

# “Atmanirbhar Bharat” and insurance

Government’s big leap towards  
making the insurance sector resilient

June 2021

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# 'Atmanirbharta' central to the long-term success of 'the India story'

There is no doubt that the COVID-19 pandemic has affected Indian economic growth and consequently, the Indian insurance sector's growth. However, India's growth story over the last three decades remains impressive and its growth potential is favorable. Last year when the Indian government announced its policy framework around Atmanirbhar Bharat, it was clear that while globalization and dependence on other economies is important, our own internal economic resilience is completely non-negotiable and we need concrete steps to strengthen it.

The narrative remains the same for the insurance sector which has seen superlative growth in the last two decades since privatization. While the sector saw short-term impacts from the ongoing pandemic, its long-term potential remains unflinching. On one hand, 'Atmanirbhar Bharat' can sharply raise the insurance sector's long-term viability, on the other hand, a robust insurance sector is an absolute must-have for the success of the country's overall 'Atmanirbharta' or self-reliance. Overall, the insurance sector premiums grew ~11 times in real terms during the period 2000-20, with life premiums up ~10 times and non-life premiums up ~12 times<sup>1</sup>. This success can be attributed to a combination of multiple enabling factors including robust economic growth, favorable government support, a rapidly growing middle class, rising disposable incomes, and increased awareness about the need for insurance. All these factors signify how a strong domestic market has driven growth over the years.

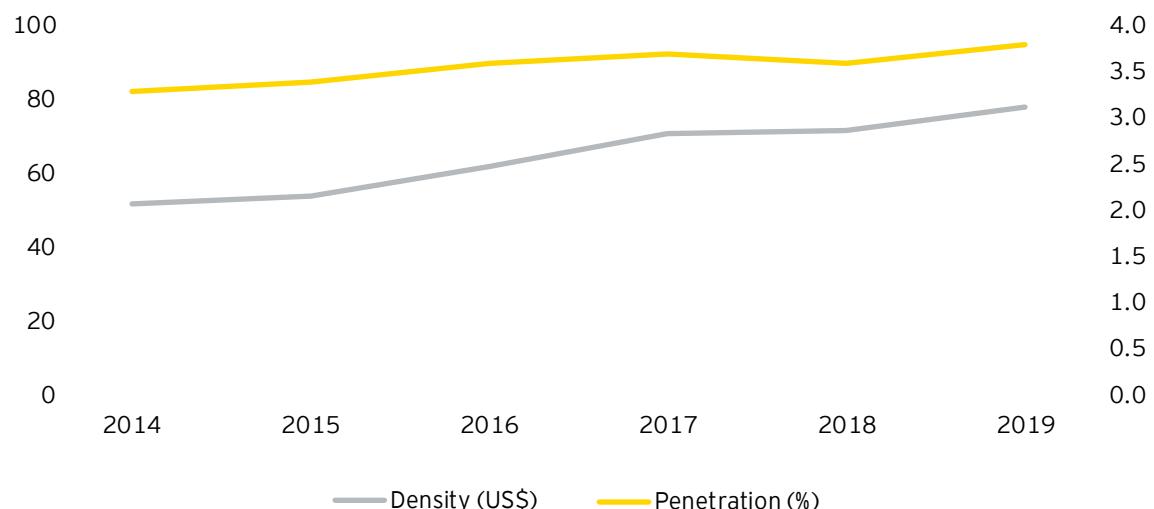
At the same time, the insurance sector has also enabled growth across other sectors. Whether it be real estate, manufacturing, auto, or health - no sector could have taken up any long-term growth bets confidently if these were not backed by underlying insurance policies. Also had it not been for the massive funds managed by both life and general insurers, a major chunk of investments into infrastructure and capital markets would not have materialized. Hence, for 'Atmanirbhar Bharat' to meet its desired objectives, it is important that insurance must play a cardinal role - both as a driver and also as an enabler.

The sector continues to have tremendous potential in improving self-reliance, as its penetration and density have significant scope for improvement when compared to global peers. India's overall insurance penetration rate is just 3.8% (against a global average of 7.0%) in 2019 (figure 1 and 2), which is almost half of the world average and lags most advanced economies, although it has improved significantly over the last decade.

1. <https://www.sigma-explorer.com/>

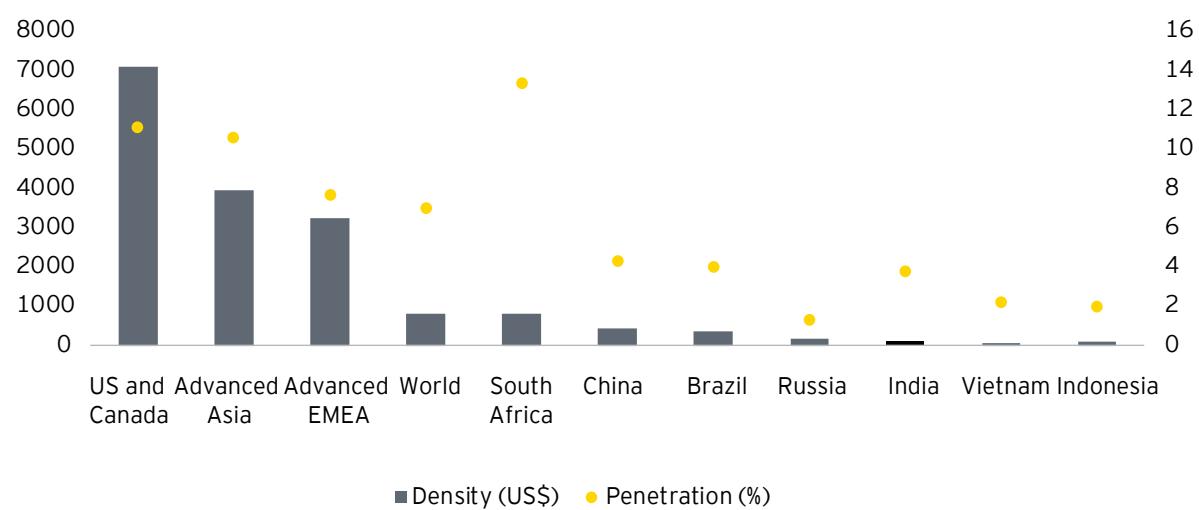
## Penetration and density increased steadily ...

