

GENERAL INSURANCE PENSIONERS' ALL INDIA FEDERATION

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(Regd. Under T. U. Act 1926 No.ALC/karyasan-17/11087)

16th November 2017

To,
Shri Narendra Modi,
Hon. Prime Minister of India,
P. M. O. Office, South Block, Raisina Hill,
New Delhi-110011.
India.

Fax office:01123019545 parliament o:01123015603

Respected Sir,

Sub: Exemption of 18% GST from Health Insurance Premium.

We from the General Insurance Industry are with your good self to protect the life of people by providing the much required insurance protection at affordable cost. The manifesto of the present Government for the 2014 Loksabha election *promised* “ Health Assurance to all Indians - reducing out of pocket spending on health care”.

In this background the commitment of UNIVERSAL HEALTH CARE & affordable Health Insurance to all as assured by Government has to be looked into.

Without going in to other aspects of universal health care & affordable health insurance, we at present are limiting our appeal to the Government on avoidable 18% G. S. T. on the Health Insurance Premium. We submit:

General insurance services were the first ones to be subjected to Service Tax in 1994. General rate of Service Tax for General Insurance Services was 15% .

However, 17 specific schemes of General Insurance Policies are fully exempted from levy of Service Tax by way of notifications.

While health Care is out of GST, Health Insurance is subject to GST at the normal rate of 18%. The premium in health insurance is going up due to increase in the claims in recent years. Increasing the rate of taxation for health insurance from 15% to 18% would again push the cost of insurance which are ultimately borne by the public at large.

General Insurance Service is one of the fastest growing sectors of the Economy. Industry has recorded 32% growth in premium during April 2016 to Feb 2017. Estimated growth for 2017-18 will be 18%.in this the Health Insurance portfolio which was Rs.5045/- in 2007-8 gone up to

Rs.31068/- in 2015-16. as per General Insurance Council Database. It constitutes more than 25% of overall non life business.

OECD countries and other Advanced Jurisdictions where Value added tax system is prevalent, insurance sector has not been subject to VAT in view of its risk mitigation and financial resilience benefits to the society. Even in some countries where it is taxed, the tax rate is very low.

As per the data of the general insurance industry on 31st March 2017, on the estimated gross premium of Rs. 123,000 crore, 79% of the total premium collected is subjected to Service Tax at the rate of 15% and the remaining 21% is fully exempted. If General Insurance Services are to be subjected to uniform rate as Tax without exemption, the revenue neutral rate works out to 11.9%. In other words, current incidence of Service Tax on General Insurance services is less than 12%.

Health insurance is the fastest growing portfolio in the non-life insurance segment and constitutes more than 25% of the overall business. Recent Insurance Act amendment has classified Health insurance as a distinct line of business to provide focus and impetus to the Government objective of providing health care through affordable health insurance.

Govt. has incentivized this product through exemption from Tax for individuals (Sec. 80D) and the exemption limits were increased in 2015. Health insurance has become an essential and integral part of every individual and his family's health care needs. We therefore appeal to you Sir to exempt the Health Insurance Premium from G. S. T. this will provide pace to achieve the assurance in the Manifesto of your Government.

Thanking you.

Yours sincerely.

K. S. Samant
Working President.

(P. S. recommendations of IRDA committee of K. S. Sastry in 2007 for providing affordable health insurance to Senior citizens will provide relief to sr. citizens of the country.)