CHAPTER 13

INSURANCE IN INDIA

*Insurance is a kind of gambling in reverse–a major form of 'risk spreading'–one person's risk which would be large, is spread around to make it small for a large number of people–in this process it serves two purposes–provides social security net to people and helps in nation-building by making available investible capital.**

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* *See Paul A. Samuelson and William D. Nordhaus,* ***Economics****,* (New Delhi: Tata McGraw Hill, 2005), pp. 210–12. *See LIBNA, 1956 and GIBNA, 1971 of the GoI.*

DEFINITION

In economic terms, anything used to cut down the risk is known as ***insurance***. But in familiar terms, insurance is provided by an insurance company which covers a person's life (called life segment) or covers loss of assets, property (called non-life or general segment). The insurance policies are purchased at fixed premiums.

INSURANCE INDUSTRY

Insurance has a deep-rooted history in India. 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 precursor 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 (England in particular).

LIC

The life insurance business/industry in the country was nationalised by the Government of India in 1956 and a fully government-owned company, the Life Insurance Corporation of India (LIC) was set up (at that time 245 Indian and foreign companies were playing in the life segment of insurance). Opening of private life insurance companies was prohibited at that time. The LIC was called an investment institution by the government.

The nationalisation was motivated by twin objectives—*first,* to spread the message of life insurance for greater social security and *secondly,* to mobilise people's savings (collected as premiums) for nation building. The LIC had been the biggest investor in the government's procces of planned development purchasing government securities (G-Secs.) and equities of the big asset Public Sector Undertakings (PSUs).

GIC

In 1971, the government nationalised the private sector companies (107 Indian and foreign companies) playing in the general insurance segment and a government company, the General Insurance Corporation of India (GIC) was formed in 1972. The GIC started operation on January 1, 1973 with its four holding companies*:*

(i) National Insurance Company Ltd.
(ii) New India Assurance Company Ltd.
(iii) Oriental Fire and Insurance Comany Ltd.
(iv) United India Insurance Company Ltd.

In the era of economic reforms, two major changes took place in this area—

(i) In November 2000, the GIC was notified as the Indian Reinsurer[1] (to be known as GIC Re).
(ii) In March 2002 the GIC was withdrawn from holding company status of the four public sector general insurance companies. Now these four companies are directly owned by the Government of India.[2]

AICIL

The public sector insurance company, Agriculture Insurance Company of India Limited (AICIL) was set up by the Government of India in December 2002 (commenced its business in April 2003). This is a *dedicated agri-insurance* company and aims "to serve the needs of farmers better and to move towards a sustainable actuarial regime".

1. Publication Division, ***India 2002,*** (New Delhi: Government of India, 2003).
2. Ministry of Finance, ***Economic Survey 2002–03,*** (New Delhi: Government of India, 2003).

This company was responsible to look after the National Agriculture Insurance Scheme (NAIS) which was launched in 1999. Since *January 2016*, the company is looking after the newly launched PMFBY (Prime Minister Fasal Bima Yojana)[3] which subsumed the existing agri-insurance schemes—the NAIS and the Modified NAIS (of 2010). Till the AICIL was not set up, the agri-insurance responsibility of the government was being looked after by the General Insurance Corporation (GIC).

AICIL is jointly promoted by public sector insurance companies and development financial institutions—majority shares owned by the GIC (35 per cent) and NABARD (30 per cent) while the four public sector general insurance companies own 8.75 per cent each in it.

PUBLIC SECTOR INSURANCE COMPANIES

At present, there are 6 public sector *insurance companies* in India. Out of it one deals in the life segment (LIC); four are involved in the non-life (general) insurance segment; and one is the dedicated agri-insurer. Other than these companies, there is one *re-insurance company*, the ***GIC Re*** (wholly owned by the GoI).

