

Insurance given a boost, healthy sign for economy

March 3, 2015 3:17 am

The Union Budget endeavours to establish a long-term framework aimed at pushing the India growth engine back on the 8%+ trajectory. Its focus on job-creation, infrastructure boost and clarity on several critical taxation related aspects are well received.

The specific announcements pertaining to insurance will help build an ecosystem that promotes financial protection and social security — factors that are critical for a nation's inclusive growth. With regard to the major thrust on infrastructure, the general insurance industry should aim to play a critical role in terms of risk mitigation. It must act as a facilitator towards successful and timely completion of infrastructure projects by taking up project completion risks. The industry can also help mitigate the probable downside of modern road infrastructure, that is, road mishaps by introducing appropriate motor and accident insurance schemes.

While the Budget has several measures to improve the fiscal health of the nation and its populace, more needs to be done. Even as the government has been vocal about bringing every citizen under the ambit of the Universal Health coverage (UHC), healthcare spends in India remain low at 1%. Compare this to countries such as China that spends 3% of GDP on healthcare. It is important for the government to foster healthcare demand through supply spending, for which the current budgetary allocation of R33,000 crore may prove to be insufficient. Even as one addresses the issue of non-insurance, the Budget does well to provide solutions on the other aspect, that is, under-insurance.

Though medical inflation continues to rise in double digits, health insurance has witnessed limited up-move in the sum insured as customers, especially in the younger age groups, continue buying policies with premium up to R15,000 — the upper limit of tax exemption for below-60-year age group. Gone are the days when diseases were confined to the older generation.

With mounting work pressures and the trend towards nuclear families, younger age groups are increasingly succumbing to lifestyle related critical diseases. With the Budget enhancing the health insurance exemption limit to R25,000, it will incentivise these individuals to increase their sum insured accordingly, ensuring that they are better protected from the financial impact of catastrophic medical exigencies.

The enhancement of tax exemption limit to R30,000 for senior citizens is again a much desired and positive measure given that senior citizens primarily rely on the government to take care of their health and health coverage needs.

Another commendable step is the launch of Pradhan Mantri Suraksha Bima Yojana, offering cover of R2 lakh for a premium as low as R12 per annum. This is an acknowledgement of the role that insurance can play in terms of offering social security to the nation's masses. Also, allowing employees who come under ESIC, the option to opt for health insurance will help increase India's health insurance penetration.

The insurance related announcements in the Union Budget should revamp India's healthcare sector while making insurance benefits affordable and accessible to the masses.

Non-life insurance penetration is highly correlated to the GDP. The government is rightly focused on improving the nation's health parameters, which can have a multiplier effect on its GDP. There is surely a lot for health insurance customers to look forward to in the coming fiscal.

By Sanjay Datta

The writer is chief, underwriting and claims, ICICI Lombard