

● BUDGET ANALYSIS



Ashish Vohra

Budget proposals to drive health and life insurance penetration

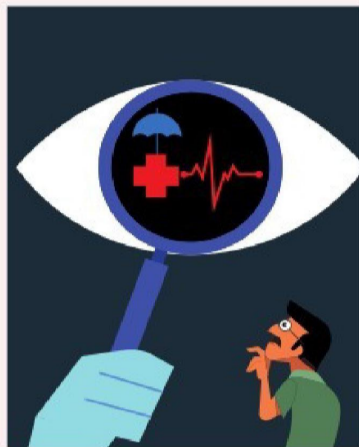


ILLUSTRATION: SHYAM

THE BIGGEST TAKEAWAY from Budget 2018 is the government's vision of achieving inclusiveness on every financial, health and social parameter. Sharpening its already strong focus on delivering insurance coverage to the masses, the government has acknowledged the importance of the insurance industry. From revealing the blueprint of the biggest healthcare scheme so far for vulnerable and underprivileged households, increasing exemption limit for health insurance for senior citizens, consolidation of the PSU general insurers and the expected listing on the stock exchanges show the government's commitment to nurturing the protection ecosystem.

Universal healthcare scheme

With Aayushman Bharat, the world's largest health protection scheme, we have taken a big step towards implementing health and financial inclusion. This will help drive health insurance penetration while bringing Indians languishing at the bottom of the pyramid into the insurance fold with a sizeable ₹5-lakh per family insurance cover for secondary and tertiary treatments. The focus should now be on delivering top-quality healthcare and seamless service experience.

Life insurance

Besides healthcare, extending Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) to cover a larger population is expected to bring insurance to a large number of unserved people. The announcement to provide micro insurance and pension schemes to Jan Dhan Yojana accounts is also a positive development.

The Budget has proposed to introduce long-term capital gains tax on equity investments. Against this backdrop, unit linked life insurance products (ULIPs), could appear relatively attractive from a medium to long term perspective. Taxation of insurance products is governed by Section 10(10d), where income is tax-free in the hand of the investor at the time of withdrawal. This should help savers, investors, and policyholders to forge a deeper relationship with life insurance and wealth creation.

The Budget has proposed to introduce long-term capital gains tax on equity investments. Against this backdrop, ULIPs could appear relatively attractive from a medium to long term investment perspective

Senior support

The Budget is particularly supportive from a senior citizen's health coverage viewpoint. Even though India has historically witnessed a medical inflation rate of 15%-18%, there was little protection. Now, with the enhanced exemption of ₹50,000 under Section 80D and additional critical illness exemption of ₹1 lakh under Section 80 DDB, the government has incentivised senior citizens to get sufficient medical insurance coverage.

The insurance industry was expecting a waiver of GST on insurance premium and tax sops for insurance products like term life insurance. We remain hopeful that the government will take steps in those directions in the days to come.

In conclusion, there was mixed prudence with some populism, seeking to balance economic and political imperatives. The Budget measures carried a strong focus on the rural/agricultural and social sectors. This will create a new India and drive growth.

The author is chief executive officer, Reliance Nippon Life Insurance