Figure 1. India insurance density (left-axis) and penetration (right-axis)



... but there is still significant scope for growth

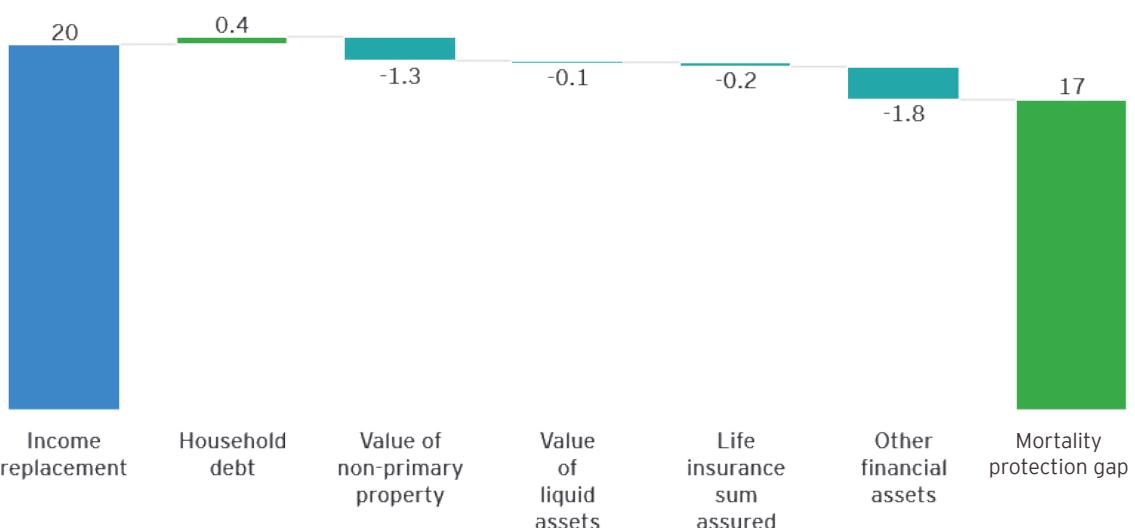
Figure 2. India vs. world, density (left-axis) and penetration (right-axis) for 2019



Source: Swiss Re

The sector has considerable coverage gaps across all product lines - nearly 57% of vehicles are uninsured for motor third party insurance and only ~36% of the population has health insurance, therefore reflecting a huge group of unserved customers and potential growth market<sup>2</sup>. In fact, India's mortality protection gap (US\$17tr) is the highest in Asia, with life insurance sum assured covering only ~1% of the same (figure 3)<sup>3</sup>.

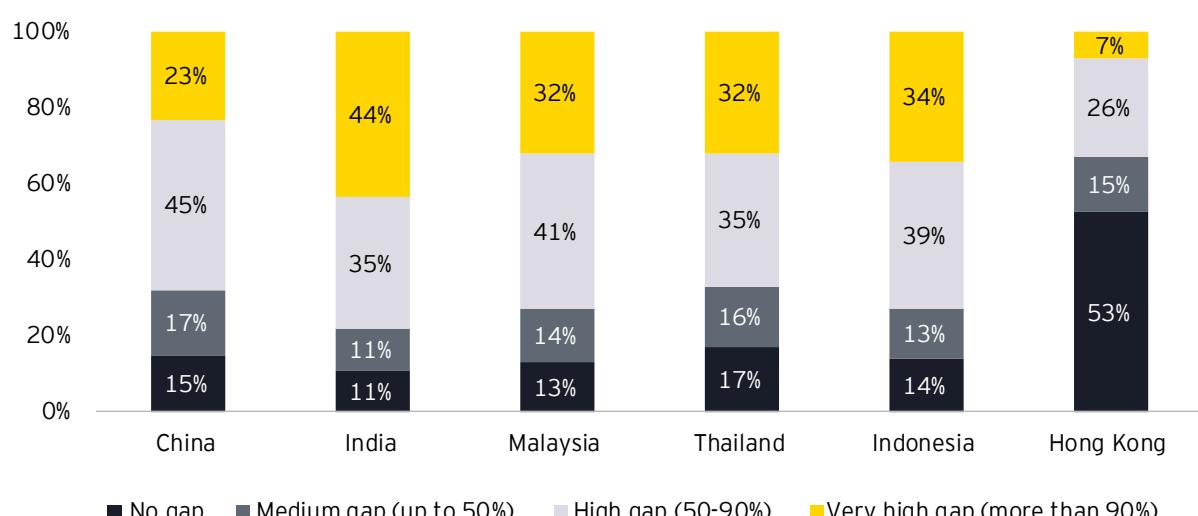
**Figure 3. Components of household mortality protection coverage in India (US\$tr)**



Source: Swiss Re

Moreover, India has the highest number of households with a very high (more than 90% of their protection needs) or high mortality protection gap (50-90% of their protection needs), with 44% of households having a gap in excess of 90% of their protection needs (figure 4).

**Figure 4. Distribution of gap by severity (India vs. Asian peers)**



Source: Swiss Re

2. <https://indianexpress.com/article/india/over-50-vehicles-on-road-uninsured-report-7103787/>

3. <https://mortalityprotectiongap.swissre.com/#/overviews/India>



# 1

## Role of insurance in achieving 'Atmanirbhar Bharat'

Atmanirbhar Bharat, or 'self-reliant India' incorporates the policies announced since the outbreak of the COVID-19 pandemic - which were aimed at enabling India to become more efficient, resilient, and self-sustaining. Insurance, as a means to achieving financial and social self-reliance, and as a mobilizer of long-term funds to meet India's infrastructural needs, is key in enabling the country to achieve 'Atmanirbharta'.

### Insurance as a long-term investor in self-sufficiency

Since infrastructure is the cornerstone of India's economic growth, it requires huge investments across sectors such as power, ports, roads, railways, telecommunication, etc. To implement such a massive exercise, the Government of India launched the National Infrastructure Pipeline in 2019, wherein it planned to invest ~INR111,000 crore in infrastructure projects by 2025<sup>4</sup>.

Currently, infrastructure financing is dominated by banks (with infrastructure accounting for 11% of all non-farm credit in FY21) and infrastructure NBFCs (such as Power Finance Corporation, Rural Electrification Corporation, Indian Railway Finance Corporation, etc.)<sup>5</sup>. However, looking ahead, insurance companies and pension fund managers should be key participants in such funding.

- ▶ Insurers and pension funds are most suited for infrastructure financing and funding of long-term bonds, since the long-term profile of their liabilities matches with the long-term nature of infrastructure funding requirements (long gestation typically varying from 15 to 20 years)

4.3 lakh crores

Cumulative infrastructure investments by the Indian life insurance industry (till FY20)

4. <https://www.deccanherald.com/national/centre-plans-invest-rs-111-lakh-crore-in-infrastructure-projects-under-nip-gadkari-928461.html>
5. [https://rbi.org.in/Scripts/Data\\_Sectoral\\_Deployment.aspx](https://rbi.org.in/Scripts/Data_Sectoral_Deployment.aspx)



Current contribution by the life insurance sector to India's infrastructure funding remains suboptimal, with cumulative investments contributing to less than 5% of India's future infrastructure funding requirements. However, certain enabling policy measures can help ensure insurers apportion a greater share of investments towards this space.

