

PUBLIC SECTOR INSURANCE COMPANIES

Public Sector General Insurance Companies Competitiveness Roadmap

2.13 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.

(Para No.2.13, Recommendation No.11)

<u>Level Playing Field for Public Sector Companies</u>

2.14 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.

(Para No.2.14, Recommendation No.12)

Delegation of Power

2.15 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.

(Para No.2.15, Recommendation No.13)

Government-Run Insurance Schemes

2.16 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.

(Para No.2.16, Recommendation No.14)

CUSTOMER PROTECTION

Repudiation of claims

2.17 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.

(Para No.2.17, Recommendation No.15)

Central Portal for unclaimed policies

2.18 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.

(Para No.2.18, Recommendation No.16)

Consumer-friendly ecosystem

2.19 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.

(Para No.2.19, Recommendation No.17)

POLICY

Policy Roadmap

2.20 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.

(Para No.2.20, Recommendation No.18)

Long Dated Bonds

2.21 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.

(Para No.2.21, Recommendation No.19)

NEW DELHI
December, 2023
Agrahayana, 1945 (Saka)

JAYANT SINHA,
Chairperson,
Standing Committee on Finance

Annexure-I

Life Insurers	General Insurers
Public Sector 1. Life Insurance Corporation of India	**Public Sector** 1. National Insurance Co. Ltd. 2. The New India Assurance Co. Ltd. 3. The Oriental Insurance Co. Ltd. 4. United India Insurance Co. Ltd.
Private Sector 1. Aditya Birla Sun Life Insurance Co. Ltd. 2. Aegon Life Insurance Co. Ltd. 3. Ageas Federal Life Insurance Co. Ltd. 4. Aviva Life Insurance Co. Ltd. 5. Bajaj Allianz Life Insurance Co. Ltd. 6. Bharti AXA Life Insurance Co. Ltd. 7. Canara HSBC Life Insurance Co. Ltd.* 8. Edelweiss Tokio Life Insurance Co. Ltd. 9. Exide Life Insurance Co. Ltd. 10. Future Generali India Life Insurance Co. Ltd. 11. HDFC Life Insurance Co. Ltd. 12. ICICI Prudential Life Insurance Co. Ltd. 13. India First Life Insurance Co. Ltd. 14. Kotak Mahindra Life Insurance Co. Ltd. 15. Max Life Insurance Co. Ltd. 16. PNB MetLife India Insurance Co. Ltd. 17. Pramerica Life Insurance Co. Ltd. 18. Reliance Nippon Life Insurance Co. Ltd. 19. Sahara India Life Insurance Co. Ltd. 20. SBI Life Insurance Co. Ltd. 21. Shriram Life Insurance Co. Ltd. 22. Star Union Dai-ichi Life Insurance Co. Ltd. 23. TATA AIA Life Insurance Co. Ltd. 24. Acko Life Insurance Ltd. 25. Credit Access Life Insurance Ltd.	**Private Sector** 1. Acko General Insurance Ltd. 2. Bajaj Allianz General Insurance Co. Ltd. 3. Cholamandalam MS General Insurance Co. Ltd. 4. Edelweiss General Insurance Co. Ltd. 5. Future Generali India Insurance Co. Ltd. 6. Go Digit General Insurance Ltd. 7. HDFC ERGO General insurance Co. Ltd. 8. ICICI Lombard General Insurance Co. Ltd.# 9. IFFCO-Tokio General Insurance Co. Ltd. 10. Kotak Mahindra General Insurance Co. Ltd. 11. Liberty General Insurance Ltd. 12. Magma HDI General Insurance Co. Ltd. 13. NAVI General Insurance Ltd. 14. Raheja QBE General Insurance Co. Ltd. 15. Reliance General Insurance Co. Ltd. 16. Royal Sundaram General Insurance Co. Ltd. 17. SBI General Insurance Co. Ltd. 18. Shriram General Insurance Co. Ltd. 19. Tata AIG General Insurance Co. Ltd. 20. Universal Sompo General Insurance Co. Ltd. 21. Kshem General Insurance Co. Ltd. **Specialised Insurers (Public Sector)** 1. Agriculture Insurance Company of India Ltd. 2. ECGC Ltd. **Standalone Health Insurers (Private Sector)** 1. Aditya Birla Health Insurance Co. Ltd. 2. Care Health Insurance Ltd. 3. Manipal Cigna Health Insurance Co. Ltd. 4. Niva Bupa Health Insurance Co. Ltd. 5. Reliance Health Insurance Ltd.$ 6. Star Health & Allied Insurance Co. Ltd.

* Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd. is renamed as Canara HSBC Life Insurance Co. Ltd

^Demerger of general Insurance business of Bharb AXA General Insurance Co. Ltd. to ICICI Lombard General Insurance Co. Ltd. w.e.f. April 01, 2021.

$ The Authority vide order ref. No. 1RDA/F&A/ORD/SOLP/200/11/2019 dated November 06t 2019 issued directions to the Reliance Health Insurance Ltd. to stop selling new policies.

LIST OF REGISTERED INSURERS/REINSURERS OPERATING IN INDIA

Reinsurer	
Public Sector 1. General Insurance Corporation of India (GIC Re)	**Private Sector** **Foreign Reinsurer's Branches** 1. Allianz Global Corporate & Specialty SE, India Branch 2. AXA France Vie - India Reinsurance Branch 3. General Reinsurance AG - India Branch 4. Hannover Ruck SE-India Branch 5. Münchener Ruckversicherungs-Gesellschaft 6. RGA Life Reinsurance Company of Canada, India Branch 7. SCOR SE - India Branch 8. Swiss Reinsurance Company Ltd, India Branch 9. XL Insurance Company SE, India Reinsurance Branch 10. Factory Mutual Insurance Company, India Branch# **Lloyd's** 11. Lloyd's India Reinsurance Branch i. Markel Services India Private Limited

CoR granted on April 28, 2021

ANNEXURE-II

SBI RESEARCH

ECOWRAP

LEARNING FROM THE FREQUENT NATURAL DISASTERS IN INDIA: URGENT INTERVENTONS REQUIRED TO IMPROVE PROTECTION GAP CURRENTLY AT 8% (GLOBAL AVERAGE AT 54%)

