1. Sabka Bima Sabki Raksha- Polity

New Insurance Bill the Union Cabinet has cleared the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 for introduction in Parliament. This legislative move is designed to modernize the insurance landscape in India, aligning it with global standards and the national vision of achieving 'Insurance for All by 2047'.

Scope and Objectives of the Bill

The primary aim is to enhance the reach, accessibility, and efficiency of the insurance sector through significant legal amendments.

Acts Being Amended- The Bill seeks to amend three principal laws governing the sector

1. The Insurance Act, 1938 (The foundational law for insurance in India).
2. The Life Insurance Corporation (LIC) Act, 1956.
3. The Insurance Regulatory and Development Authority (IRDAI) Act, 1999.

Vision 2047- The amendments are a strategic step towards the goal of universal insurance coverage by the year 2047.

Key Changes Introduced in the Bill

The Bill proposes transformative structural changes to attract investment, ease business operations, and strengthen regulatory oversight.

Foreign Investment and Market Entry

100% Foreign Direct Investment (FDI)- The cap on FDI in Indian insurance companies is proposed to be increased from the current 74% to 100%. This is aimed at attracting higher foreign capital inflows and global expertise.

Easier Entry for Foreign Reinsurers- The financial barrier for entry has been significantly lowered. The Net Owned Funds requirement for foreign reinsurers is reduced from ₹5,000 crore to ₹1,000 crore, encouraging more global reinsurers to set up operations in India.

Strengthening the Regulator (IRDAI)- The Bill empowers the Insurance Regulatory and Development Authority of India (IRDAI) with enhanced authority and operational flexibility.

Recovery of Wrongful Gains- IRDAI will be granted powers to recover wrongful gains made by insurers or intermediaries due to non-compliance. This aligns IRDAI's powers with those of the Securities and Exchange Board of India (SEBI).

One-Time Registration- The requirement for periodic renewal of registration for insurance intermediaries is abolished. Intermediaries will now be granted lifetime registration, reducing the compliance burden.

Revised Approval Thresholds- IRDAI approval for the transfer of shares will now be required only if the transfer exceeds 5% of the paid-up capital. This is an increase from the current stringent threshold of 1%, easing administrative bottlenecks for minor stake changes.

Better Governance Mechanisms- Introduction of a formal Standard Operating Procedure (SOP) for regulation-making to ensure consistency. Clearer and more structured criteria for imposing penalties on non-compliant entities.

Autonomy for LIC- Specific amendments to the LIC Act aim to make the state-owned giant more agile and competitive.

Operational Freedom- LIC will no longer require government approval to set up new zonal offices.

Global Flexibility- LIC will have the freedom to restructure its overseas operations in accordance with the local laws of those specific countries, allowing it to compete better in international markets.

Missed Opportunities (What is Likely Not in the Bill)

Despite the reforms, the industry notes several long-standing demands that appear to have been excluded from the current draft.

No Composite License

Demand- A single license allowing one entity to sell both life and general (non-life) insurance products.

Status- Insurers must continue to operate in silos; life insurers cannot sell health or motor insurance, and vice-versa.

Capital Requirement Rigidity

Demand- Reduction in the minimum entry capital to encourage smaller, niche players.

Status- The requirement remains high at ₹100 crore for insurers and ₹200 crore for reinsurers.

Captive Insurance Omission

Demand- Allowing large corporations to form "Captive Units" to insure their own internal risks (a standard global cost-control practice).

Status- This provision has not been included.

Restricted Distribution

Demand- Permission for insurance companies to distribute other financial products like mutual funds or loans.

Status- Insurers remain restricted to selling only insurance products.

Overview of the Insurance Sector in India

A snapshot of the current market landscape highlighting the potential for growth.

Market Statistics

Global Standing- India is the 10th largest insurance market globally and the 2nd largest in emerging Asia.

Penetration (Premium as % of GDP)- Stood at approximately 4.2% (2023), which is significantly lower than the global average of ~7%.

Density (Premium per Capita)- Recorded at roughly $91 (2023), indicating a massive untapped market potential.

Key Institutions & Regulators

IRDAI (Established 1999)

Nature- A statutory, autonomous body formed under the IRDAI Act, 1999.

Mandate- To regulate, promote, and ensure the orderly growth of the insurance sector while protecting policyholder interests (claims, nominations, surrender values, etc.).

Life Insurance Corporation (LIC)- The largest life insurer in India, holding a dominant market share despite the presence of private competitors.

General Insurance Corporation of India (GIC Re)- The sole state-owned reinsurance company in India.

Private Sector- Comprises over 20 life insurance companies and 30 non-life companies operating alongside PSUs.

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