Separate tax exemption limit sought for life insurance

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BENGALURU, DHNS: The insurance industry is seeking various measures, in the upcoming Budget, including separate limit for tax exemption for life insurance that will help in augmenting insurance penetration in the country, which is very low at present compared to other countries.

"Currently, life insurance is one of the investment avenues which falls under Section 80 C limit of Rs 1.5 lakh. Given the long-term nature of life insurance savings and protection products, there should be a separate limit of Rs 50,000 akin to NPS for life insurance," said Jyoti Vaswani, Chief Investment Officer of Future Generali India Life Insurance.

As per the Economic Survey 2017-18, the insurance penetration, which was 2.71% in 2001, has increased to 3.49% in 2016 (Life insurance constitutes 2.72%).

Vaswani said as an aftermath of demonetisation, there is a conspicuous shift in preference of savers towards financial savings such as life insurance, with net financial savings as percentage of GDP moving up from 7.4% in FY15 to 8.2% in FY17.

"Life Insurance (Pension plans) should also be part of the exemption under Section 80CCD of NPS and 40% of the maturity proceeds should be tax exempt on lump sum withdrawal. In addition, annuities arising from pension plans should also be tax exempted."

he said.

The Economic Survey points out that during the fiscal 2016-17, the Gross Direct Premium (GDP) of General Insurers (within India) was Rs 1.31 lakh crore, registering 33% growth (highest ever since 2000-01).

Tapan Singhel, MD and CEO of Bajaj Allianz General Insurance said the government should make it mandatory for employers to provide an adequate health cover to all the employees whether organised or unorganised.

"The proposed new universal health insurance scheme will be beneficial for the country. This will ensure that significant population comes under the ambit of health insurance," he said.