Issue No. 18, FY24
Date: 17 July 2023

Natural disasters in the form of recent floods in Northern India and the *Biparjoy* cyclone in Gujarat have caused loss of human life and the economic impact is huge. The heavy toll on infrastructure due to these type of natural disasters is a matter of grave concern for the country like India where the locational and geographical features render it vulnerable to a number of natural hazards. **While the current status of economic loss due to these floods is yet to be estimated, we believe this in the range of Rs 10,000-15,000 crore.**

India has been ranked at 3rd position, after US and China in recording the highest number of natural disasters since 1900. **India recorded 764 instances of natural disasters (Landslide, Storm, Earthquake, Flood, Drought, etc.) since 1900 with 402 events occurring during 1900-2000 and 361 during 2001-2022, indicating the preponderance of tail events at an alarming frequency and each such event setting new records of economic stress. By disaster type, India is marred mostly with floods. Almost 41% of disasters occurred in the form of floods followed by storms.**

The question is how do we cope with frequent natural disasters in India? Apart from the typical issues of planning up of urban infrastructure, the crucial issue of protection gap (defined as typically the losses that are uninsured) is almost neglected in a country like India. For example, out of the total $284 bn global economic losses, natural disasters resulted in $275 billion in 2022, of which $125 billion were covered by insurance (incurred losses). The overall protection gap has increased to $ 151 bn in 2022, which is much higher than the 10-year average of $130 bn **but still at around 54% of the total losses uninsured. Though still large, this is less than the 61% average protection gap of the previous 10 years. For India this figure is a staggering 92%.** In effect, In India, an average Indian is insured of roughly 8% of what may be required to protect a family from financial shock following the death of the breadwinner. This means having savings and insurance of just Rs 8 for every Rs 100 needed for protection, leaving a protection gap of Rs 92.

What we need is a public-private solution, say a Disaster Pool, for natural disaster risk involving the insurance sector could offer many benefits over government crisis loans and grants. If we consider 2020 floods in India, the total economic loss was of $7.5 billion (Rs 52,500 crore) but insurance cover of only 11%. If Government would have insured it, then the premium for the sum assurance of Rs 60,000 crore would have only in the range of Rs 13,000 to Rs 15,000 crore.

The lessons from COVID-19, from the need for improvements in public health and business preparedness to the availability of new data on mitigation measures and business impacts, provide an opportunity to reduce future pandemic impacts and enhance insurability. The insurance sector and governments need to actively engage and discuss how best to address the potential contingent liabilities.

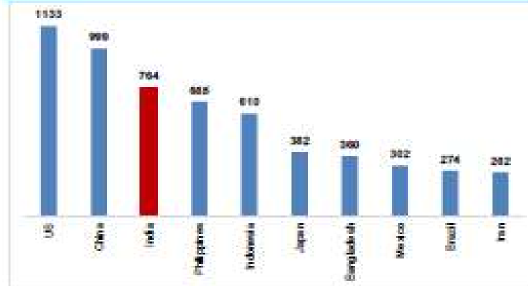
We need out of box solutions for addressing these natural disasters and the general lack of awareness even across businesses in ensuring protection gap for workers. **In the MSME sector, only 5% of the units are insured in the country. This sector needs much higher level of protection.** In such a case, the Government may launch a partnership program to cover the MSME employees and provide social security to them in terms of insurance benefits and income protection for their families by way of **Insurance Scheme for MSME Promoter to cover losses in business due to reasons beyond control of the promoter.** The contours of such a programme could involve bonus to MSME entrepreneurs for running business sustainably for more than 10 years, with regular payment of Interest to bank and taxes to Government. Even the bank can annually provide 0.5% of interest earned into a linked account with lien and after successful running of business with no default , the corpus build in the lien marked account should be paid to the borrower as a mark of recognition of running business with fulfillment of all financial discipline, with the clause that it should be used for welfare of the employees!

In a similar vein, under PM-JAY, the beneficiary is currently at 120 million in an effort to provide affordable quality healthcare to more citizens. The Government can provide PM-JAY to all the residents with OPT-IN facility.

NATURAL DISASTERS IN INDIA

- Natural disasters in the form of recent floods in Northern India and the *Biparjoy* cyclone in Gujarat has caused loss of human life and the economic impact is huge. The heavy toll on infrastructure due to these type of natural disasters is a matter of grave concern for the country like India where the locational and geographical features render it vulnerable to a number of natural hazards.
- India has been ranked at 3rd position, after US and China in recording the highest number of natural disasters since 1900. India recorded 764 instances of natural disasters (Landslide, Storm, Earthquake, Flood, Drought, etc.) since 1900 with 402 events occurring during 1900-2000 and 361 during 2001-2022, indicating the preponderance of tail events at an alarming frequency and each such events setting new records of economic stress. These events in statistical parlance are commonly called fat-tail events. Since 2001, a total of 100 crore people has been impacted and almost 85,000 people died due to these disasters since 2001.
- **By disaster type, India is marred mostly with floods. Almost 41% of disasters occurred in the form of floods followed by storms.**
- Apart from human losses, there is huge economic loss due to these disasters. Since 1900, India has suffered an economic loss of $150 billion (where the loss is reported) with largest loss from floods ($92.1 billion) followed by storms ($44.7 billion).
- Global geospatial technology solutions consultancy RMSI has assessed the very severe cyclone Biparjoy could lead to an approximately estimated economic loss of about Rs 830 crore ($100 million) due to wind, storm surge, and flooding.
- The recent North India floods severely affected Himachal Pradesh, Uttarakhand, Punjab, Uttar Pradesh, Rajasthan, Jammu and Kashmir, and Delhi. An interaction between monsoon and a western disturbance is believed to be the cause of heavy rainfall which is causing floods and landslides. **While the current status of economic loss due to these floods is yet to be estimated still we believe this in the range of Rs 10,000-15,000 crore.**
- In Himachal Pradesh roads, transformers, electric sub-stations and water supply schemes has suffered extensive damage. As per an initial estimate, the loss could in the range of Rs 3,000-4,000 crore.