- ▶ IRDAI can potentially reconsider the prescribed cap of 5% for insurance companies' investment in a single infrastructure investment trust or InvIT (preferred route to raise infrastructure funds currently)<sup>6</sup>
- ▶ PFRDA currently prescribes a minimum credit rating of AA for the sponsor of an InvIT. As InvITs are independent of their sponsors, the rating threshold can be made applicable only to InvITs and not the sponsors<sup>7</sup>

6. [https://dea.gov.in/sites/default/files/Report%20of%20the%20Task%20Force%20National%20Infrastructure%20Pipeline%20%28NIP%29%20-%20volume-ii\\_1.pdf](https://dea.gov.in/sites/default/files/Report%20of%20the%20Task%20Force%20National%20Infrastructure%20Pipeline%20%28NIP%29%20-%20volume-ii_1.pdf)
7. [https://dea.gov.in/sites/default/files/Report%20of%20the%20Task%20Force%20National%20Infrastructure%20Pipeline%20%28NIP%29%20-%20volume-ii\\_1.pdf](https://dea.gov.in/sites/default/files/Report%20of%20the%20Task%20Force%20National%20Infrastructure%20Pipeline%20%28NIP%29%20-%20volume-ii_1.pdf)

## Insurance as a means to achieve financial and social self-reliance

Insurance remains a key tool to achieve financial and social self-reliance, as it is a product of farsightedness and present sacrifice for future anticipated gains or indemnification of losses.

Insurance acts as a protection against unforeseen events such as death or incapacitation of the breadwinner of the family, ensuring that a family continues to enjoy the same financial and social status as before. It also enables policyholders to account for contingencies and delay of income, by building a corpus to take care of events such as loss of job, retirement and family needs, etc.

In India, Article 41 of our Constitution requires the State (within limits of its economic capacity and development) to make effective provision for securing the right to work, to education, and to provide public assistance in case of unemployment, old age, sickness, and disablement. Part of these obligations is met through the mechanisms of life, health, and accidental insurance.

Some of the legislations passed by the Government of India as part of its efforts to provide social and financial security to its people include the Workman Compensation Act of 1923, Employee State Insurance Act of 1948, Motor Vehicle Act of 1988 (amended in 2019), Public Liability Act of 1991 and more recently announced schemes such as the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Fasal Bima Yojna (PMFBY) and Pradhan Mantri Jan Arogya Yojna - Ayushman Bharat (PMJAY-AB).

# 2

## Impact of policy measures on insurance in recent years: Initiatives undertaken for improving uptake of insurance

Insurance has been benefited by enabling policy measures throughout the last two decades, particularly during recent years. Policy measures even when not directly aimed at insurance have benefited both policyholders and the sector. The last decade saw specific policy actions having a clear impact on multiple lines of insurance – especially crop, motor, life, and health.

### **Non-life insurance**

Crop insurance is one sub-segment within non-life insurance, which has witnessed exponential growth particularly post the implementation of the Pradhan Mantri Fasal Bima Yojana in 2016 although growth has leveled in recent years.

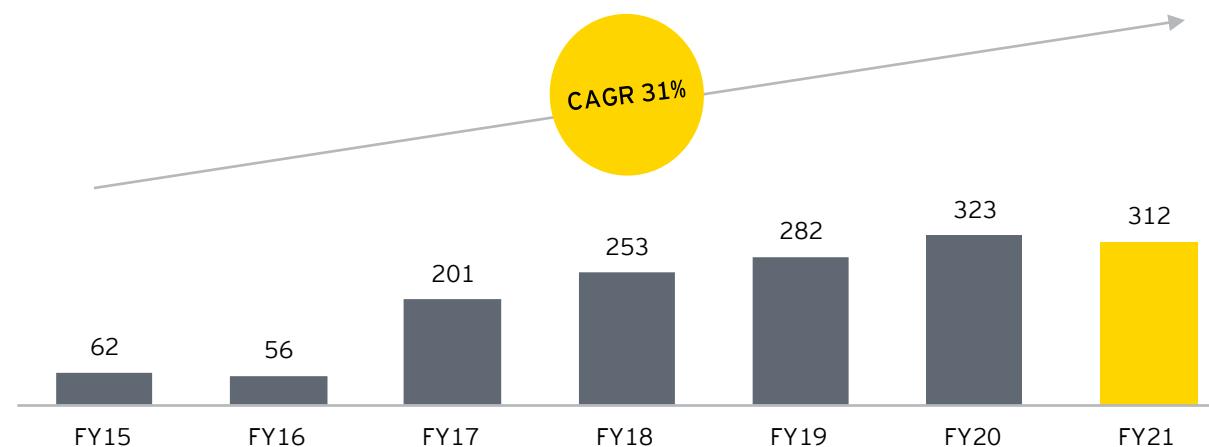
Agriculture remains the primary sector of the Indian economy, with 43% of the population depending on it for their livelihood. Indebtedness, crop failures, non-remunerative prices, and poor returns continue to plague farmers, leading to agrarian distress in many parts of the country.

In response, the government came up with various mechanisms such as direct cash transfers and loan waivers to address the same. Since these mechanisms were ad hoc, poorly implemented, and hobbled by political interference, the government launched the Pradhan Mantri Fasal Bima Yojana (PMFBY), a crop insurance scheme that aims to directly compensate farmers for crop losses arising out of drought, flood, and other causes.

Implementation of PMFBY has resulted in a significant increase in crop insurance premiums, growing at a CAGR of 31% between FY16-21 (figure 5), although growth has leveled off since the scheme was made voluntary in February 2020. Currently, there are over 54 million farmers who have benefitted under the scheme in FY20. Apart from the PMFBY, other similar schemes include the Restructured Weather Based Crop Insurance Scheme (RWBCIS) and Unified Package Insurance Scheme (UPIIS)<sup>8</sup>.