INSURANCE REFORMS

Under the process of economic reforms an Insurance Reforms Committee (IRC) was set up in April 1993 under the chairmanship of the ex-RBI Governor R. N. Malhotra. The committee handed over its report (January 1994) with the following major suggestions:[4]

(i) Decontrolling insurance sector, i.e., allowing Indian as well as foreign private sector insurance companies to enter the sector (the government did it in 1999 passing the *IRDA Act*).

(ii) Restructuring the LIC and the GIC and cutting down the government's holding in them to 50 per cent (no follow up still, but the private insurance companies demanding it anxiously. The NDA government had taken steps in this area, but the UPA government has no such plans.) Late 2012, the government started sale of the LIC shares but to public sector undertakings—seen as a welcome move.

(iii) Delinking GIC and its four subsidiaries (which was done in 2000).

(iv) Discarding the system of licensing of surveyors by the controller of Insurance.

(v) Restructuring the Tariff Advisory Committee.

(vi) Setting up a regulatory anthority for the insurance industry (the IRDA set up in 2000).

IRDA

The Insurance Regulatory and Development Authority (IRDA) was set up in 2000 (the Act was passed in 1999) with one chairman and five members (two as full time and three as part-time members) appointed and nominated by the government. The authority is responsible for the regulation, development and supervision of the Indian insurance industry.

As per the latest *Annual Report 2014–15* of the IRDA, presently, there are 52 insurance companies in India of which 24 are involved in life insurance business while other 28 companies are involved in non-life (general) segment. Insurance industry of India is presently regulated under the Insurance Laws (Amendment) Act, 2015. The Act increased the permissible limit of foreign direct investment (FDI) from 26 to 49 per cent in the insurance business. The FDI up to 49 per cent is

3. Ministry of Finance, **Union Budget 2016–17** (New Delhi: Government of India, 2016); and Ministry of Finance, **Economic Survey 2015-16** (New Delhi: Government of India, 2016).

4. R. N. Malhotra headed ***Insurance Reforms Committee,*** Government of India, N. Delhi, January 1994.

allowed under the automatic route while beyond it the approval of the Ministry of Finance.

REINSURANCE

Insurance is a very risky business. While the insurance companies offer insurance to its clients, they themselves get exposed to very high financial risks. Re-insurance business emerged out of this reality. When an insurance company buys insurance cover for its insurance business, a new segment comes into being i.e., re-insurance.

Experts believe that in absence of re-insurance, insurance industry in a country will not grow to the level of the social requirement—as insurance companies will either not provide insurance cover in several areas or they will charge very high premiums on the policies they offer (to neutralise the risk). Keeping this thing in mind, the Government of India took initiative to convert the existing public sector general insurer, the GIC, into a re-insurance company (in 2000). Known as the ***GIC Re***, it remained the only reinsurance company in the country till now. Over the time, this emerged as a major player in the global reinsurance industry. Reinsurance industry is regulated by the IRDA in the country.

Reinsurance industry has a very low penetration in India. Lack of competition has been cited as a major factor behind it—it has only one player by now. To promote competition and vibrancy the IRDA announced (late 2015) to open up the industry for the entry of foreign companies. In **March 2016**, the IRDA gave *initial approval* (known as R1, in regulatory parlance) to four foreign reinsurance companies. Among them, two belong to Germany (Munich Re, Hannover), one each to Switzerland (Swiss Re) and France (SCOR). *Munich Re* is the largest reinsurance player in the world while *Swiss Re* is the second largest and Hannover comes third in global size. Two other foreign companies (US-based Reinsurance Group of America and UK-based XL Catlin) are waiting for the initial approval. These companies will start their operation once they get the *final approval* (known as R2).

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION (DICGC)

DICGC was set up by merging the Deposit Insurance Corporation (1962) and the Credit Guarantee Corporation (1971) in 1978. While Deposit Insurance had been introduced in India out of concerns to protect depositors, ensure financial stability, instill confidence in the banking system and help mobilise deposits, the establishment of the Credit Guarantee Corporation was essentially in the realm of affirmative action to ensure that the credit needs of the hitherto neglected sectors and weaker sections were met. The essential concern was to persuade banks to make available credit to not so creditworthy clients. After the merger, the focus of the DICGC had shifted onto credit guarantees. This owed in part to the fact that most large banks were nationalised. With the financial sector reforms undertaken in the 1990s, credit guarantees have been gradually phased out and the focus of the Corporation is veering back to its core function of Deposit Insurance with the objective of averting panics, reducing systemic risk and ensuring financial stability.

