

In simple words: New reforms proposed for the life insurance sector



By Magicgyan Team,

After discussions with life insurance companies, the finance minister has suggested a number of reforms to IRDA which will give a much required boost to the life insurance sector in the country.

Main highlights of the suggested reforms are as follows:

Automatic clearance for standard products identified by IRDA, under the ‘use and file’ system within 15 days of its submission

Currently, IRDA approves all insurance products on ‘File & Use’ basis. “Use & File” system may be introduced. IRDA, in consultation with insurers, will identify/design certain standard products which can be used by the industry under “use and file’ system, if the insurance company complies with the conditions attached to the standard product. Such products will automatically be

deemed to have been approved after 15 days of its intimation to IRDA unless IRDA finds non-compliance within the period of 15 days

Quick clearance of insurance products after November-end

IRDA will issue draft guidelines and, after consultations, final guidelines by the end of November, 2012. Once the guidelines are in place, it would be possible to observe the 30-day norm mandated for clearance of products.

Banks can become insurance brokers and sell products of multiple insurers

Currently a bank can sell only life insurance and non –life insurance products of single insurance companies. However by becoming an insurance broker, banks can sell multiple products of multiple insurance companies.

Banking correspondents will be allowed to sell micro-insurance products

This will facilitate availability of micro insurance products in all parts of the country.

KYC check done by the banks while opening an account by person will be acceptable by IRDA

Only additional information that is required for the purpose of insurance policy will be asked from the intended policy-holder.

Separate tax deduction for insurance pension products over 80C

Some insurance pension products as approved by IRDA may be included in the separate limit over and above the limit of Rs.1,00,000 under section 80C of the Income tax Act for the purpose of income tax deduction on the premium paid.

Service tax to be reduced on single premium policies and 1st year premium

Relaxation of investment norms for life insurance companies

Life insurers can invest in infrastructure SPVs of any firm

IRDA will reduce arbitrage between ULIPs & traditional plans