Country-wise Natural Disasters (1900 to 2022)



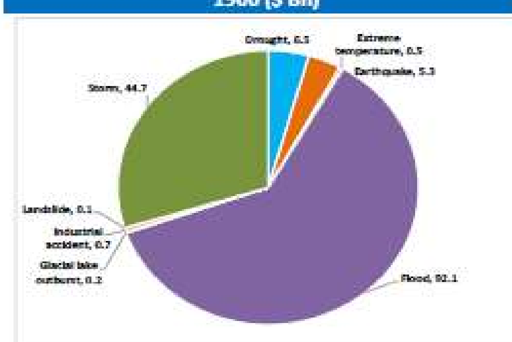
Source: EM-DAT; SBI Research

Natural Disasters in India

Year	Occurrences	Deaths	Total Affected (in crore)
1900-2000	402	9050599	147.4
2001	22	21045	2.7
2002	18	2991	34.2
2003	18	2251	0.8
2004	7	17737	3.4
2005	31	4997	2.9
2006	20	1431	0.7
2007	20	2236	3.8
2008	11	1808	1.4
2009	17	2204	1.1
2010	18	1344	0.4
2011	13	1038	1.3
2012	10	599	0.4
2013	12	7119	1.7
2014	16	1072	0.6
2015	22	3400	34.7
2016	16	1129	0.4
2017	18	2346	2.2
2018	23	1396	3.2
2019	14	2428	2.3
2020	11	2316	2.0
2021	17	1860	0.4
2022	7	2210	0.2
2001-2022	361	84957	100.8
Total (1900-2022)	763	9135556	248

Source: EM-DAT; SBI Research

Economic Loss due to Natural Disasters in India since 1900 ($ Bn)



Source: EM-DAT; SBI Research

REDUCING PROTECTION GAP IN THE HINTERLAND

- The natural disasters has been increasing across the world. In 2022, there were many large natural catastrophes demonstrated a wide variety of risks across different perils around the world. The different events shed light on the underlying drivers of the long-term trend of rising catastrophe-related insured losses.
- Out of the total $284 bn global economic losses, natural disasters resulted $275 billion in 2022, of which $125 billion were covered by insurance (incurred losses). The overall protection gap has increased to $ 151 bn in 2022, which is much higher than the 10-year average of $130 bn. The large protection gap, with around 54% of the total losses uninsured. Though still large, this is less than the 61% average protection gap of the previous 10 years.
- Recently, in India the intensity and frequency of natural calamities, especially cyclone, have increased manifold. Further, the cyclones in west coast (Maharashtra, Gujrat) in increasing, which has not ben witnessed in the past. However, around 8% of the total losses are covered, so, there is around 93% protection gap during the period 1991 to 2022. So, early intervention is needed to close the protection gap, which are in all lines of insurance.
- In a number of countries, insurance programmes or pools have been established, usually with the support of the public sector, to provide insurance coverage for certain risks and/or for certain segments of the population.
- In many cases, these programmes have been established to provide affordable insurance coverage for risks that have been deemed uninsurable through private insurance markets – although in others, the programmes have been established in order to promote solidarity in terms of loss-sharing across regions.
- Among all the countries, France has had a nationwide insurance scheme since 1989. From 2016, insured losses have exceeded EUR 550 million each year, with the average annual loss standing at EUR 810 million, compared with an average annual loss of EUR 310 million in 2000–2015.

Insured losses in 2022 well above the 10-year Average (in USD Bn)

		2022	2020	2019	10 Yr Average
Economic Losses	A	284	202	150	220
% of Global GDP		0.27	0.24	-	0.23
Insured Losses	B	132	89	63	91
Global Protection Gap	C=A-B	151	113	87	130

Source: SBI Research, Swiss Re, Sigma 1/2023

Extent of Insured losses in recent natural disasters in India

Year	Disaster Type	Location	Economic Loss ($ Bn)	Insured Loss ($ Bn)	Insured as % of Total
1991	Flood	Mumbai, Kerala, Gujarat	0.1	0.0	48%
1997	Flood	Himachal Pradesh.	0.1	0.0	9%
1998	Storm	Gujarat, Maharasthra	0.5	0.2	46%
1999	Storm	Orissa, Andhra Pradesh, West Bengal	2.5	0.1	4%
2001	Earthquake	Gurajat	2.6	0.1	4%
2004	Earthquake	Tamil Nadu, Andhra Pradesh, Kerala	1.0	0.0	0%
2005	Flood	Multiple States	3.3	0.8	25%
2005	Flood	Gujarat	2.3	0.2	7%
2006	Flood	Multiple States	3.4	0.4	12%
2009	Flood	Karnataka, Andhra Pradesh, Maharashtra	2.2	0.1	2%
2013	Flood	Multiple States	1.1	0.5	45%
2014	Flood	J&K	16.0	0.2	1%
2014	Storm	Andhra Pradesh, Orissa	7.0	0.5	8%
2015	Storm	Multiple States	0.9	0.1	12%
2015	Drought	Multiple States	3.0	0.4	13%
2015	Flood	Andhra Pradesh, Tamil Nadu	2.2	0.8	34%
2016	Storm	Tamil Nadu, Andhra Pradesh	1.0	0.2	20%
2016	Flood	Andhra Pradesh, Telangana	0.6	0.0	7%
2017	Flood	Mumbai, Thane	0.3	0.1	26%
2019	Flood	Multiple States	10.0	0.2	2%
2020	Flood	Multiple States	7.5	0.8	11%
2021	Flood	Multiple States	3.2	-	-
2021	Glacial lake outburst	Multiple States	0.2	-	-
2021	Storm	Multiple States	4.4	-	-
2022	Flood	Multiple States	4.2		
Total			79.6	5.7	7%

Source: EM-DAT; SBI Research

WHAT NEEDS TO BE DONE?

