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'Need tax sops, mass insurance for economic growth'

I feel that tax sops and mass insurance schemes can contribute towards increasing awareness about the benefits of this important social security tool: Mr. Tapan Singhel

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By Mr. Tapan Singhel



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There are many expectations and speculations from NDA 2.0 around the upcoming Union Budget 2019. I feel that this budget will focus on addressing the rural stress, better the infrastructure growth along with boosting the overall consumer and investor sentiments.

Union Budget plays an important role in ensuring economic stability and growth and I believe, that growth of economy is correlated to penetration of insurance in the country. Growth in the economy leads to higher disposable income, which in turn results in asset creation. It's only when people are afraid of losing their prized asset that they buy insurance.

If you ask me, no one really wakes up to buy insurance, as people think that the entire world around them may collapse but nothing will happen to them. This attitude and perception towards insurance

is mainly due to lack of insurance. I feel that tax sops and mass insurance schemes can contribute towards increasing awareness about the benefits of this important social security tool.

Home Insurance

In the recent times during Nat-Cat events, places like Odisha, Kerala, Chennai and Bengaluru have fallen prey to immense amount of uninsured losses, majority of which were property losses amongst the lower strata of society. A tax benefit for home insurance can go a long way in encouraging people to opt for home insurance, that not only safeguards the structure, but also the contents within. In line with this, there's a need for increase in limit under section 80C to Rs. 1,75,000/- after the inclusion of home insurance or separate deduction should be available for home insurance up to Rs. 25,000/-. Alternatively, the limit for deduction under section 80D could be increased to Rs. 1, 00,000/- with inclusion of both home and health insurance.

Additionally, I feel that Government can introduce an affordable home insurance scheme in association with insurance companies that can cover losses to property during Nat-Cat events. An index based scheme (Parametric Insurance) like the weather based crop insurance schemes can be adopted which compensates for the damage caused due to catastrophic event, as per the pre-defined triggers for such events. The premium for the same can be collected along with the property tax and once the claim is triggered, amount can be directly transferred to beneficiary's Jan Dhan Account linked to the home insurance policy.

Having a home insurance ensures that your 30 years of labour doesn't go waste because of a catastrophic event. People invest their lifetime savings and pay huge EMI's to realize a dream of owning a house, which gets washed away in an instant due to a natural calamity. Hence, I feel Government should take these steps to reduce the 'protection gap' between insured losses and economic losses during such catastrophic events.

Health Insurance

Having adequate health insurance cover can increase a person's life expectancy by 10-15 years. However, rising healthcare costs makes it tough for many to get the benefits of good quality treatment and healthcare services. Health insurance here ensures that you don't have to dig into your savings, borrow from your relatives or sell assets for your medical expenses. NDA 1.0 had announced a mass health insurance scheme, which was then a vision and intent to provide health insurance for all. NDA 2.0 in this budget can take it to the conclusion by allocating sufficient funds and executing it on a larger scale.

Additionally, to enable a larger population to get access to quality health, government can make health insurance mandatory for employers, both in organized and unorganized sector. Currently, Employee's State Insurance scheme is limited to the organized sector. Limit of tax benefits for health insurance under Section 80 D can also be revised on a continual basis to be at par with rising medical costs; the move will encourage more people to opt for insurance.

Stamp Duty Restructuring

Stamp duty needs to be restructured and rationalized in view of the new products that are coming in, especially small ticket insurance products wherein a 7 day policy is treated on the same lines of an annual policy. Stamp duty can be prescribed as per percentage of premium. Currently, it's based on sum insured, premium, per policy. Government can also exempt it from Government related schemes like Pradhan Mantri Jan Arogya Yojana (PMJAY).

Insurance helps you lead a life of dignity where in case of loss/damage, people can pay for the expenses on their own, without being dependent on anyone or digging into their savings. These initiatives if introduced by the Government can not only help increase penetration and awareness of insurance, but also enable people to access good healthcare and safeguard their assets.

(The author of this article is the MD & CEO of Bajaj Allianz General Insurance)