In 2017-18, the Government proposed the *Financial Resolution and Deposit Insurance (FRDI) Bill* which aims to reform the existing provisions related to deposit insurance and credit guarantee. After it was criticised by the experts for its provision of 'cancelling the liability owed by a failed bank', it was sent to a Joint Parliamentary Committee (JPC)— its views are awaited. Basically, the proposed Bill has a provision (Section 52) under which the Resolution Corporation (to be set up under the Bill) is empowered to 'write down failed banks' liabilities'. This clause was inferred by analysts as the 'bail-in' clause (when a financial help comes in from the within the bank/financial institution). Though such apprehensions were cancelled by the Government. Presently, Rs. 1 lakh of depositors are protected/ insured by the DICGC—the limit remained unchanged since 1993. Many countries revised their deposit insurance limits after the global financial crisis of 2008—upto US$ 2.5 lakh in USA and US$ 1.15 lakh in UK (set around 3-4 times of the per capita income of these economies). Emerging economies like Brazil and China have set this limit at nine times of their per capita income. In case of India it is still a little over its per capita income (which was estimated to be Rs.1,11,782 at constant market price, as per the *Economic Survey 2017-18*).

EXPORT CREDIT GUARANTEE CORPORATION (ECGC)

The overseas projects undertaken by the Indian companies face many ***political*** and ***commercial risks*** in the importing countries. To provide adequate credit insurance cover to such firms, the government has set up the Export Credit Guarantee Corporation of India Ltd. (ECGC) under the Ministry of Commerce and Industry, for medium- and long-term exports. But owing to its own limitations, at times it is difficult for ECGC to cover pure commercial risks in issues like long repayment period, the large value of contracts, difficult economic and political conditions of the importing country, together with the fact that ***reinsurance*** cover is generally not available for such projects.[5] Many times such projects look necessary considering the economic and political relationship of India with the proposed importing country. It means that in the absence of credit insurance cover, the ability of Indian exporters to go for such export projects is hampered. It should be noted that in many developed economies such projects are covered and underwritten on government account[6].

NATIONAL EXPORT INSURANCE ACCOUNT (NEIA)

For facilitating the service of the ECGC (discussed above), the Government of India did set up the National Export Insurance Account (NEIA) in March 2006 to promote medium- and long-term export by providing credit insurance support in the cases where ECGC was not able to provide credit cover on its own because of purely commercial reasons:[7]

(i) The corpus given to the account was Rs. 66 crore, raised to Rs. 246 crore by 2007–08 and was enhanced to Rs. 2,000 crore in the Eleventh Plan (2007–12).

(ii) Resources of the NEIA will be the corpus, the premium income, interest income and recovery of all the claims paid.

(iii) As per the provision, an exposure equal to ten times corpus can be taken by the NEIA.

The NEIA can cover projects which fulfil the following criteria:[8]

(i) The project by itself should be commercially viable;

(ii) The project should be strategically important for India, with regard to economic and political relationship of India with the importing country; and

5. Due to its underwriting constraint, the ECGC is unable to cover such projects on its own.

6. As for example the USA, France, the UK and many other Euro-American economies underwrite such medium and long-term projects in the governments' account. The SEIA also covers only medium- and long-term export projects.

7. Announced while setting up the NEIA, Ministry of Commerce and Industry, Government of India, N. Delhi, 9 March, 2006.

8. Ibid.

(iii) The exporter should be capable of executing the contract, as evident from his previous track record.