**Figure 5. Crop Insurance Gross Direct Premium Income (GDPI) (INR b)**



Source: Swiss Re

#### **Recent steps undertaken to enhance uptake**

- ▶ Introduced single-peril insurance, which allows farmers to purchase cover against one specific peril (instead of the earlier practice of insuring multi-peril only)<sup>9</sup>
- ▶ Introduced add-on coverage for farmers who are facing crop damage from wild animal attacks<sup>10</sup>

- ▶ Extension of coverage to include allied activities such as aquaculture (e.g. shrimp farming)<sup>11</sup>
- ▶ Innovative solutions such as (1) satellite imagery to assess crop damage and make faster claim pay-outs; (2) multi-year contracts in conjunction with capping and capping mechanism to avoid extreme variance in quotes during renewals

8. <https://www.ibef.org/download/Insurance-November-2020.pdf>

9. <https://timesofindia.indiatimes.com/india/revamped-crop-insurance-scheme-brings-single-peril-risk-cover-flexibility-to-be-tested-in-punjab-haryana-and-western-up/articleshow/74248919.cms>

10. <https://timesofindia.indiatimes.com/india/crop-insurance-to-cover-damage-by-wild-animals/articleshow/80260524.cms>

11. <https://www.newindianexpress.com/states/tamil-nadu/2021/feb/17/now-crop-insurance-for-shrimp-farmers-2265067.html>

Reform to motor insurance through the introduction of long-term motor third-party insurance (from September 2018) is likely to improve penetration and convenience in the medium to long term.

Nearly 57% of the total vehicles on the road are uninsured for motor third-party insurance as of March 2019, despite the same being a mandatory provision under the Motor Vehicle Act<sup>12</sup>. In 2018, IRDAI mandated long-term motor third-party covers for 2-wheelers and passenger vehicles, for five and three years respectively<sup>13</sup>. Such a move is likely to lead to increased product awareness and simplification of the buying process, thereby helping to improve uptake in the medium to long term.

Recent announcements by the government through the Atmanirbhar packages (equivalent to ~10% of India's GDP) and subsequent budgetary proposals for FY21-22, are focused on providing monetary as well as non-monetary support to farmers and economically vulnerable groups, policy initiatives such as the increase in foreign direct investment (FDI) limits (including that for insurance from 49% to 74%) and tax relief<sup>14</sup>.

While all announcements do not have a direct bearing on the sector, it does impact specific lines of business e.g. extension of the Credit Linked Subsidy Scheme in the housing sector for the middle-income group (annual income between INR 6 lakh and INR 18 lakh) by one year is estimated to have led to an investment of more than INR 70,000 crore in the sector. This is likely to translate into higher uptake for home loan protection insurance products, which usually accompanies home loan disbursements<sup>15</sup>.

## Life insurance

The government has launched multiple flagship life insurance and pension schemes to promote social security, financial inclusion, and economic well-being, to empower the poor in the country. These include the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), and Atal Pension Yojana (APY) - which help ensure universal coverage for life, accidents, health, livelihood, etc. and of pensions and other retirement planning services.

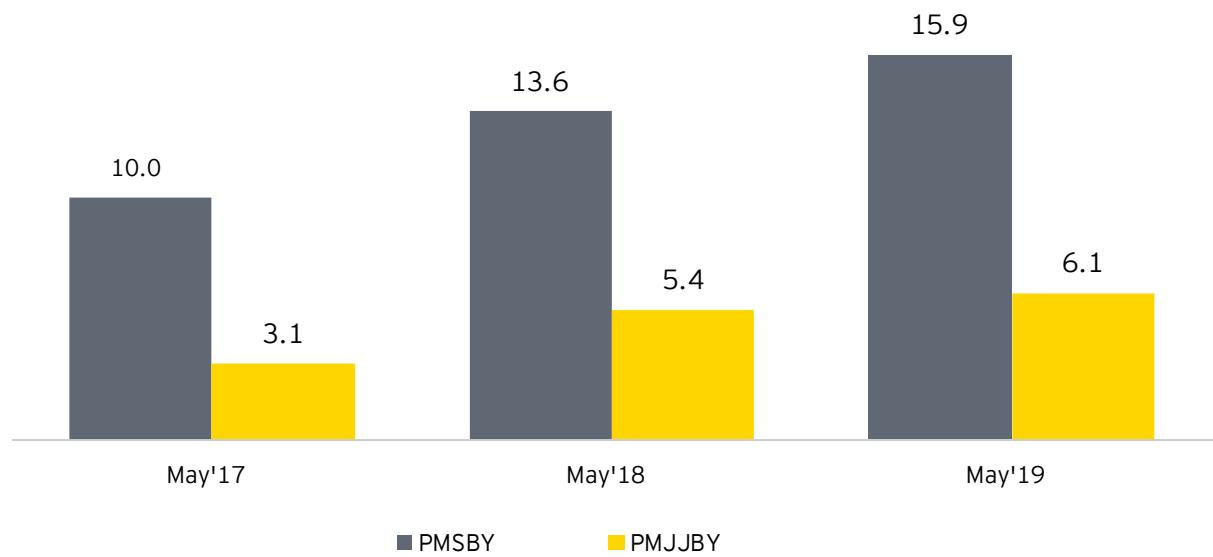
- ▶ PMJJBY and PMSBY are available to people in the age group of 18-50 years and 18-70 years respectively, having access to a bank account
- ▶ For PMJJBY, a life cover of INR 2 lakhs is being provided at a premium of INR 330 per annum while for PMSBY, an accidental and full disability cover of INR 2 lakhs shall be provided at a premium of INR 12 per annum
- ▶ Both these schemes are being offered by insurers in partnership with banks, with Aadhar acting as the primary enabler for KYC<sup>16</sup>

Since launch, PMJJBY and PMSBY have registered strong growth, enrolling more than 6 crore and 16 crore beneficiaries respectively although a lot is yet to be achieved given India's mortality protection gap remains the highest among major Asian peers.

12. <https://indianexpress.com/article/india/over-50-vehicles-on-road-uninsured-report-7103787/>
13. <https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-makes-long-term-3rd-party-insurance-must-car-bike-purchase-to-cost-more-from-sep-1/articleshow/65612881.cms?from=mdr>
14. <https://www.prssindia.org/report-summaries/summary-announcements-aatma-nirbhar-bharat-abhiyaan>
15. <https://www.prssindia.org/report-summaries/summary-announcements-aatma-nirbhar-bharat-abhiyaan>
16. <https://financialservices.gov.in/insurance-divisions/Government-Sponsored-Socially-Oriented-Insurance-Schemes>

With low premiums on these products, insurers have not been able to participate actively in these schemes. However, it has opened up insurers even to those sections who had never used an insurance product. Potential hikes in premium and increased personal income among these classes can improve the uptake of insurance products in the future.