- India is a hugely under-insured country, compared to global peers. Although third party insurance is mandatory, but around 79% of four-wheelers are covered and 65% per cent four-wheelers are insured for own-damage only. For two-wheelers, it is much worse, as around 35% of vehicles are insured under third party and 39% are covered for own damage. In the health sector, some 36% people are insured but of these, three–fourths are insured by government schemes and the remaining 3.2% have got individual health plans. An additional 5.4% have got group health. So, almost 62% of the total health expenditure is out-of-pocket. Furthermore, only 0.9% of houses are insured whereas in the US, more than 90% of dwelling units enjoy cover. In the MSME sector, only 5% of the units are insured in the country. This sector needs much higher level of protection. So, we believe the regulator/Government should come out with some standardised products for various sectors so that the protection gap in each segment can be reduced significantly.
- Further, the overall Protection Gap in this country, whether it is life or general (non-life), in most of the segments the protection gap is about 70 to 80%. Only 20% to 25% is being availed. There is a huge gap. So, insurers needs to exploit the situation, which has huge business potential.
- In India, an average Indian is insured of roughly 8% of what may be required to protect a family from financial shock following the death of the breadwinner. This means having savings and insurance of just Rs 8 for every Rs 100 needed for protection, leaving a protection gap of Rs 92. Lack of awareness around what is an adequate life insurance cover for an individual increases the mortality protection gap.
- A public-private solution, say a Disaster Pool, for natural disaster risk involving the insurance sector could offer many benefits over government crisis loans and grants. If we consider 2020 floods in India, the total economic loss was of $7.5 billion (Rs 52,500 crore) but insurance of only 11%. If Government would have insured it, then the premium for the sum assurance of Rs 60,000 crore would have only in the range of Rs 13,000 to Rs 15,000 crore.
- For better underwriting and risk assessment, updated property value should be considered. For instance, in the last two years inflation has surged, and this has pushed up the costs of property rebuilds and reconstruction. Inflation effects contributed to the large losses from the floods .
- The lessons from COVID-19, from the need for improvements in public health and business preparedness to the availability of new data on mitigation measures and business impacts, provide an opportunity to reduce future pandemic impacts and enhance insurability. The insurance sector and governments need to actively engage and discuss how best to address the potential contingent liabilities from pandemic risk so that lessons learned can be applied that ensure better management of the next crisis.
- Under PM-JAY, the beneficiary is currently at 120 million in an effort to provide affordable quality healthcare to more citizens. We expect Government to provide PM-JAY to all the residents with OPT-IN facility.

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Contact Details:
Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in
Phone:022-22742440
: kantisoumya

PMJJBY Claims- State Wise

	PMJJBY	As on 31.05.2017		As on 31.05.2018		As on 31.05.2019		As on 31.05.2020		As on 31.05.2021		As on 31.05.2022		As on 29.06.2022	
S. No.	State/ Union Territory	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore
1	ANDAMAN & NICOBAR ISLANDS	21	0.42	27	0.54	39	0.78	49	0.98	60	1.2	93	1.86	95	1.9
2	ANDHRA PRADESH	5041	100.82	7579	151.58	10968	219.36	13670	273.4	18367	367.34	35290	705.8	35863	717.26
3	ARUNACHAL PRADESH	53	1.06	78	1.56	116	2.32	149	2.98	185	3.7	271	5.42	272	5.44
4	ASSAM	1386	27.72	2248	44.96	3369	67.38	4168	83.36	5243	104.86	7858	157.16	7934	158.68
5	BIHAR	1326	26.52	2033	40.66	2943	58.86	3948	78.96	5464	109.28	11748	234.96	11954	239.08
6	CHANDIGARH	82	1.64	133	2.66	186	3.72	234	4.68	299	5.98	437	8.74	441	8.82
7	CHHATTISGARH	2552	51.04	3544	70.88	5681	113.62	7266	145.32	9898	197.96	16600	332	16818	336.36
8	DADRA & NAGAR HAVELI	20	0.40	35	0.70	47	0.94	62	1.24	78	1.56	149	2.98	152	3.04
9	DAMAN & DIU	8	0.16	15	0.30	38	0.76	46	0.92	61	1.22	103	2.06	103	2.06
10	GOA	137	2.74	230	4.60	313	6.26	387	7.74	481	9.62	703	14.06	705	14.1
11	GUJARAT	4942	98.84	7383	147.66	11444	228.88	15262	305.24	21130	422.6	36091	721.82	36615	732.3
12	HARYANA	1762	35.24	2895	57.90	4372	87.44	5896	117.92	7791	155.82	10937	218.74	11055	221.1
13	HIMACHAL PRADESH	415	8.30	657	13.14	949	18.98	1263	25.26	1691	33.82	2655	53.1	2690	53.8
14	JAMMU & KASHMIR	72	1.44	112	2.24	151	3.02	192	3.84	251	5.02	1325	26.5	1328	26.56
15	JHARKHAND	665	13.30	1061	21.22	1635	32.70	2249	44.98	3085	61.7	5053	101.06	5169	103.38
16	KARNATAKA	5824	116.48	8451	169.02	12439	248.78	15361	307.22	20266	405.32	34864	697.28	35280	705.6
17	KERALA	671	13.42	970	19.40	1477	29.54	1840	36.8	2119	42.38	3077	61.54	3110	62.2
18	LAKSHADWEEP	0	0.00	0	0.00	0	0.00	0	0	1	0.02	2	0.04	2	0.04
19	MADHYA PRADESH	4900	98.00	7254	145.08	9877	197.54	12670	253.4	16904	338.08	27846	556.92	28238	564.76
20	MAHARASHTRA	5462	109.24	8528	170.56	11740	234.80	15018	300.36	20744	414.88	32912	658.24	33304	666.08
21	MANIPUR	60	1.20	100	2.00	147	2.94	197	3.94	240	4.8	432	8.64	438	8.76
22	MEGHALAYA	44	0.88	66	1.32	137	2.74	182	3.64	275	5.5	394	7.88	400	8
23	MIZORAM	217	4.34	245	4.90	473	9.46	579	11.58	834	16.68	1016	20.32	1034	20.68
24	NAGALAND	41	0.82	53	1.06	83	1.66	99	1.98	130	2.6	183	3.66	187	3.74
25	NCT OF DELHI	1038	20.76	1654	33.08	2371	47.42	2998	59.96	3809	76.18	5847	116.94	5903	118.06
26	ODISHA	1919	38.38	2837	56.74	4293	85.86	5630	112.6	7982	159.64	12014	240.28	12272	245.44
27	PUDUCHERRY	92	1.84	149	2.98	203	4.06	250	5	307	6.14	485	9.7	496	9.92
28	PUNJAB	1061	21.22	1697	33.94	2239	44.78	2865	57.3	3705	74.1	5640	112.8	5705	114.1
29	RAJASTHAN	3641	72.82	5052	101.04	8411	168.22	12050	241	17285	345.7	27393	547.86	27803	556.06
30	SIKKIM	31	0.62	47	0.94	65	1.30	85	1.7	103	2.06	135	2.7	135	2.7
31	TAMIL NADU	2965	59.30	4848	96.96	7138	142.76	9520	190.4	12135	242.7	16979	339.58	17658	353.16
32	TELANGANA	5770	115.40	7867	157.34	12281	245.62	15530	310.6	21162	423.24	29952	599.04	30395	607.9
33	TRIPURA	113	2.26	172	3.44	222	4.44	272	5.44	328	6.56	762	15.24	768	15.36
34	UTTAR PRADESH	7413	148.26	12091	241.82	18030	360.60	24299	485.98	32323	646.46	50004	1000.08	50773	1015.46
35	UTTARAKHAND	755	15.10	1059	21.18	1595	31.90	2038	40.76	2554	51.08	3855	77.1	3905	78.1
36	WEST BENGAL	1976	39.52	3092	61.84	4445	88.90	5943	118.86	8158	163.16	12309	246.18	12529	250.58
37	LADAKH	0	0.00	0	0.00	0	0.00	4	0.08	4	0.08	14	0.28	14	0.28
38	# OTHERS	4	0.08	0	0.00	0	0.00	0	0	0	0	190216	3804.32	190649	3812.98
	Total	62479	1249.58	94262	1885.24	139917	2798.34	182271	3645.42	245452	4909.04	585644	11712.88	592192	11843.84