The use and benefits of the NEIA need to be publicised among its beneficiaries. Meanwhile, many export projects pertaining to Indonesia, Vietnam, Iran, Sudan, etc., are under way. The NEIA will facilitate potential project exporters to enter the international trade area, as it is expected[9] to be so. In the era of globalisation it has been praised as a welcome development by the experts and the trade people alike.

THE CHALLENGE AHEAD

Since the opening up of the insurance sector, the number of participants in the insurance industry has gone up from seven insurers (including the Life Insurance Corporation of India [LIC], four public-sector general insurers, one specialised insurer, and the General Insurance Corporation as the national re-insurer) in 2000 to 52 insurers as on 30 September 2012 operating in the life, non-life, and re-insurance segments (including specialised insurers, namely the Export Credit Guarantee Corporation and Agricultural Insurance Company [AIC]). Four of the general insurance companies, viz., Star Health and Alliance Insurance Company, Apollo Munich Health Insurance Company, Max BUPA Health Insurance Company, and Religare Health Insurance Company function as standalone health insurance companies. Of the 23 insurance companies that have set up operations in the life segment post opening up of the sector, 21 are in joint ventures with foreign partners. Of the 21private insurers who have commenced operations in the non-life segment, 18 are in collaboration with foreign partners.

After the state monopoly in the insurance sector was dismantled and private players' entry allowed, the IRDA has played a crucial role in the development and expansion of the sector, there is no doubt in it. But still the sector faces many challenges which, if only tackled well may one say that insurance is serving the interests of the insuring companies and the covered alike. As per the concerned experts, the major challenges Indian insurance is facing today may be seen as given below:

(i) As per various estimates, only 20 per cent of the insurable Indian population is life-insured; the share of India in global life insurance is just 0.66 per cent; and life insurance penetration is at present 2.53 per cent (2004) in the country.[10]

The message of life insurance needs to be publicised among the population, specially in the rural areas. Moreover, social security schemes should be expanded to cover the poor masses who lack the premium-paying capacity.

(ii) Experts suggest that health insurance could emerge among the most important factors of improving human development in the country if expanded in a focussed way and via an ***action plan.*** It is estimated that around 15 per cent of the Indian population is covered under some form of pre-payment on healthcare which includes employees and beneficiaries covered under ESIS, CGHS, Armed forces, Central Police organisations, Railways, employer self-funded schemes, the PSUs and pensions covered under health insurance.[11] As the *out of pocket expenditure* in India is as high as 70 per cent, it is believed that the health insurance sector in the country needs strong presence. As per the *NSSO (2015),* the coverage of the government-

9. S. Prabhakaran, Executive Director, ECGC, Mumbai in ***Survey of Indian Industry 2007,*** The Hindu, p. 84.

10. S. Krishnamurthy, CEO & MD, SBI Life Insurance Co. Ltd. ***Survey of Indian Industry 2007,*** The Hindu, p. 91

11. Aloke Gupta, Health Insurance Consultant, ***Survey of Indian Industry,*** The Hindu, p. 94.

funded health insurance schemes are 13.1 per cent in rural areas and 12 per cent in urban areas *(Economic Survey 2015–16).*

(iii) After the general insurance industry was opened up (2000) for the private sector participation, the experience has been positive.[12] Its growth compares favourably with that of many other emerging markets and is in line with global benchmark of two to three times the growth in GDP.[13] As the economy is on a strong growth path and the capital expenditure planned across industries is estimated to be over Rs. 9,00,000 crore over the next four to five years, a better scope for the general insurance expansion is probable.[14] The growth in both commercial and personal lines of general insurance business reflects positive trends. Over 70 per cent of India's population lives in rural areas and along with organised financial services, general insurance companies are also expanding into these sectors.

(iv) People in their lives experience financial difficulties that can affect the entire family negatively, this is more true about the poor masses in India.

