

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
LIC BUILDINGS SECRETARIAT ROAD HYDERABAD 500 063
(E-mail: aiieahyd@gmail.com)

Cir.No.24 / 2024


26th June 2024

To
All the Zonal /Divisional /State /Regional Units

Dear Comrades,

AIIEA has addressed a letter today to the Hon'ble Finance Minister of India on certain issues of the insurance industry and has requested her intervention. The issues are self-explanatory. We would request our units to widely circulate this circular and take up a campaign on these issues among all the stake holders.

With Greetings,

Comradely Yours

General Secretary

Smt. Nirmala Sitharaman
Hon'ble Minister for Finance
Government of India,
New Delhi

Date: 26.06.2024

Respected Madam,

Re: Issues relating to the Insurance Industry

We wish to introduce ourselves as All India Insurance Employees' Association (AIIEA) - the oldest and the biggest trade union of public sector insurance employees. The AIIEA has been playing a very constructive role in the promotion of the interests of LIC and Public Sector General Insurance companies and helping these institutions to fulfil their social obligations.

We are very happy that you have already held the pre-budget consultations with the Central Trade Unions. We are in broad agreement with the Central Trade Unions so far as issues relating to the working people are concerned. Here we would like to restrict ourselves to certain pressing issues pertaining to the insurance industry that need consideration in the budget making exercise.

The growth of the life insurance industry is crucial to national development. It is the only mode of saving that generates funds for long term investment in the economy. You have also been speaking about the need to further expand the insurance market and increase life insurance penetration. We are sure that you will agree with us that the growth of the life insurance industry critically depends upon the growth in the household savings and the disposable incomes. However, decline in the household savings has been adversely affecting the life insurance business. Today life insurance industry also has to compete with the other modes of savings. The industry is also in the process of adjusting to the new regulatory norms as decided by the IRDAI.

We, therefore, suggest the following measures in the interest of insurance industry and the larger interests of the national economy.

Withdrawal of GST on Life and Medical Insurance Premium: Both life insurance and medical insurance premiums attract a GST rate of 18 per cent. Levying GST on life insurance premium amounts to levying tax on the uncertainties of life. We do feel that the person who covers the risk of life's uncertainties to give some protection to the family should not be levied tax on the premium to purchase cover against this risk. Similarly, the 18 per cent GST on medical insurance premium is proving to be a deterrent for the growth of this segment of business which is socially so necessary. It would be pertinent to mention here that the Parliamentary Committee on Finance of the 17th Lok Sabha headed by Sri Jayant Sinha had recommended that there was a need to rationalise the GST on insurance products, especially health and term insurance. We therefore request you to re-examine the issue and withdraw the GST on life and medical insurance premium.

Differential Treatment to Savings by way of Life Insurance: We are sure you will agree with us that the growth of the life insurance industry critically depends upon the growth in the household savings, particularly financial savings. Today the life insurance industry has to compete with other modes of savings. Life insurance premiums were grouped together with other forms of savings for the purpose of income tax relief under Section 80 (C) of the Income Tax Act. These reliefs are no longer available now under the new tax regime introduced in the Union Budget 2023-24. However, we strongly feel that life insurance needs to be given a differential treatment compared to other modes of savings considering the fact that the funds mobilised here can be deployed in long term infrastructure requirements of the country. In order to encourage new insurances and adequate protection to the existing insured, it is necessary to re-introduce a separate and substantial exemption limit for life insurance premiums in the new Tax regime. We would request you to please consider this.

Re-introduction of income tax deduction for health insurance premium: The deduction allowed under Section 80(D) towards health insurance premium has been discontinued in the new tax regime. Health insurance has become an imperative need today in view of progressively increasing cost of hospitalisation. Moreover, the Covid 19 has increased the awareness about the need for health insurance. We would therefore request you to please consider deductions allowed earlier in the old regime under Section 80(D) of the Income Tax towards payment of health insurance premium.

Consolidation of Public Sector General Insurance Companies: The Public Sector General Insurance Companies viz; National Insurance, New India Assurance, Oriental Insurance and United India Insurance- have been recording reasonably good performances in spite of myriad challenges confronting them. They hold a market share of over 30 per cent. However, these companies have been literally facing a war of attrition. They have to compete not only with the private players but they have to compete among themselves for the same line of business. This does not make any economic sense. We are of the considered opinion that these companies should be merged into a single entity to form a monolithic corporation so that they derive the economies of scale. We would request you to kindly consider this suggestion so that the Public Sector General Insurance Companies continue to discharge their responsibilities towards the nation and the insuring public with utmost efficiency.

Thanking you,

Yours faithfully
Sd/-
General Secretary