**Figure 6. Cumulative gross enrolments under PMSBY and PMJJBY (in crores)**



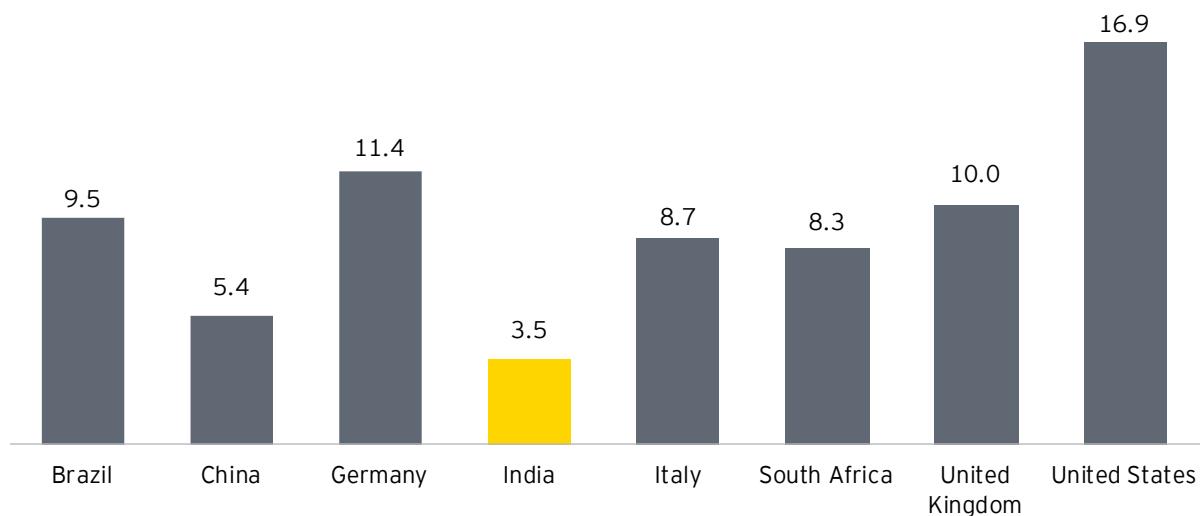
The government continues to support the sector from a taxation perspective, with the continuance of deduction of up to INR1.5 lakh under Section 80C of the Income Tax Act and exemption of maturity proceeds under Section 10 (10D) of the Income Tax Act, for individual taxpayers on specified insurance instruments such as endowments, unit-linked insurance plans (ULIPs) and term plans. This continued taxation support makes insurance an attractive value proposition for the taxpayers from a financial and tax planning point of view.

### Health insurance

India's expenditure on health has remained the lowest among peers, with out-of-pocket expenses being the highest. Only ~36% of the population has a health insurance coverage, that too after considering all government and private schemes. The share of out-of-pocket expenses is about 63% of overall medical expenses for Indian households, and which is significantly higher compared to other countries (figure 8).

India's health expenditure is significantly lower than its peers ...

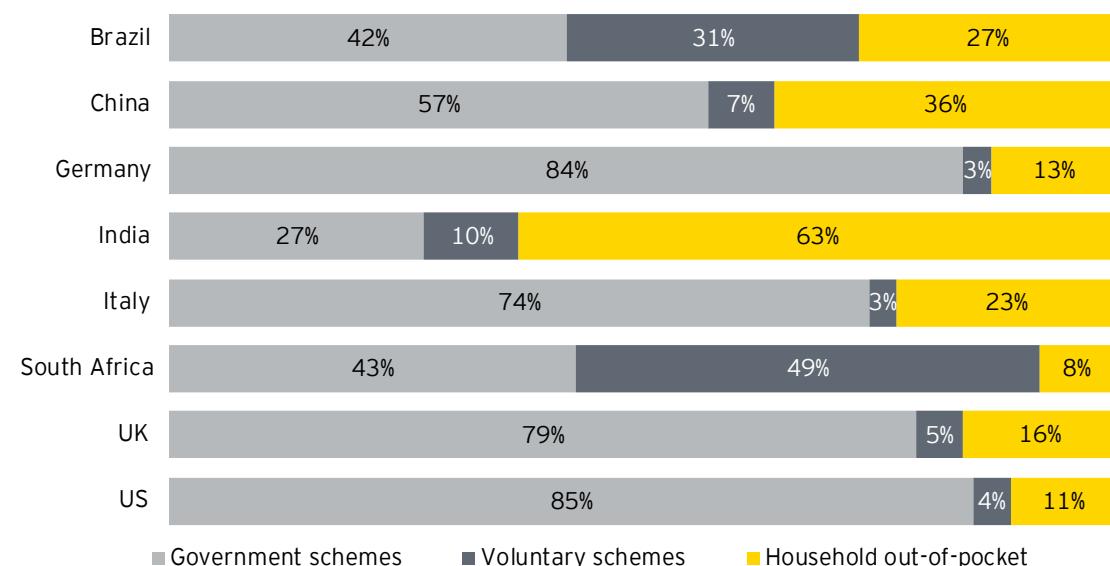
Figure 7. Current health expenditure as a % of GDP (2018)



Source: IRDAI

... with out-of-pocket expenses being high given low insurance coverage

Figure 8. Payer profiles across countries (2018)

