Sabko Bima Sabko Raksha (Amendment of Insurance Laws) Bill, 2025

Prelims: *Current events of national and international importance | Economy*

Why in news?

Lok Sabha has passed the insurance bill seeking to remove the Foreign Direct Investment (FDI) cap, along with over a dozen key sectoral reforms.

- **Aim –** To ***liberalise, modernise & democratize*** India's insurance sector.
- It ensures wider coverage, stronger regulation, and better consumer protection while opening the doors to global investment and expertise.
- **Amended laws** – Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999.

Key Provisions of the Bill

- **FDI Increase –** It raises the foreign investment cap in insurance ***from 74% to 100%,*** to attract investment, facilitate technology transfer, increase insurance penetration and social protection.

  FDI limit *for insurance companies was raised from* ***26% to 49% in 2015*** *and from* ***49% to 74% in 2021*** *and* ***now it is 100%.***

- **Regulated by–** It grants IRDAI authority to expel wrongful gains from insurers and intermediaries, strengthening consumer protection.
- **Autonomy to LIC –** It gives LIC greater operational freedom, empowering it to set up new zonal offices without requiring prior government approvals, enabling faster expansion, improved administrative efficiency, and better regional oversight.
- **Penalty Rationalisation –** The maximum penalty on insurance intermediaries increased from Rs 1 crore to Rs 10 crore, aimed at serving as a strong deterrent and promoting adherence to legal and regulatory norms.
- **Reinsurance Reform –** It reduces the net owned fund requirement for foreign reinsurance branches ***from Rs 5,000 crore to Rs 1,000 crore***, encouraging more reinsurers to operate in India.
- **Public Sector Support –** The government's priority is to reinforce public sector insurance firms, noting that Rs 17,450 crore has been injected into three state-owned general insurers to bolster their capital base.

- **Sectoral Growth Data –**
  - **Number of insurers** - Increased from 53 (2014–15) to 74 (2024–25).
  - **Total insurance premium mobilised** - During the same period went up from Rs 4.15 lakh crore to Rs 11.93 lakh crore.
  - **Assets under management (AUM)** - Increased from Rs 24.20 lakh crore to Rs 74.43 lakh crore.

References

1. The Hindu | LS passes bill on insurance sector
2. Indian Express | LS passes Bill to raise FDI limit in insurance sector

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