

**ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION**  
**LIC BUILDING SECRETARIAT ROAD HYDERABAD 500 063**  
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To  
All the Zonal/Divisional/State/Regional Units

Dear Comrades,

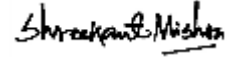
**Letter to Finance Minister on issues related to Insurance Sector**

We reproduce hereunder a letter addressed by AIEA to the Finance Minister of India.

AIEA suggested certain measures to be taken by the Government of India during the upcoming budget session, on issues related to insurance sector, for the growth of the insurance industry, infrastructure development of the country as well for the benefit of the policyholders. The contents are self-explanatory.

With greetings,

Comradely yours,



General Secretary.

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Smt. Nirmala Sitaraman,  
Hon'ble Minister for Finance,  
Government of India,  
**New Delhi**

07.01.2021

Madam,

**Re: Issues relating to the Insurance Industry**

We wish to introduce ourselves as All India Insurance Employees' Association (AIEA) - the oldest and the largest trade union of public sector insurance employees. The AIEA has been playing a very constructive role in the promotion of the interests of LIC and Public Sector General Insurance companies and helping these institutions to fulfil their social obligations.

We are very happy that you have already held the pre-budget consultations with the Central Trade Unions. We are in broad agreement with the Central Trade Unions so far as issues relating to the working people are concerned. Here we would like to restrict ourselves to certain pressing issues pertaining to the insurance industry that need consideration in the budget making exercise.

The life insurance industry is going through a difficult period now. The crisis in the economy due to Covid 19 is also impacting the insurance industry. The decline in the household savings has been adversely affecting the life insurance business. The industry is also in the process of adjusting to the new regulatory norms as decided by the IRDAI.

The growth of the life insurance industry is crucial to national development. It is the only mode of saving that generates funds for long term investment in the economy. You have also been speaking about the need to further expand the insurance market and increase life insurance penetration.

We are sure that you will agree with us that the growth of the life insurance industry critically depends upon the growth in the household savings and the disposal incomes. Today life insurance industry also has to compete with the other modes of savings. We strongly feel that life insurance needs to be given a differential treatment compared to other modes of savings considering the fact that the funds mobilized here can be deployed in long term infrastructure requirements of the country. We, therefore, suggest the following measures in the interest of public sector insurance industry and the larger interests of the national economy.

## **WITHDRAWAL OF GST ON LIFE AND MEDICAL INSURANCE PREMIUM**

The Life insurance premiums attract GST at the rate of 18 percent. Similarly the GST rate for medical insurance premium too is at 18 percent. We have in the past raised the demand for withdrawal of the GST on these two segments of insurance businesses on sound reasoning. Levying GST on life insurance premium means levying tax on the uncertainties of life. The person who covers the risk of life's uncertainties to give some protection to the family should not be levied tax on the premium to purchase cover against this risk. Similarly, when the public spending on health is on the decline, the premiums paid to purchase a medical and sickness insurance should not be charged the GST. The Covid 19 has increased awareness about the need for health insurance. However, 18 percent GST on health insurance premium is proving to be deterrent for the growth of this segment of business which is socially so necessary. The high rate of GST is also retarding the growth in life premium that basically go to fund the infrastructure and social sector. We, therefore, request you to re-examine the issue and withdraw the GST on life and medical insurance premiums.

## **SEPARATE INCOME TAX EXEMPTION LIMITS**

At present the life insurance premiums are grouped together with other forms of savings for the purpose of income tax relief under Section 80 (C). We have been suggesting that life insurance premium needs separate exemption limits considering the fact that they provide long term capital for social and infrastructure development. Though significant part of our population is covered through individual and group insurances, it is seen that there is a huge insurance protection gap. Those who have insurance policies are not adequately covered. In order to encourage new insurances and adequate protection to the existing insured, it is necessary to have a separate and substantial exemption limits for life insurance premiums. We request you to kindly consider this.

## **SUBSTANTIAL HIKE IN DEDUCTION UNDER SECTION 80 (D):**

The amount of deduction presently allowed under Section 80 (D) towards health insurance premium is too meagre now. Health insurance has become an imperative need today in view of progressively increasing cost of hospitalisation. The Covid-19 pandemic has exacerbated the situation still further.

We would, therefore, request you to take measures in the Budget to substantially raise the deductions allowed under Section 80 (D) of the Income Tax Act towards payment of health insurance premium.

We hope you will consider our representations on the above issues favourably.

Thanking You,

Yours faithfully  
Sd/-  
General Secretary