This is why experts suggested for the provision of **micro insurance.** A relatively new concept, micro insurance is today provided to the beneficiaries of micro finance covering the finance amount, reducing the risk of the clients as well as the micro-finance institutions (MFIs).[15]

The concept of micro insurance has been developed by the private insurance company Aviva Life Insurance (in partnership with MFIs) which has forged alliances with banks like Canara Bank, P&SB, RRBs, 23 cooperatives, etc., to promote micro finance.

Micro insurance has evolved in the past two decades of research in micro finance and has seen growth in countries like Sri Lanka, Philippines in the last decade.[16] Here NGOs and people's organisations are allowed to register themselves as micro insurance companies which sell such insurance. As they cover the risk themselves, they are allowed to ***reinsure*** with one of the large global companies like Swiss Re or Munich Re. Same model is suggested for India but for this to happen drastic changes in the existing insurance rules are required.[17]

(v) Many of the experts believe that insurance industry should benefit the insurers, reinsurers as well as the insured. The ***social purpose*** of the insurance sector is never praiseworthy to be marginalised by the corporate interests (be domestic or foreign)—at least it does never taste good in India which needs a strong social safety net.[18]

(vi) Almost all of the private insurance companies in India have been demanding that the government-owned insurance companies (i.e., LIC and the four general insurance companies) should be converted into private sector companies. Their reasons are logical as in comparison

12. Sandeep Bakhshi, CEO & MD, ICICI Lombard General Insurance Company, Mumbai, ***Survey of Indian Industry 2007***, The Hindu, p. 99.
13. Ibid.
14. Ibid.
15. Vivek Khanna, Director, Aviva India, ***Survey of Indian Industry 2007,*** The Hindu, p. 102.
16. Ibid.
17. It has been beautifully shown taking example of the Self-employed Women's Association (SEWA) by Renana Jhabvala and Ravi Kanbur in the Kaushik Basu (ed.) ***India's Emerging Economy,*** (New Delhi: Oxford University Press, 2005), pp. 309–110.
18. Biplab Dasgupta, ***Globalisation: India's Adjustment Experience,*** (New Delhi: Sage Publications, 2005), pp. 221–31.

with the government-owned insurance companies, private companies are always ready with highly attractive and lucrative insurance schemes, but they have not been able to attract the clients for them. Therefore, the private insurance companies have been fetching huge operational losses due to lack of the desired level of their expansion and the overhead expenditure.[19]

INSURANCE PENETRATION

The growth in the insurance sector is internationally ***measured*** based on the standard of insurance penetration. Insurance penetration is defined as the ratio of premium underwritten in a given year to the Gross Domestic Product (GDP). Likewise, insurance density is another well recognised benchmark and is defined as the ratio of premium underwritten in a given year to total population (measured in US dollars for convenience of comparison). The Indian insurance business has in the past remained under-developed with low levels of insurance penetration.

In 2016 (latest)[20], insurance penetration in India was **3.49** per cent (was 2.71 per cent in 2001)—2.72 per cent for Life and 0.77 per cent for Non-Life segments respectively. Insurance Penetration in some of the emerging economies in Asia, i.e., Malaysia, Thailand and China during the same year were 4.77 per cent, 5.42 and 4.15 per cent respectively—while at global level it was 3.47 per cent.

The insurance density (in 2016) in India was US$ **59.7** (was US$ 11.5 in 2001)—US$ 46.5 for Life and US$ 13.2 for Non-Life segments. The comparative figures for Malaysia, Thailand and China during the same period were US $452.2, US$ 323.4 and US$ 337.1 respectively—while global average was US$ 638.3 (US$ 353 for Life and US$ 285.3 for Non-Life).

As per the area experts and the insurance regulator, there are several factors responsible for the low insurance penetration in the country—*major ones* of them are as given below:

(i) Complex and delayed claim settlement procedures;
(ii) Vague and incomprehensible rules and regulations of the insurance companies;
(iii) Lack of education and awareness among the masses;
(iv) Lower income levels of the population;
(v) Socio-cultural factors;
(vi) Lack of level playing field in the industry; and
(vii) Less vibrancy in the regulatory framework.

