

Sabka Bima Sabki Raksha Bill, 2025

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025, was approved by the Union Cabinet on December 12, 2025. The Bill aims to modernize India's insurance sector and achieve "Insurance for All by 2047" by amending the Insurance Act (1938), the Life Insurance Corporation (LIC) Act (1956), and the IRDAI Act (1999).

Key Provisions

- **100% Foreign Direct Investment (FDI):** Increases the FDI limit for insurance companies from 74% to 100%, allowing full foreign ownership.
- **Easing Reinsurance Norms:** Reduces the Net Owned Fund (NOF) requirement for foreign reinsurers from ₹5,000 crore to ₹1,000 crore to encourage more global players to enter India.
- **Enhanced IRDAI Powers:** Grants the regulator (IRDAI) "disgorgement" powers to recover wrongful gains made by insurers or intermediaries and simplifies the share transfer process by raising the approval threshold from 1% to 5%.
- **LIC Operational Autonomy:** Empowers the LIC board to open zonal offices without prior government approval and restructure overseas operations to align with local regulations.
- **One-Time Registration:** Introduces a perpetual registration system for insurance intermediaries, removing the need for renewals every three years.
- **Policyholder Protection:** Establishes the Policyholders' Education and Protection Fund (PEPF), which will be funded by grants and penalties realized from violations.
- **Regulatory Framework:** Shifts various operational parameters (like investment norms and commission caps) from the statute to a regulation-driven framework controlled by IRDAI.

Major Omissions

- **No Composite Licensing:** Insurers remain prohibited from offering both life and general insurance under a single license.
- **Fixed Capital Requirements:** Minimum paid-up capital remains at ₹100 crore for insurers and ₹200 crore for reinsurers, contrary to earlier proposals to lower these for niche or regional players.
- **No Captive Insurance:** Provisions for large corporations to set up captive insurance units were shelved.

Practice Questions:

1. Consider the following statements regarding the "Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025":

- I. The Bill aims to increase the Foreign Direct Investment (FDI) limit in the insurance sector to 100%
- II. It grants the Insurance Regulatory and Development Authority of India (IRDAI) explicit powers to disgorge or recover wrongful gains made by insurers or intermediaries
- III. A key feature of the Bill is the introduction of composite licenses, allowing a single insurer to offer both life and non-life insurance products
- IV. The Bill mandates prior government approval for the Life Insurance Corporation (LIC) to establish new zonal offices within India

Which of the statements given above is / are correct?

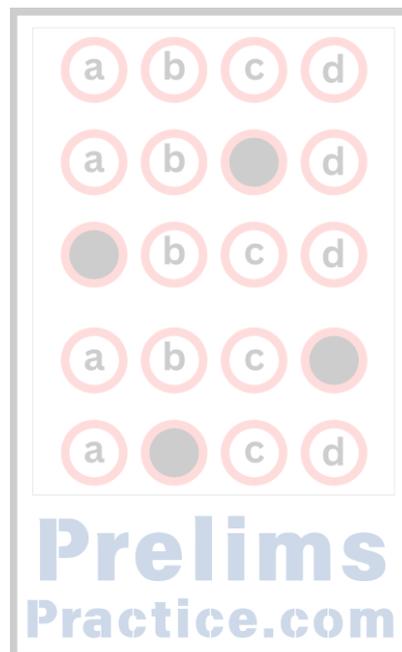
- a) Only one
- b) Only two
- c) Only three
- d) All four

Answer: b

Explanation: Statement I is Correct: The Bill's primary reform is raising the FDI limit in insurance companies from 74% to 100%, with the goal of attracting more capital and technology. **Statement II is Correct:** The Bill enhances IRDAI's enforcement powers, including the authority to disgorge (recover) wrongfully earned profits from insurers or intermediaries, similar to powers held by SEBI. **Statement III is Incorrect:** A significant omission in the Bill is the lack of a provision for composite licenses. Insurers must continue to operate in strict silos (life or non-life). **Statement IV is Incorrect:** The Bill grants LIC greater operational autonomy, allowing it to set up new zonal offices and restructure overseas operations without prior government approval, aimed at increasing efficiency and competitiveness.

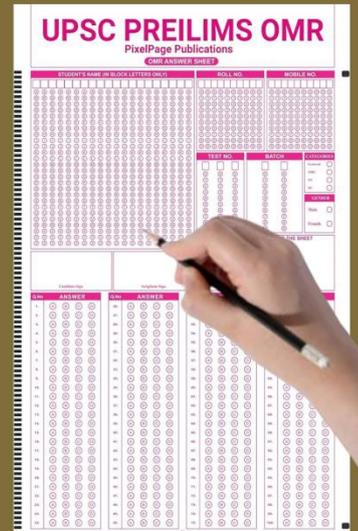
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