



DAILY EDITORIAL ANALYSIS

TOPIC

**SABKA BIMA SABKI RAKSHA
(AMENDMENT OF INSURANCE
LAWS) BILL**

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SABKA BIMA SABKI RAKSHA (AMENDMENT OF INSURANCE LAWS) BILL

In Context

- The **Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025** allows 100% Foreign Direct Investment (FDI) in the insurance sector, marking a major liberalisation reform.

About

- The Bill aims to deepen insurance penetration, attract global capital, and strengthen India's risk management ecosystem, while retaining regulatory oversight through IRDAI.
- It seeks to **amend the Insurance Act, 1938, the Life Insurance Corporation Act, 1956**, and the Insurance Regulatory and Development Authority Act, 1999.
- It is positioned as a "game-changer" for India's underpenetrated insurance sector, which currently covers less than 4% of the population adequately.
- It aims to modernize regulatory frameworks to achieve the **vision of "Insurance for All by 2047"**.

Potential Benefits

- **Capital Infusion and Market Expansion:** Insurance is a capital-intensive sector; 100% FDI up from the current 74% enables large-scale long-term foreign capital inflows.
 - ♦ This supports expansion in underinsured areas such as health, crop, disaster, and climate-risk insurance.
- **Increased Competition and Efficiency:** Entry of global insurers increases competition, potentially lowering premiums and improving service quality.
 - ♦ Brings global best practices in underwriting, actuarial science, and claims settlement.
- **Financial Inclusion and Social Security:** Foreign insurers are mandated to participate in the social sector and government welfare schemes.
 - ♦ Can enhance coverage in rural and informal sectors, reducing India's protection gap.
- **Employment and Ancillary Growth:** Boosts jobs in actuarial services, InsurTech, data analytics, and customer services.
 - ♦ Strengthens India's role as a hub for financial services and risk management.
- **Macroeconomic Stability:** A deeper insurance market improves risk pooling, supports household savings, and acts as a shock absorber during economic and climate-related disruptions.

Key Challenges and Concerns

- **Data Privacy and Digital Risk:** Insurance firms collect sensitive personal and health data linked to Aadhaar and PAN.
 - ♦ India reported over 1.6 million cyber incidents in 2023 (CERT-In), raising concerns about data security.
 - ♦ Fully foreign-owned insurers increase risks of cross-border data access, necessitating strict localisation and audits.
- **Profit Repatriation and Capital Flight:** Critics argue that India's insurance market—projected to reach \$600–650 billion by 2030—could see substantial profit outflows.
 - ♦ Without strong reinvestment norms, FDI could weaken domestic capital formation.
- **Pressure on Public Sector Insurers:** Public insurers, especially LIC, account for over 60% of life insurance premiums and play a key role in social objectives.
 - ♦ Uneven competition with global insurers possessing advanced analytics and capital may erode PSU market share unless governance reforms are undertaken.
- **Regulatory and Market Concentration Risks:** Global experience shows that excessive foreign dominance can lead to oligopolistic markets.

- ♦ IRDAI's regulatory capacity must scale up to monitor complex cross-border financial structures and prevent mis-selling.
- **Lessons from Past Privatisation Experiences:** Opposition cites sectors like civil aviation, where liberalisation improved connectivity but also led to market concentration and consumer vulnerability, highlighting the need for safeguards.

Way Forward

- **Enforce strict data localisation and privacy compliance** under India's digital governance framework.
- **Strengthen IRDAI's supervisory capacity** and consumer grievance redressal.
- **Reform public insurers** through autonomy, technology adoption, and capital support.
- Mandate minimum domestic reinvestment of profits and periodic parliamentary review.

Conclusion

- The Bill has the potential to transform India's insurance sector by unlocking capital, improving coverage, and enhancing economic resilience. However, its success hinges on robust regulation, data security safeguards, and balanced competition, ensuring that foreign investment complements rather than compromises India's long-term financial and social objectives.

Source :TH

Daily Mains Practice Question

[Q] Examine the potential benefits and challenges of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 for India's insurance sector and overall economy.

