

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

Cir.No.25 / 2024

11th July 2024

To
All the Zonal /Divisional /State /Regional Units

Dear Comrades,

As decided in the AIIEA Secretariat meeting at Hyderabad on 16-17 June 2024, AIIEA has addressed a letter today to Sri Rahul Gandhi, Hon'ble Member of Parliament and Leader of the Opposition in the Lok Sabha on certain issues of the insurance industry and has requested his intervention. The issues are self-explanatory. We would request our units to widely circulate this circular and step up the ongoing campaign on these issues among the Members of Parliament.

With Greetings,

Comradely Yours

Shreekanth Mishra

General Secretary

Sri Rahul Gandhi
Hon'ble Member of Parliament
Leader of the Opposition, Lok Sabha
New Delhi- 110 001

Date: 11.07.2024

Respected Sir

Re: Withdrawal of GST on Life and Health Insurance Premium

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 fulfil their social obligations.

We congratulate you for your victory in the recently held elections to the 18th Lok Sabha. We also congratulate you for assuming the responsibility of the Leader of the Opposition in Lok Sabha. We are extremely thankful to you for giving us an audience to represent some issues relating to the insurance industry. We do hope that these issues will find a profound expression during your interventions in Parliament in the interest of the insurance industry and the insuring public.

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. We would like to inform that recognising the significance of this, a Parliamentary Committee of the 17th Lok Sabha headed by former Minister of State for Finance Sri Jayant Sinha had recommended that there was a need to rationalise the

GST on insurance products, especially health and term insurance. We would request you to kindly exercise your good offices to see that GST on life and medical insurance premium is withdrawn in the interest of the industry and the people.

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 by the Union Finance Minister 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 introduced by the Union Finance Minister in 2023-24.

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 take up the issue at the appropriate level so that the deductions allowed earlier in the old regime under Section 80(D) of the Income Tax are allowed in the new regime also 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 take it up with the Ministry of Finance so that the Public Sector General Insurance Companies continue to discharge their responsibilities towards the nation and the insuring public with utmost efficiency.

We would be happy to share our thoughts with you if you kindly grant an audience at your earliest convenience.

Thanking you,

Yours faithfully
Sd/-
General Secretary