

[Budget 2021 expectations to make insurance sector more favourable & attractive proposition](#)

Ramandeep shares his expectations that will make the Union Budget 2021 go a long way in not only making the industry more favourable but also make insurance an attractive proposition for the population at large. Thereby, increasing the penetration of insurance in our country.



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The general insurance industry's growth and success are directly proportional to the growth of the economy, awareness of the importance of insurance and applicable tax laws and exemptions. Below are some of the measures I believe, if announced in the Union Budget 2021 will go a long way in not only making the industry more favourable but also make insurance an attractive proposition for the population at large. Thereby, increasing the penetration of insurance in our country.

Separate deduction for Home Insurance:

- Large set of consumers today still do not feel the need for any insurance. Purchasing any kind of insurance is still looked at as a cost rather than a protection from adverse uncertainties. Low home insurance penetration is one such example despite the rise in natural calamities. The protection gap against natural disasters is unimaginably high today and the Government can use insurance as risk transfer mechanism as insurance provides quick liquidity, and strengthens fiscal resilience to natural disasters
- The importance of Home Insurance is further heightened in our country given over 50% of the country is vulnerable to earthquakes, most of these cities are very densely populated and most of the premises may not comply with earthquake and flood safety guidelines.
- Given that most individuals exhaust their 80C limits through investments/savings, the limit for deduction under section 80C should be increased to around Rs. 175,000 with a separate deduction made available for home insurance up to Rs. 25,000. This move I believe will encourage more people to buy home insurance, which currently has a miniscule penetration of less than 1% in our country as against a penetration of upwards of 90% in some developed countries like US, UK, France and Australia. This important financial tool will ensure that people are able to recuperate faster, especially in a country which loves investing in physical assets, and don't have to start from scratch in case of any damage to the structure and/or the contents within.

Ease the GST burden:

- Currently, insurance premium is taxed at a GST rate of 18% which increases the cost of non-life insurance. Given, the low insurance penetration in India and that insurance

is intended to provide financial support against any sudden human or economic loss, the Government should lower the applicable GST rate on insurance premiums.

- Non-Life insurance companies are mandatorily participating in pooling arrangements like Terrorism Pool which should be exempted from GST. Pandemic Pool is also under discussion given the current environment and hence, GST exemptions for such pools will take away a significant administrative hassle from insurers and provide furthermore boost to such initiatives.