



February 2023

## Insurance Sector: Key Takeaways from the Economic Survey and Budget 2023-24

Ahead of announcing the Union Budget for the financial year 2023-24 (**Budget**) on February 1, 2023, the Government of India tabled the Economic Survey 2022-23 (**Economic Survey**) on January 31, 2023 which summarizes key initiatives taken by the Government and regulators in various sectors, assesses the growth and presents its outlook for various sectors.

Summarised below are some key points under the Economic Survey and the Budget concerning the Indian insurance sector:

### 1. Overview of the Indian insurance market.

- a) India is poised to emerge as one of the fastest growing insurance markets in the world. While presently the Indian insurance market is the 10<sup>th</sup> (tenth) largest in the world, it is poised to become the 6<sup>th</sup> (sixth) largest by 2032 (ahead of Germany, Canada, Italy, and South Korea).
- b) The Economic Survey notes that insurance penetration<sup>1</sup> in India has been steadily increasing. While this was 2.7% around the turn of the millennium, this stood at 4.2% in 2020 and 2021. The insurance penetration in the life insurance sector was 3.2% in 2021, which was nearly twice more than emerging markets and slightly above the global average.
- c) The gross direct premium of non-life insurers and life insurers witnessed a YoY growth of 10.8% and 10.2%, respectively, in FY22.
- d) Various financial inclusion initiatives and schemes launched by the Government have driven insurance adoption and penetration across all segments. Some of the key programmes / schemes are (i) the Ayushman Bharat Yojana (to provide health coverage to poor and vulnerable families), (ii) the Pradhan Mantri Jeevan Jyoti Bima Yojana (to provide risk coverage in case of death), (iii) the Pradhan Mantri Suraksha Bima Yojana (to provide risk coverage for accidental death and disability), and (iv) the Pradhan Mantri Fasal Bima Yojana (to provide risk coverage against crop damage due to non-preventable natural risks), which is the largest crop insurance scheme in the world.

2. **Regulatory landscape & Initiatives.** The Economic Survey makes a note of the mission taken up by Insurance Regulatory and Development Authority of India ("IRDAI"), the Indian insurance regulator, to achieve 'Insurance for All' by 2047 (i.e., the 100<sup>th</sup> (one hundredth) year of India's independence), which is expected to lead to a significant increase in insurance penetration. To this end, IRDAI has taken several initiatives to promote healthy growth of insurance industry, rationalise the regulatory framework and reduce compliance burden. Additionally, the

<sup>1</sup> 'insurance penetration' refers to the ratio of total insurance premiums to gross domestic product in a year

Government has also undertaken measures to facilitate additional foreign direct investment (“**FDI**”) in insurance. Certain key initiatives are as summarised below:

- a) FDI ceiling in the insurance sector was raised from 49% to 74% under the automatic route. Additionally, 100% FDI has been permitted in insurance intermediaries, including insurance brokers, reinsurance brokers, insurance consultants, etc. Further, 20% foreign investment has been allowed in Life Insurance Corporation (“**LIC**”) under the automatic route. Digitization of the India’s insurance market accompanied by an increase in FDI limits are expected to increased flow of long-term capital, global technology and international best practices, which would in turn support growth of the sector.
- b) IRDAI has announced several regulatory changes and initiatives in FY 23 to promote growth of the insurance industry. These focus on changes to facilitate ease of doing business, reduce compliance burden as well as measures as per evolving needs of the sector, including tech-based add-ons and other innovative products. IRDAI has also taken measures to facilitate video-based know-your-customer processes, launch a single window no objection certificate (NOC) portal to facilitate incorporation of an insurer, rationalise various returns / filings and do away with approval requirements for launch of certain insurance products. Also, with the sector reaching a level of maturity, IRDAI is considering offering more flexibility to regulated entities in business / operational decisions.

### 3. **M&A activity, public listings in Insurance.**

- a) The Economic Survey recognizes that India is already witnessing mergers and acquisition (M&A) activity in the insurance space, which would only be further accelerated by additional FDI inflow, initial public offerings (IPO) and a simplified regulatory regime.
- b) The enactment of General Insurance Business (Nationalisation) Amendment Act, 2021 would allow the Central Government to pare its stake to less than 51% equity capital in a specified insurer.
- c) In May 2022, the Central Government diluted its stake in LIC and the IPO of LIC raising USD 2,700,000,000 (Indian Rupees two billion seven hundred million) was India’s largest IPO to date. Various private insurers have also been publicly listed, which in turns would improve public disclosure, corporate governance and valuation.

### 4. **Budget Snapshot.** The Budget speech of the Hon’ble Finance Minister noted the Government’s vision for ‘*Amrit Kaal*’ which includes a technology-driven and knowledge-based economy with a robust financial sector. Further, the Budget also identified the financial sector as a priority and made a few key announcements which are bound to impact the insurance sector as well:

- a) Public consultation would be brought to the process of regulation making and issuing of subsidiary directions;
- b) Regulators would be requested to carry out a comprehensive review of existing regulations factoring in suggestions from the public and regulated entities;
- c) Time limits would be laid down to decide upon applications under various regulations.

The Indian insurance sector is at an inflexion point and is expected to be one of the main drivers of global insurance industry growth over the next decade. Further regulatory changes to facilitate ease of doing business pursuant to the Budget announcements coupled with greater operational flexibility sought to be provided by IRDAI would only provide a further impetus to the fast growing Indian insurance market.

## Insurance Practice

JSA is a trusted advisor to leading insurers, reinsurers, brokers, underwriters and consultants on complex transactions, disputes, financing and regulatory and commercial matters. The team with domain-expertise in the sector has an unparalleled ability to assist insurance companies in their Indian operations. JSA has been engaged in advising the private players both in life and non-life Insurance sectors on diverse matters relating to regulatory approvals, compliances, corporate issues, and litigation relating to insurance claims. JSA has been keenly involved in advising private players both in life and non-life insurance sectors on diverse matters relating to: (a) Regulatory approvals; (b) Compliance requirements; (c) Corporate issues; (d) Litigation relating to insurance claims.

This Prism has been prepared by:



**Venkatesh  
Raman Prasad**  
Partner



**Ronak Ajmera**  
Partner



**Ankita Jain**  
Senior Associate



17 Practices and  
24 Ranked Lawyers



16 Practices and  
11 Ranked Lawyers



7 Practices and  
2 Ranked Lawyers



11 Practices and  
39 Ranked Partners  
**IFLR1000 APAC Rankings 2022**

-----  
Banking & Finance Team  
of the Year

-----  
Fintech Team of the Year

-----  
Restructuring & Insolvency  
Team of the Year



Among Top 7 Best Overall  
Law Firms in India and  
10 Ranked Practices

-----  
13 winning Deals in  
IBLJ Deals of the Year

-----  
10 A List Lawyers in  
IBLJ Top 100 Lawyer List



Banking & Financial Services  
Law Firm of the Year 2022

-----  
Dispute Resolution Law  
Firm of the Year 2022

-----  
Equity Market Deal of the  
Year (Premium) 2022

-----  
Energy Law Firm of the Year 2021



**Ranked #1**  
**The Vahura Best Law Firms to**  
**Work Report, 2022**

-----  
Top 10 Best Law Firms for  
Women in 2022

For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

---

[www.jsalaw.com](http://www.jsalaw.com)



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This prism is not an advertisement or any form of solicitation and should not be construed as such. This prism has been prepared for general information purposes only. Nothing in this prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this prism disclaim all and any liability to any person who takes any decision based on this publication.