 # Claims under converged schemes and Claims paid by insurance companies not reported by Banks on Jansuraksha portal. State-wise breakup not available for such claims

Note: Claim data as uploaded by Banks and updated by Insurance Companies after claim settlement on Jansuraksha Portal

Data for claims is available at Jansuraksha portal only from Policy Year ending 31.05.2017.

ANNEXURE-IV

		PMSBY claims State Wise													
		As on 31.05.2017		As on 31.05.2018		As on 31.05.2019		As on 31.05.2020		As on 31.05.2021		As on 31.05.2022		As on 29.06.2022	
S.No.	State/ Union Territory	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore	No. of Claims Paid	Amount Paid in Rs. Crore
1	ANDAMAN & NICOBAR ISLANDS	0	0.00	0	0.00	3	0.06	5	0.10	5	0.1	7	0.14	7	0.14
2	ANDHRA PRADESH	742	14.84	1472	29.44	2374	47.48	2898	57.96	3385	67.7	4679	93.58	4733	94.66
3	ARUNACHAL PRADESH	0	0.00	0	0.00	10	0.20	13	0.26	14	0.28	19	0.38	19	0.38
4	ASSAM	76	1.52	136	2.72	335	6.70	394	7.88	420	8.4	540	10.8	546	10.92
5	BIHAR	173	3.46	298	5.96	506	10.12	605	12.10	725	14.5	1126	22.52	1132	22.64
6	CHANDIGARH	24	0.48	41	0.82	72	1.44	92	1.84	105	2.1	124	2.48	127	2.54
7	CHHATTISGARH	346	6.92	573	11.46	1822	36.44	1960	39.20	2137	42.74	3007	60.14	3039	60.78
8	DADRA & NAGAR HAVELI	3	0.06	4	0.08	9	0.18	12	0.24	14	0.28	16	0.32	16	0.32
9	DAMAN & DIU	0	0.00	0	0.00	2	0.04	2	0.04	5	0.1	7	0.14	7	0.14
10	GOA	34	0.68	56	1.12	85	1.70	92	1.84	108	2.16	136	2.72	137	2.74
11	GUJARAT	871	17.42	1193	23.86	2343	46.86	2771	55.42	3123	62.46	3850	77	3978	79.56
12	HARYANA	471	9.42	795	15.90	1474	29.48	1866	37.32	2284	45.68	2970	59.4	2983	59.66
13	HIMACHAL PRADESH	151	3.02	280	5.60	529	10.58	715	14.30	853	17.06	1158	23.16	1168	23.36
14	JAMMU & KASHMIR	25	0.50	37	0.74	79	1.58	101	2.02	114	2.28	132	2.64	135	2.7
15	JHARKHAND	115	2.30	189	3.78	334	6.68	425	8.50	503	10.06	690	13.8	700	14
16	KARNATAKA	722	14.44	1147	22.94	2044	40.88	2312	46.24	2519	50.38	4140	82.8	4163	83.26
17	KERALA	278	5.56	396	7.92	775	15.50	1092	21.84	1201	24.02	1372	27.44	1565	31.3
18	LAKSHADWEEP	0	0.00	0	0.00	0	0.00	0	0.00	0	0	0	0	0	0
19	MADHYA PRADESH	1061	21.22	1706	34.12	3688	73.76	4319	86.38	5321	106.42	7047	140.94	7147	142.94
20	MAHARASHTRA	863	17.26	1377	27.54	2761	55.22	3343	66.86	3906	78.12	14309	286.18	17371	347.42
21	MANIPUR	8	0.16	8	0.16	15	0.30	18	0.36	23	0.46	25	0.5	25	0.5
22	MEGHALAYA	1	0.02	2	0.04	9	0.18	9	0.18	10	0.2	20	0.4	22	0.44
23	MIZORAM	1	0.02	1	0.02	13	0.26	14	0.28	14	0.28	28	0.56	34	0.68
24	NAGALAND	0	0.00	0	0.00	4	0.08	4	0.08	6	0.12	6	0.12	6	0.12
25	NCT OF DELHI	136	2.72	243	4.86	446	8.92	533	10.66	594	11.88	914	18.28	946	18.92
26	ODISHA	188	3.76	384	7.68	935	18.70	1136	22.72	1292	25.84	1861	37.22	1885	37.7
27	PUDUCHERRY	18	0.36	31	0.62	61	1.22	87	1.74	96	1.92	121	2.42	127	2.54
28	PUNJAB	438	8.76	680	13.60	1130	22.60	1342	26.84	1609	32.18	2189	43.78	2222	44.44
29	RAJASTHAN	741	14.82	1097	21.94	2391	47.82	2728	54.56	3192	63.84	4747	94.94	4856	97.12
30	SIKKIM	1	0.02	3	0.06	6	0.12	7	0.14	8	0.16	11	0.22	11	0.22
31	TAMIL NADU	687	13.74	1321	26.42	2311	46.22	3046	60.92	3526	70.52	4413	88.26	4467	89.34
32	TELANGANA	678	13.56	1233	24.66	2168	43.36	2566	51.32	2981	59.62	3619	72.38	3944	78.88
33	TRIPURA	3	0.06	9	0.18	44	0.88	47	0.94	50	1	94	1.88	99	1.98
34	UTTAR PRADESH	1036	20.72	1712	34.24	3401	68.02	3994	79.88	4696	93.92	7114	142.28	7290	145.8
35	UTTARAKHAND	128	2.56	202	4.04	538	10.76	618	12.36	680	13.6	891	17.82	910	18.2
36	WEST BENGAL	253	5.06	495	9.90	863	17.26	1016	20.32	1147	22.94	2035	40.7	2083	41.66
37	Ladakh	0	0.00	0	0.00	0	0.00	1	0.02	1	0.02	1	0.02	1	0.02
38	# OTHERS	1	0.02	0	0.00	0	0.00	0	0.00			25638	498.45	22151	428.53
	Total	10273	205.46	17121	342.42	33580	671.6	40183	803.66	46667	933.34	99056	1966.81	100052	1986.55