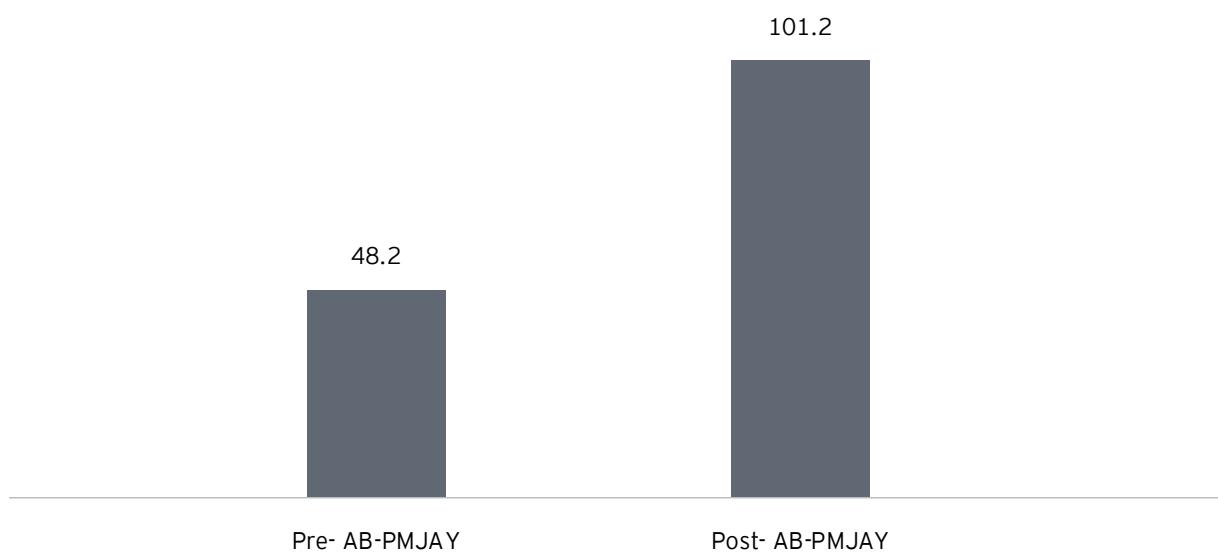


Source: OECD

To cater to this challenge and to improve health outcomes, both central and state governments have continued to launch several health insurance schemes. While state governments had launched their own health insurance schemes pre-2018, the Union Government launched the Ayushman Bharat program in 2018, with a view to providing universal health coverage through primary care (Health and Wellness Centers/HWCs) as well as secondary and tertiary care (Pradhan Mantri Jan Arogya Yojana/ PMJAY) - thereby encompassing most state government schemes within its ambit. In fact, PMJAY is the largest health scheme in the world, aiming to provide a health cover of INR 5 lakh per family per year to over 10.8 crore poor and vulnerable families. The scheme has already operationalized ~76,000 HWCs despite the COVID-19 pandemic and is on track to functionalize 1.5 lakh HWCs by December 2022<sup>17</sup>.

### Change in health coverage after full implementation of Ayushman Bharat

**Figure 9. Health coverage in India (in crores)**



Source: IRDA, EY analysis

In light of the prevailing COVID-19 pandemic, the government announced an increase in the healthcare budget from INR945 billion to INR2,238 billion. This includes a proposed investment of INR642 billion over the next six years (under the Pradhan Mantri Atmanirbhar Swasth Bharat Yojana) for the development of primary, secondary, and tertiary healthcare systems, a move which would help to improve health insurance penetration in the country<sup>18</sup>. While insurance companies' participation in these schemes is still not substantial, however, in the long run, these government health insurance schemes would enable the sector by creating awareness among the masses both towards how health insurance plans work and the potential advantages.

17. [https://pmjay.gov.in/sites/default/files/2020-10/Annual-Report-Final\\_1.pdf](https://pmjay.gov.in/sites/default/files/2020-10/Annual-Report-Final_1.pdf)

18. <https://economictimes.indiatimes.com/news/politics-and-nation/10-74-crore-families-benefited-under-ayushman-bharat-harsh-vardhan/articleshow/70393721.cms?from=mdr>

# 3

## Recent government measures aimed at complementing sector resilience and self-reliance

Recent measures undertaken by the government and IRDAI around standardization of product offerings and increase in FDI limits are likely to complement ongoing efforts to improve insurance penetration in the country, thereby aiding the sector in becoming more self-reliant and resilient.

### **Increased regulatory focus on standardization and simplification of products**

During the last year, IRDAI has increasingly focused on standardization of insurance products, with numerous products being launched lately e.g. Arogya Sanjeevani, Corona Rakshak, and Corona Kavach for health insurance, Saral Jeevan Bima for life insurance, and Saral Suraksha Bima for personal accident.

Standardization not only improves transparency but also increases competitive pressure on insurers to offer the best services at relatively lower prices, thereby improving customer experience. Moreover, such products are also likely to increase penetration in tier-II/ tier-III cities as they are the best buy for first-time insurance buyers who do not have any kind of financial protection.

**Increased FDI limits will help bring know-how, foster innovation and improve penetration ultimately enhancing the sector's long-term resilience**

To attract more overseas capital inflows, the Indian government has proposed increasing the foreign direct investment (FDI) limit in the insurance sector from the existing 49% to 74%<sup>19</sup>. The move is likely to help the country in bringing better technical know-how, innovation, and improving insurance penetration. The insurance business is capital intensive and insurance companies are expected to have deep pockets. Given the long gestation period, not many Indian partners are always keen on infusing more money. This coupled with the fact that insurance companies require capital, enhanced FDI augurs well for the sector in its quest to become more 'atmanirbhar', that is resilient and self-reliant. To sum it up, such a move is likely to:

- ▶ help insurers raise funds to ensure solvency is maintained in line with growing business needs
- ▶ augment foreign inflows and help attract more foreign investors/ insurers into the sector
- ▶ allow foreign promoters to buy out cash-strapped Indian partners if required and provide a necessary cash infusion
- ▶ provide potential exit options for promoters of smaller or non-profitable players, thereby aiding in sector consolidation

19. <https://theshillongtimes.com/2021/06/13/1-5-lakh-health-centres-to-be-transformed-by-december-2022/>



- ▶ contribute towards **funding product innovation**, to design and distribute products for the needs of a larger ecosystem
- ▶ lead to **higher-quality offerings in under-penetrated product segments such as long-term savings and pensions**, thereby benefitting customers

The above changes are a clear indication that a proactive policy and regulatory environment are central to develop a resilient insurance sector that can help safeguard the overall economy and people in managing risks better. However, to identify other measures which can provide a further boost to the insurers and the insured, it is important to look at examples outside India pertaining to key emerging themes.

# 4

## Global examples of how governments are plugging protection gaps and preparing the sector in meeting emerging challenges

Governments globally are working closely with insurers to develop innovative products to plug protection gaps, establish de-risking mechanisms such as flood and pandemic risk pools, helping all market participants prepare better for natural catastrophes, improve overall sustainability and find better ways to deploy technology in enhancing efficiency.

### **Develop innovative products to plug protection gaps, often by harnessing new technologies**

Governments are increasingly introducing innovative products such as parametric insurance contracts in weather and crop segments, often using modern technologies such as blockchains, sensors, and data analytics and in collaboration with insurers

- ▶ Various governments have introduced parametric solutions to complement their existing catastrophe risk management frameworks. While the governments of Mexico, Peru, Chile, Colombia, and the Philippines have done so individually, others have formed regional collaborations (such as the Pacific Catastrophe Risk Assessment and Financing Initiative, the Caribbean Catastrophe Risk Insurance Facility, and African Risk Capacity facility)<sup>20</sup>
- ▶ Authorities in Sri Lanka collaborated with a major global insurance broking firm and an InsurTech Etherisc to introduce blockchain-based crop insurance for local farmers

Also, while governments and the industry were previously limited in their ability to assess risks from adverse weather events (e.g., floods) for a location, advanced computing power, and new-age probabilistic flood models - which combine detailed hazard vulnerability and real-time information - are helping them predict flood risks more accurately and insuring them more proactively.