Recently enacted Insurance Laws (Amendment) Act, 2015 is supposed to have positive impact on regulatory framework as well as insurance penetration.

POLICY INITIATIVES

Committed to expand and strengthen, the insurance industry in the country (following the recommendations of the Malhotra Committee Report, 1993), the Government of India has taken the following policy initiatives[21] in recent years:

(i) **Health Insurance:** The Insurance Regulatory Development Authority (IRDA) has been taking a number of proactive steps as part of the initiatives for the spread of health insurance. It had set up a National Health Insurance Working Group in 2003, which provided a platform for the various stakeholders in the health insurance industry to work together and suggest solutions

19. G. V. Rao, CMD, Oriental Insurance Co. Ltd., ***Survey of Indian Industry 2007,*** The Hindu, pp. 87–90.
20. ***Economic Survey 2017-18***, Vol. 2, Ministry of Finance, GoI, N. Delhi, p. 55.
21. Ministry of Finance, ***Economic Survey 2011–12,*** (New Delhi: Government of India, 2012), pp. 128–29.

on various relevant issues in the sector. The IRDA is also co-ordinating with and supporting insurance industry initiatives in standardising certain key terminology used in health insurance documents, for better comprehension and in the interest of policyholders. The ***General Insurance Council,*** comprising all non-life insurers, evolved a consensus on a uniform definition of 'pre-existing diseases' and its exclusion wording, which has earlier been an expression with many definitions, still more interpretations, and certainly a whole lot of grievances. Such standardisation, effective 1 June, 2008 will help the insured by minimising ambiguity and also by better comparability of health insurance products. Also, with effect from 1 October, 2011, portability in health insurance has been started in which an insured, if not happy with services or the product of the existing insurer, can change to another insurer whilst enjoying the benefits (especially that of pre-existing diseases) of her/his existing policy.

(ii) **Micro Insurance:** Micro insurance regulations issued by the IRDA have provided a fillip to propagating micro insurance as a conceptual issue. With the positive and facilitative approach adopted under the micro insurance regulations, it is expected that all insurance companies would come out with a progressive business approach and carry forward the spirit of regulations thereby extending insurance penetration to all segments of the society. Presently, there are 10,482 micro–insurance agents operating in the micro–insurance sector.

NEW REFORM INITIATIVES

With a view to removing archaic and redundant provisions in the insurance laws, empowering the Insurance Regulatory and Development Authority (IRDA) to enable more effective regulation, and enhancing the foreign equity investment cap in an Indian insurance company with the safeguard of Indian ownership and control, the government has implemented the Insurance Laws (Ammendment) Act, 2015.

The Act paved the way for **major reform** related amendments in the Insurance Act, 1938, the General Insurance Business (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority (IRDA) Act, 1999. It provides greater powers to the IRDAI by which the insurance regulatory framework is supposed to become more flexibile, effective and efficient. Major changes as per the Act are given below:

(i) *Promotion of Foreign Investment*: In an Indian Insurance Company increased from to 49 per cent (from 26 per cent) with the safeguard of Indian ownership and control.

Greater availability of capital for the capital intensive insurance sector would lead to greater distribution reach to under/un-served areas, more innovative product formulations to meet diverse insurance needs of citizens, efficient service delivery through improved distribution technology and enhanced customer service standards.

(ii) *Capital Requirement in Government Companies:* The public sector general insurance companies (four), presently required as per the General Insurance Business (Nationalisation) Act, 1972 to be 100 per cent government owned, are now allowed to raise capital. This will enable them to have additional capital for the purposes of business expansion in the rural/social sectors and enhanced competitiveness. The Government of India ownership to be mainatained minimum at 51 per cent.

(iii) *Consumer Welfare:* It will enable the interests of consumers to be better served through provisions like those enabling penalties on intermediaries/insurance companies for misconduct and disallowing multi-level marketing of insurance products in order to curtail the practice of mis-selling—

(a) The amended Law has several provisions for levying higher penalties ranging from up to Rs.1 crore to Rs. 25 crore for various violations including mis-selling and misrepresentation by agents/insurance companies.