 # Claims under converged schemes and Claims paid by insurance companies not reported by Banks on Jansuraksha portal. State-wise breakup not available for such claims

Note: Claim data as uploaded by Banks and updated by Insurance Companies after claim settlement on Jansuraksha Portal

Data for claims is available at Jansuraksha portal only from Policy Year ending 31.05.2017

ANNEXURE-V

Details of State Wise Farmer Applications, State and Center Premium under PMFBY from 2020-2021 to 2022-2023

State/UT Name	2020-2021			2021-2022			2022-2023		
	Total farmer applications (In Lakhs)	State Share of Premium (Rs. in Cr.)	Center Share of Premium (Rs. in Cr.)	Total farmer applications (In Lakhs)	State Share of Premium (Rs. in Cr.)	Center Share of Premium (Rs. in Cr.)	Total farmer applications (In Lakhs)	State Share of Premium (Rs. in Cr.)	Center Share of Premium (Rs. in Cr.)
A & N Islands	0.003	0.09	0.06	0.0054	0.13	0.09	0.0013	0.02	0.01
Andhra Pradesh	NI	NI	NI	NI	NI	NI	93.92	1367.72	784.24
Assam	16.60	191.52	105.60	10.42	116.63	84.76	4.84	89.06	64.51
Chhattisgarh	51.63	643.35	623.91	58.39	651.13	620.76	76.43	749.63	694.82
Goa	0.001	0.001	0.001	0.00015	0.0016	0.0016	0.0007	0.0004	0.0004
Haryana	16.51	485.45	482.13	14.52	447.54	447.48	13.96	469.36	469.31
Himachal Pradesh	2.41	43.31	36.54	2.34	41.79	35.12	2.67	45.10	37.95
Jammu & Kashmir	NI	NI	NI	0.91	16.73	16.73	0.92	17.00	17.00
Karnataka	16.07	1036.91	819.26	19.34	1153.67	865.41	26.37	1191.21	808.91
Kerala	0.76	38.31	38.19	0.99	47.25	47.16	1.47	63.90	63.62
Madhya Pradesh	84.40	3151.30	3151.30	92.67	2965.74	2965.74	177.23	1577.05	1577.05
Maharashtra	124.06	3013.45	2719.77	99.01	2784.33	2455.10	107.10	2245.87	2166.26
Manipur	NI	NI	NI	0.03	0.12	1.12	0.04	0.14	1.29
Meghalaya	0.00130	0.00034	0.00004	NI	NI	NI	0.0034	0.0237	0.0026
Odisha	97.52	639.84	639.84	81.72	574.76	574.76	80.00	567.24	567.24
Puducherry	0.11	2.69	1.74	0.36	4.23	2.60	0.30	2.90	1.87
Rajasthan	107.59	2819.08	2624.76	345.11	2678.86	2467.33	388.97	2504.84	2317.83
Sikkim	0.00	0.00	0.00	0.02	0.00	0.01	0.02	0.00	0.01
Tamil Nadu	59.24	1838.72	1077.85	59.29	1741.82	1109.78	58.50	1699.41	1021.37
Tripura	2.57	4.88	1.90	3.36	6.78	3.80	3.21	8.09	4.34
Uttar Pradesh	41.90	641.98	640.91	40.67	469.63	468.29	42.02	483.07	481.27
Uttarakhand	1.71	65.60	65.60	1.83	80.49	80.49	2.82	34.85	34.85
GRAND TOTAL	**623.10**	**14616.48**	**13029.33**	**830.97**	**13781.62**	**12246.50**	**1080.78**	**13116.46**	**11113.78**

NI : Not Implemented

APPENDIX – I

Minutes of the Twenty-Second Sitting of the Standing Committee on Finance (2022-23): The Committee sat on Thursday, the 27th July, 2023 from 1500 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

MEMBERS

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S Ahluwalia
3. Dr. Subhash Ramrao Bhamre
4. Smt. Sunita Duggal
5. Shri Gaurav Gogoi
6. Shri Sudheer Gupta
7. Shri Manoj Kishorbhai Kotak
8. Shri Pinaki Misra
9. Shri Ravi Shankar Prasad
10. Shri Nama Nageswara Rao
11. Shri Gopal Chinayya Shetty
12. Shri Balashowry Vallabbhaneni
13. Shri Rajesh Verma

RAJYA SABHA

14. Dr. Radha Mohan Das Agarwal
15. Shri P. Chidambaram
16. Shri Damodar Rao Divakonda
17. Shri Sushil Kumar Modi
18. Dr. Amar Patnaik
19. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Siddharth Mahajan	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Puneet Bhatia	-	Deputy Secretary

