

# Government to Propose Insurance Act Amendments in Budget Session





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People in New Delhi are getting more and more excited about the upcoming Budget session. They think that the government will bring a bill to change the Insurance Act of 1938. 'Insurance for All by 2047' is the goal of this project, which will make a lot of big changes to the insurance industry to fit modern needs.

#### **Key Amendments Proposed**

The proposed changes to the Insurance Act include adding a composite license, changing the capital requirements (differential capital), lowering the solvency standards, giving out captive licenses, changing the rules on investments, setting up a one-time registration system for intermediaries, and letting insurers sell other financial products. The draft bill, which is being prepared for approval by the Cabinet, wants to change the insurance industry so that it is more like the banking sector, which is divided into general banks, small finance banks, and payments banks.

### **Impact of Composite Licensing**

The plan for composite licensing is a big change. The Insurance Regulatory and Development Authority of India (IRDAI) does not allow Indian insurance companies to have a license that would allow them to give both life insurance and other types of insurance, like health or general insurance. With this change, life insurers would be able to give health and general insurance as well. This would make the process easier and allow one insurer to provide more services.

#### **Operational and Economic Benefits**

The suggested changes to the laws should not only better protect customers and increase their returns, but they should also make it easier for new companies to enter the market. By making the insurance business more operational and financial efficient, this could help the economy grow and create jobs. With these changes, it should be easier to do business, which should bring more Indian and foreign companies into the insurance market.

#### **Regulatory Background and Public Input**

For the insurance business in India, the Insurance Act of 1938 is the most important law. The Insurance Act and the Insurance Regulatory Development Act of 1999 are both being looked at again to make sure they meet the needs of today's business. In December 2022, the Ministry of Finance asked the public for feedback on the planned changes, highlighting the government's open approach to changing important economic laws.

## **Broader Implications for the Insurance Sector**

By making it easier for insurers to meet certain capital and liquidity requirements, these changes could lead to the rise of niche insurers that focus on areas that haven't been well served, like micro-insurance or regional insurance. With these new companies coming into the Indian market, more people from all walks of life and in more places are likely to get insurance. This will have a big effect on the country's economy. The government wants to make the Indian insurance market more active, responsive, and open to everyone by taking these steps. These goals are in line with the country's overall economic strategy.