

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6177
ANSWERED ON:03.05.2013
TAX EXEMPTION TO LIC POLICIES
Bishnoi Shri Kuldeep

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to link tax exemption of Life Insurance policies to the term of the cover rather than the sum assured;
- (b) if so, the details thereof and the reasons therefor;
- (c) the extent to which this move is likely to benefit the subscribers;
- (d) whether the Government/Insurance Regulatory and Development Authority IRDA proposes to reduce the rate of insurance premium for customers in the higher age groups;
- (e) if so, the details thereof and if not, the reasons therefor; and
- (f) the steps taken/proposed to be taken by the Government to boost the insurance sector in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): No Sir. Under Section 10(10D) of the Income Tax Act, 1961, exemption is allowed for policies with premium not exceeding 10% of the Sum Assured.

(d) to (e): The Insurance Regulatory and Development Authority (IRDA) has informed that the premium rate for life insurers is based on the mortality factors and certain actuarial assumptions. As the probability of death increases along with the advancement of age, the premium that is levied for advanced ages will be on higher levels vis-à-vis the lower age groups. Therefore, the insurance premium rates are determined by the free market dynamics and are not controlled.

(f): A number of steps are initiated to increase the penetration of insurance in the country:

(i): PSU Insurance companies will open branches in all towns up to Tier IV during 2013-14.

(ii): KYC of banks will be sufficient to acquire insurance policies. This will make procuring insurance policy easy.

(iii): Banking correspondents have been allowed to sell micro-insurance products.

(iv): Newer distribution methods such as Bancassurance and e-policies are used to increase coverage.

(v): General Insurance Council has taken up insurance awareness campaign on pan India basis.