PART I

1500 hrs to 1600 hrs

WITNESSES

Economic Research Department, State Bank of India

1. Shri Ashish Kumar, Assistant General Manager
2. Dr. Tapas Parida, Economist

2. At the outset, the Chairperson welcomed the Members and the witnesses to the Sitting of the Committee. After the customary introduction of the witnesses, the Chairperson initiated the discussion on the subject 'Performance Review and Regulation of Insurance Sector'. The Chairperson referred to the Research Paper, published by the Economic Research Department (ERD) of the State Bank of India (SBI) that has highlighted the increased scale and frequency of natural disasters, especially floods and cyclones, and the huge insurance protection gap in our country. Then, the representatives of the Economic Research Department, State Bank of India, made a PowerPoint Presentation on the subject covering topics *viz.* India's Position in Global Insurance Market, India's Insurance Penetration and Density, Vision of Insurance for All by 2047, *Jan Suraksha* Schemes, Alarming Scale & Rising Frequency of Natural Disasters in India, Natural Disasters vs. Protection Gap, Government initiatives for higher insurance penetration across all segments, etc.

3. Thereafter, the Committee deliberated upon various issues that included reasons for low insurance penetration and density in Insurance Sector in our country and the need for a proper study in this regard, need to make India more attractive for investment particularly in the Insurance Sector, need to focus on rural areas, need to make crop insurance more affordable and simpler, and issues in the development of Insurance Sector such as credibility issue, hassle in claim settlement, lack of awareness, high insurance premium, etc.

4. The witnesses responded to some of the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points

raised by the Members, which could not be readily replied to by them during the discussion, to the Secretariat.

(The witnesses then withdrew)

PART II
1600 hrs to 1700 hrs

WITNESSES

Insurance Regulatory and Development Authority of India (IRDAI)

1. Shri Debasish Panda, Chairperson
2. Shri. P. K. Arora, Member (Actuary)
3. Shri Rakesh Joshi, Member (F&I)
4. Shri Randip Singh Jagpal, ED (Non-Life)
5. Ms. Mamta Suri, ED (F&I)
6. Ms. J. Meena Kumari, ED (Life)
7. Shri A. R. Nithiyanantham, CGM (Legal)
8. Ms. Yegna Priya Bharat, CGM (Health)
9. Ms. Anita Josyula, CGM (Intermediaries)
10. Shri M. N. Munshi, DGM (IIDD)

6. At the outset, the Chairperson welcomed the witnesses to the Sitting of the Committee. After the customary introduction of the witnesses, the Chairperson initiated the discussion on the subject 'Performance Review and Regulation of Insurance Sector'. Then, the representatives of the Insurance Regulatory and Development Authority of India (IRDAI), made a PowerPoint Presentation on the subject covering topics *viz*. Benefits of Insurance Coverage, Insurance Sector in India, Financial Profile of the Sector, Asset Under Management (AUM) of Insurance Companies, Growth Potential of the Sector, Regulatory Framework for the Sector, Leveraging Data and Technology, the Development Strategy, etc.

7. Thereafter, the Committee deliberated upon the following issues:

(i) Role and Performance of IRDAI - reasons for underdevelopment of the Insurance Sector, remedial steps by IRDAI, performance review based on global averages in insurance.

(ii) Insurance coverage in India – need for a mass movement, innovation, and decrease in the insurance premium to increase insurance penetration

(iii) Insurance Schemes run by the Government – issues related to subscription and claim settlement in regard to *Jan-Dhan* Accounts

(iv) Trust Building – Insurer should reach the policyholders, need for hassle-free claim settlement and grievance redressal mechanism, prompt door-step delivery of insurance benefits, need to make the entire process simple and transparent

(v) Insurance Models in States – need to learn from the experiences of States Governments, need to emulate and propagate the best practices

(vi) Regulatory Issues – Bundled Insurance Products, Composite License for Life and Non-Life Insurance

8. The witnesses responded to some of the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points raised by the Members, which could not be readily replied to by them during the discussion, to the Secretariat.

(The witnesses then withdrew)

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

APPENDIX – II

Minutes of the 23rd Sitting of the Standing Committee on Finance (2022-23) The Committee sat on Friday, the 1st September, 2023 from 1400 hrs. to 1700 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

MEMBERS

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S Ahluwalia
3. Shri Subhash Chandra Baheria
4. Smt. Sunita Duggal
5. Shri Sudheer Gupta
6. Shri Nama Nageswara Rao
7. Prof. Saugata Ray
8. Shri Gopal Chinayya Shetty
9. Dr. (Prof.) Kirit Premjibhai Solanki
10. Shri Rajesh Verma

RAJYA SABHA

11. Shri Ryaga Krishnaiah
12. Shri Sushil Kumar Modi
13. Shri G.V.L.Narasimha Rao
14. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Siddharth Mahajan	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Puneet Bhatia	-	Deputy Secretary

PART I
1400 hrs to 1530 hrs

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PART II
1530 hrs to 1600 hrs

WITNESSES

Ministry of Finance (Department of Financial Services)

1. Dr. M.P Tangirala, Additional Secretary
2. Shri Mukesh Kumar Bansal, Joint Secretary
3. Shri Sameer Shukla, Joint Secretary

Insurance Regulatory & Development Authority of India (IRDAI)

1. Shri D V S Ramesh, Chief General Manager

4. At the outset, the Chairperson welcomed the witnesses to the Sitting of the Committee and apprised them of the agenda, i.e., oral evidence of the representatives of the Department of Financial Services on the subject 'Performance Review and Regulation of Insurance Sector' and the main topics for the discussion. After the customary introduction of the witnesses, the Chairperson initiated the discussion on the subject.