### **Developing loss-sharing mechanisms such as flood and pandemic pools**

Governments are increasingly collaborating with private players on developing reinsurance pools as backstop guarantees, to provide insurance for events where it is not readily available, either because demand for it is subdued or the potential losses from the event make it difficult for private players to provide such cover. Most of these pools tend to be single peril, with natural catastrophe, wind, drought, flood, and nuclear pools being the most common. Lately, owing to the pandemic, many advanced economies are also in the process of developing risk pools to cover pandemic-related business interruption (BI) and event cancellation losses.

- ▶ Closure of factories, restaurants, and other places of business to limit the spread of COVID-19 has resulted in significant BI losses. As policymakers look for longer-term solutions to address the protection gap for such losses, one such solution is to provide insurance protection against them by establishing a public-private funded pandemic risk pool.



## **Tackling climate change and other sustainability-related issues**

Governments are collaborating with insurers to close protection gaps for risks earlier deemed to be uninsurable. One such example is that of the Californian wildfires, an annual catastrophe event that has become increasingly frequent leading to many insurers shying away from insuring it. However, insurers are increasingly collaborating with the government to ensure such risks are covered.

- ▶ Wildfire Partners, a government-funded mitigation program, works closely with three of the top 10 US non-life insurers to help homeowners prepare for wildfire risks. Homeowners certified with Wildfire Partners will not face renewal rejection against wildfire hazards, helping avoid non-insurability of such risks
- ▶ The Californian state government and a mid-tier US insurer jointly supported the development of the public-private initiative 'Forest Resilience Bond', a financial product that shifts the heavy costs of forest restoration from the state's forest service to private investors, thereby reducing the potential loss burden from future wildfires

Governments are also working with insurers around the world to develop guidelines for sustainable insurance and open standards for projecting future climate-related repair and replacement costs.

- ▶ Singapore's monetary and financial regulator collaborated with insurers on an industry-wide working group to develop guidelines for sustainable insurance
- ▶ The Australian government-led collaboration with leading financial services players including insurers developed open-source standards for projecting future climate-related repair and replacement costs of buildings and infrastructure

## **Lessons for India:**

- ▶ While India has already established reinsurance pools for nuclear and terrorism risks, there is potential to set up similar pools for flood, crop, and pandemic risks
- ▶ The government has an opportunity to look at utilizing technologies more proactively to plug protection gaps, particularly in the crop insurance segment - possibly by partnering with InsurTechs
- ▶ The government can help push insurance to play a central role in tackling climate change and other sustainability-related issues. Collaborating with insurers in developing standards for insuring assets against climate change-related events is essential to plugging future protection gaps

# 5

## Recommendations on how to increase uptake and way forward

The following are certain recommendations for policymakers to increase uptake of insurance:

**a) Enhancing affordability and attractiveness from a tax perspective**

- ▶ Since insurance provides crucial financial protection and support against uncertainties, **a lowering of the applicable GST on premiums**, from the current 18% to 12% or even lower, would improve uptake of such products, aiding in enhancing penetration.
- ▶ Moreover, **a separate deduction section for insurance policies** or an increase in the current limit under Section 80C of the Income Tax Act would help to attract more investors. Currently, 80C provides for a tax deduction of up to INR1.5 lakh on several investment options including PPF, ELSS, NSC, NPS, and insurance policies amongst others, which makes this section very crowded. Providing a separate deduction section for insurance products would encourage customers to consider it as an integral part of their overall financial plan.
- ▶ Moreover, the **limit on health insurance premium deduction under Section 80D is currently low and can be increased**, particularly in light of the steep rise in health insurance premiums post COVID-19.

- ▶ Another good step would be **making annuities tax-free**. Doing so would bring about parity between this segment and the National Pension Scheme (NPS), which is allowed a further tax exemption limit of INR50,000 over and above the INR 1.5 lakh under Section 80C. It would also help to drive demand for pension products and make this segment more attractive to customers.

**b) Compulsory attachment of insurance cover to passengers of Indian Railways, airlines, and road transport**

While insurance is currently offered to railway and international flight passengers to cover for loss of lives, disability, health emergencies, and baggage losses, it remains an 'optional' exercise in most cases. Moreover, such a concept remains non-existent for domestic flight travel and road transport.

Evidence suggests that compulsory attachment of insurance covers to certain activities is a key driver for activating uptake of a certain insurance product type, as is the case with third-party motor insurance. Therefore, government regulation to mandate insurance coverage for all forms of long-distance travel would be a welcome move, since it is likely to boost insurance adoption and plugging related protection gaps.



### **c) Subsidy support for incentivizing schemes such as the PMJJBY and PMSBY**

The Indian government instituted the production-linked incentive (PLI) scheme in April 2020, which offers manufacturers direct incentives based on their production capabilities, with subsidy benefits amounting to 4-6% of sales. While it began with large-scale electronics manufacturing, its initial success saw the scheme being extended to 10 more sectors including food processing, battery storage, automobile components, and specialty steel.

Expanding such subsidy mechanisms to support insurance schemes such as the PMJJBY and PMSBY would mean insurers being incentivized to offer them. Currently, these schemes are being sold at a low premium rate (fixed by the government) and are loss-making for many insurers, which restricts their ability and willingness to offer them.

### **d) Going beyond traditional banks by tapping payment banks and FinTech platforms as distribution channels**

With the advent of payment banks and FinTech platforms, there are immense opportunities to distribute insurance products through these new distribution channels.

► A leading bank-owned Indian life insurer collaborated with a leading Indian payments platform to sell term life insurance plans, with zero paperwork and without the need to go through a traditional health check-up

- A leading general insurer tied up with the payments banking unit of an Indian telecom giant to offer health insurance, making use of the latter's deep distribution reach in Tier-2 and Tier-3 regions
- A top 10 private general insurer collaborated with a leading digital payments platform to launch a COVID-19 benefit insurance policy for the platform's 450 million-plus registered users

While some insurers have been early off the block by engaging with these new-age players, there is an opportunity for governments to be more proactive in embracing them. In this regard, government-owned/ controlled insurers could take the first steps in partnering with such players to sell government-sponsored schemes such as the PMJJBY and PMSBY. In fact, India Post Payments Bank (IPPB), owned by the Government of India's India Post, recently announced the launch of PMJJBY in collaboration with an Indian public sector bank-owned life insurer for its customer base.