(b) With a view to serve the interest of the policy holders better, the period during which a policy can be repudiated on any ground, including mis-statement of facts etc., will be confined to three years from the commencement of the policy and no policy would be called in question on any ground after three years.

(c) The amendments provide for an easier process for payment to the nominee of the policyholder, as the insurer would be discharged of its legal liabilities once the payment is made to the nominee.

(d) It is now obligatory in the law for insurance companies to underwrite third party motor vehicle insurance as per IRDAI regulations. Rural and social sector obligations for insurers are retained in the amended laws.

(iv) *Empowerment of IRDAI:* The Act will entrust responsibility of appointing insurance agents to insurers and provides for IRDAI to regulate their eligibility, qualifications and other aspects—

(a) It enables agents to work more broadly across companies in various business categories; with the safeguard that conflict of interest would not be allowed by IRDAI through suitable regulations.

(b) IRDAI is empowered to regulate key aspects of Insurance Company operations in areas like solvency, investments, expenses and commissions and to formulate regulations for payment of commission and control of management expenses.

(c) It empowers the Authority to regulate the functions, code of conduct, etc., of surveyors and loss assessors. It also expands the scope of insurance intermediaries to include insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors and such other entities, as may be notified by the Authority from time to time.

(d) Further, properties in India can now be insured with a foreign insurer with prior permission of IRDAI; which was earlier to be done with the approval of the Central Government.

(v) *Health Insurance:* The Act defines 'health insurance business' inclusive of travel and personal accident cover and discourages non-serious players by retaining capital requirements for health insurers at the level of Rs. 100 crore, thereby paving the way for promotion of health insurance as a separate vertical.

(vi) *Promoting Reinsurance Business in India:* It enables foreign reinsurers to set up *branches* in India and defines 're-insurance' to mean 'the insurance of part of one insurer's risk by another insurer who accepts the risk for a mutually acceptable premium', and thereby excludes the possibility of 100 per cent ceding of risk to a re-insurer, which could lead to companies acting as front companies for other insurers.

(vii) *Strengthening of Industry Councils:* The Life Insurance Council and General Insurance Council have now been made *self-regulating bodies* by empowering them to frame bye-laws for elections, meetings and levy and collect fees, etc., from its members. Inclusion of representatives of *self-help groups* and *insurance cooperative societies* in insurance councils has also been enabled to broad base the representation on these Councils.

(viii) *Robust Appellate Process:* Appeals against the orders of IRDAI are to be preferred to SAT as the amended law provides for any insurer or insurance intermediary aggrieved by any order made by IRDAI to prefer an appeal to the Securities Appellate Tribunal (SAT).

Thus, the amendments incorporate enhancements in the insurance laws in keeping with the evolving insurance sector scenario and regulatory practices across the *globe*. The amendments will enable the regulator to create an operational framework for greater innovation, competition and transparency, to meet the insurance needs of citizens in a more complete and subscriber-friendly manner. The amendments are expected to enable the sector to achieve its full growth potential and contribute towards the overall growth of the economy and job creation.

NEW INSURANCE SCHEMES

During the fiscal **2015–16**, the Government of India launched two new insurance schemes aimed at creating a universal social security system for all Indians, especially the poor and the underprivileged. Salient features of these schemes have been briefly discussed below:

PMSBY (Pradhan Mantri Suraksha Bima Yojana): It offers a renewable one-year accidental-death-cum-disability cover to all subscribing bank account holders in the age group of 18 to 70 years for a premium of Rs. 12 per annum per subscriber.

The risk coverage available will be rupees two lakh for accidental death and permanent total disability and rupees one lakh for permanent partial disability, for a one-year period stretching from 1 June to 31 May.

PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana): The scheme offers a renewable one-year term life cover of rupees two lakh to all subscribing bank account holders in the age group of 18 to 50 years.