5. Thereafter, the Committee deliberated upon the following issues:

(i) Insurance Sector in India – low penetration and density, need to increase the protection coverage of insurance in the country

(ii) Growth of the Insurance Sector – targets for Insurance Sector, requirements of capital, and measures taken by Insurance Regulatory Development Authority of India (IRDAI), scope for growth especially in Health, Property and Re-insurance Sector

(iii) Insurance Companies of Public Sector – reasons for the precarious financial condition of 4 PSUs in the field of General Insurance and the measures taken to address it, merger/privatization of these companies

(iv) Repudiation of claims – underwriting of premium, redressal of such issues

(v) Insurance for All – introduction of Bima trinity: 'Bima Sugam', 'Bima Vistar' and 'Bima Vahak'

(vi) Need for Open Architecture, composite license for companies, value added services

(vii) Need for a Central Portal like UDGAM in Banking Sector for unclaimed insurance policies

(viii) Pradhan Mantri Jeevan Jyoti Bima Yojana and Suraksh Bima Yojna– need to expand its coverage especially to Jan Dhan account holders and MNREGA beneficiaries, Issues related to Pradhan Mantri Fasal Bima Yojana

(ix) Portability of Insurance Policies – impediments and the way ahead

(x) Need for a Policy Road Map for the Insurance Sector

6. The witnesses responded to the queries raised by the Members and the Chairperson then directed the representatives to furnish written replies to the points raised by the Members, which could not be readily replied to by them during the discussion, to the Secretariat.

(The witnesses then withdrew)

PART III

1600 hrs to 1700 hrs

WITNESSES

HDFC Life Insurance Co. Ltd.

1. Ms. Vibha Padalkar, Managing Director & CEO
2. Shri Narendra Gangan, General Counsel, Chief Compliance Officer & Company Secretary

HDFC ERGO General Insurance Co. Ltd.

1. Shri Ritesh Kumar, Managing Director & CEO
2. Shri Hiten Kothari, Appointed Actuary

ICICI Prudential Life Insurance Co. Ltd.

1. Shri Deepak Kinger, Chief Risk and Compliance Officer

ICICI LOMBARD General Insurance Co. Ltd.

1. Shri Bhargav Dasgupta, MD & CEO
2. Shri Gopal Balachandran, Chief Financial Officer & Chief Risk Officer

Bajaj Allianz General Insurance Co. Ltd.

1. Shri T.A Ramalingam, Chief Technical Officer
2. Shri Gopalkrishnan, Head- Compliance

Bajaj Allianz Life Insurance Co. Ltd.

1. Shri Tarun Chugh, MD & CEO
2. Shri Bharat Kalsi, CFO
3. Shri Anil P M, Sr. President Legal & Chief Compliance Officer

Star Health & Allied Insurance Co. Ltd.

1. Shri Anand Roy, MD &CEO
2. Shri Amitabh Jain, Chief Operating Officer

Policybazaar Insurance Brokers Private Ltd.

1. Shri Yashish Dahiya, Group Chairman and CEO
2. Shri Sarbvir Singh, Group Jt. CEO
3. Ms. Deepti Rustagi, Group Head Legal and Chief Compliance Officer

7. At the outset, the Chairperson welcomed the witnesses to the Sitting of the Committee and apprised them of the agenda, i.e., hearing of views of the representatives of the Private Insurance Companies on the subject 'Performance Review and Regulation of Insurance Sector' and the main topics for the discussion. After the customary introduction of the witnesses, the Chairperson initiated the discussion on the subject.

8. Thereafter, the Committee deliberated upon the following issues:

(i) Reasons and the possible solutions for under penetration and under coverage of insurance in the country especially in the field of health, catastrophic and general insurance – compliance issues, distribution network, microinsurance, coverage of rural segment, capital adequacy, importance of data rails and Managing General Agents (MGA), need to rationalize GST on insurance services

(ii) Distribution Network – need for open architecture in Insurance Sector, need for change in regulation to facilitate selling of multiple insurance products as well as other financial products, need to increase the number of agents, need to expand bancassurance

(iii) Issues related to Pradhan Mantri Fasal Bima Yojana – hassle in settlement of claims, high premium, escrow mechanism to fast track claim settlements

9. The witnesses responded to the queries raised by the Members and the Chairperson then directed the representatives to furnish written replies to the points raised by the Members, which could not be readily replied to by them during the discussion, to the Secretariat.

(The witnesses then withdrew)

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

X – Matter not related to this Report

<u>APPENDIX – III</u>

Minutes of the Fifth Sitting of the Standing Committee on Finance (2023 -24) The Committee sat on Friday, the 22nd December, 2023 from 1100 hrs. to 1300 hrs. in Committee Room '2', Parliament House Annexe Extension Block A, New Delhi.

PRESENT
MEMBERS

Shri Jayant Sinha – Chairperson

<u>LOK SABHA</u>

2. Shri S.S Ahluwalia
3. Shri Subhash Chandra Baheria
4. Dr. Subhash Ramrao Bhamre
5. Smt. Sunita Duggal
6. Shri Sudheer Gupta
7. Shri Hemant Shriram Patil
8. Shri Gopal Chinayya Shetty
9. Dr. (Prof.) Kirit Premjibhai Solanki

<u>RAJYA SABHA</u>

10. Dr. Radha Mohan Das Agarwal
11. Shri Ryaga Krishnaiah
12. Dr. Amar Patnaik
13. Shri G.V.L Narasimha Rao
14. Dr. Dinesh Sharma

<u>SECRETARIAT</u>

1.	Shri Ramkumar Suryanarayanan	-	Joint Secretary
2.	Shri Puneet Bhatia	-	Deputy Secretary

PART I

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(The witnesses then withdrew)

PART II

3. Thereafter, the Committee took up the following draft reports for consideration and adoption:

(i) Draft Report on the subject 'Performance Review and Regulation of Insurance Sector' pertaining to the Ministry of Finance (Department of Financial Services).

(ii) Draft Action Taken Report on the observations/recommendations contained in their Thirty-Second Report on the subject 'Implementation of Insolvency and Bankruptcy Code - Pitfalls and Solutions' pertaining to the Ministry of Corporate Affairs.

(iii) Draft Action Taken Report on the observations/recommendations contained in their Forty-Sixth Report on 'Strengthening Credit Flows to the MSME Sector' pertaining to the Ministry of Finance (Department of Financial Services) and Ministry of Micro, Small and Medium Enterprises.

After deliberation, the Committee adopted the above draft Reports without any change and authorised the Chairperson to finalise them and present to the Hon'ble Speaker / Parliament.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

X – matter not related to this Report