# ASSOCHAM offices

## **The Associated Chambers of Commerce and Industry of India Corporate Office**

ASSOCHAM 4th Floor, YMCA Cultural Centre and Library Building, 01, Jai Singh Road, New Delhi -110001  
Phone: 46550555(Hunting Line)  
Email: assocham@nic.in  
Website: <https://www.assocham.org>

## **Regional office Bangalore**

**Ms. Uma Shashi Nair,**  
*Regional Director*  
#F1, First Floor, Richmond Plaza,  
No. 10 & 10/1, Raja Ram  
Mohan Roy Road  
Bengaluru - 560 025 PH:  
+91 80 4113 2467 / 4113  
1891 / 4113 4838  
Mb : 9036333975 Email:  
umasnair@assocham.com  
secretariat.kar@assocham.com

## **Western region office**

**Mr. Vipul Gajingwar,**  
*Regional Head*  
608, 6th Floor, SAKAR III  
Opposite Old High Court  
Income Tax Cross Road, Ashram  
Road, Ahmedabad- 380014  
Gujarat, India.  
Tel: 079-2754 1728-29/2754 1876  
Mb : 8010472950  
Email: Vipul.bg@assocham.com

## **East and north east region office**

**Mrs. Perminder Jeet Kaur,**  
*Regional Director*  
18, Ballygunge Circular Road,  
Kolkata -700019  
Tel: 91-33-4005 3845/41  
Fax: 91-33-4000 1149  
Mb : 9674312234  
E-mail: Perminder.kaur@assocham.com  
kolkata@assocham.com

## **Regional office, J&K**

**Mr. Amit Khajuria, Asst.**  
*Director & Nodal Officer*  
SHREE TOYOTA, Batra Group Complex,  
Milestone Zero, Narwal Bala,  
Jammu - 180001, India.  
Mb : +91 9419238684  
Email : amit.khajuria@assocham.com

## **Regional office Ranchi**

**Mr. Bharat Kumar Jaiswal,**  
*Regional Director*  
503/D, Mandir Marg-C  
Ashok Nagar Ranchi-834 002  
Tel: 0651- 2242443  
Mb : +91 9971047550  
Email: bharat.jaiswal@assocham.com,  
ranchioffice@assocham.com

## **Regional office, northern region**

**Mr. Gourav Mahajan,**  
*Regional Director*  
SCO: 55, 56, 57, II Floor  
Sector- 8C, Madhya Marg,  
Chandigarh- 160008  
Phone: 0172-4800855,  
4800865, Mb : 9876438111  
Email : gourav.mahajan@assocham.com

## Contact details

**Dr. Rajesh Singh**  
rajesh.singh@assocham.com

**Vivek Tiwari**  
vivek.tiwari@assocham.com

**Kushagra Joshi**  
kushagra.joshi@assocham.com

**Gaurav Hatwal**  
gaurav.hatwal@assocham.com

# Our offices

## Ahmedabad

22nd Floor, B Wing, Privilon  
Ambli BRT Road, Behind Iskcon  
Temple, Off SG Highway  
Ahmedabad - 380 059  
Tel: + 91 79 6608 3800

## Bengaluru

12th & 13th floor  
"UB City", Canberra Block  
No. 24, Vittal Mallya Road  
Bengaluru - 560 001  
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing  
Divyasree Chambers  
# 11, O'Shaughnessy Road  
Langford Gardens  
Bengaluru - 560 025  
Tel: + 91 80 6727 5000

## Chandigarh

Elante offices, Unit No. B-613 & 614  
6th Floor, Plot No- 178-178A  
Industrial & Business Park, Phase-I  
Chandigarh - 160 002  
Tel: + 91 172 6717800

## Chennai

Tidel Park, 6th & 7th Floor  
A Block, No.4, Rajiv Gandhi Salai  
Taramani, Chennai - 600 113  
Tel: + 91 44 6654 8100

## Delhi NCR

Golf View Corporate Tower B  
Sector 42, Sector Road  
Gurugram - 122 002  
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1  
IGI Airport Hospitality District  
Aerocity, New Delhi - 110 037  
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B  
Tower 2, Sector 126  
Gautam Budh Nagar, U.P.  
Noida - 201 304  
Tel: + 91 120 671 7000

## Hyderabad

THE SKYVIEW 10  
18th Floor, "SOUTH LOBBY"  
Survey No 83/1, Raidurgam  
Hyderabad - 500 032  
Tel: + 91 40 6736 2000

## Jamshedpur

1st Floor, Shantiniketan Building  
Holding No. 1, SB Shop Area  
Bistupur, Jamshedpur - 831 001  
Tel: + 91 657 663 1000

## Kochi

9th Floor, ABAD Nucleus  
NH-49, Maradu PO  
Kochi - 682 304  
Tel: + 91 484 433 4000

## Kolkata

22 Camac Street  
3rd Floor, Block 'C'  
Kolkata - 700 016  
Tel: + 91 33 6615 3400

## Mumbai

14th Floor, The Ruby  
29 Senapati Bapat Marg  
Dadar (W), Mumbai - 400 028  
Tel: + 91 22 6192 0000

5th Floor, Block B-2  
Nirlon Knowledge Park  
Off. Western Express Highway  
Goregaon (E)  
Mumbai - 400 063  
Tel: + 91 22 6192 0000

## Pune

C-401, 4th floor  
Panchshil Tech Park, Yerwada  
(Near Don Bosco School)  
Pune - 411 006  
Tel: + 91 20 4912 6000

# Contact details

## Sandeep Ghosh

Partner  
sandeep.ghosh@in.ey.com

## Rajeev Arora

Partner  
rajeev.arora@in.ey.com

## Shruti Ladwa

Partner  
shruti.ladwa@in.ey.com

## Rajesh Dalmia

Partner  
rajesh.dalmia@in.ey.com

## **About Us**

### **ASSOCHAM: The Knowledge Architect Of Corporate India**

#### **Evolution of Value Creator**

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 250 Chambers and Trade Associations, and serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'. ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/ Regional Chambers/ Associations spread all over the country.

It was established in 1920 by promoter Chambers, representing all regions of India.

#### **Vision**

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrierless technology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

#### **Mission**

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

## **Members - Our Strength**

ASSOCHAM represents the interests of over 4,50,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set itself apart as a Chamber with a difference.

Currently, ASSOCHAM has over 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

## **Insight into 'New Business Models'**

ASSOCHAM has been a significant contributory factor in the emergence of newage Indian Corporates, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation. ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi and has over 4,50,000 Direct / Indirect members. Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

## **ASSOCHAM members represent the following sectors:**

- ▶ Trade (National and International)
- ▶ Industry (Domestic and International)
- ▶ Professionals (e.g. CAs, lawyers, consultants)
- ▶ Trade and Industry Associations and other Chambers of Commerce

**Deepak Sood**

Secretary General, ASSOCHAM  
[sg@assocham.com](mailto:sg@assocham.com)

Ernst & Young Associates LLP

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