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GST on health insurance needs to be reduced: IFFCO Tokio's Subrata Mondal

Mondal discussed the future plan of the companies along with the emerging challenges for the sector



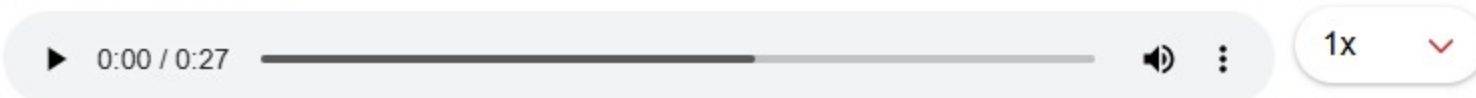
Subrata Mondal, MD And CEO, IFFCO Tokio General Insurance Company Limited

Harsh Kumar | New Delhi

4 min read Last Updated : Nov 21 2024 | 10:49 PM IST

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IFFCO Tokio General Insurance Company Limited (IFFCO Tokio) has sent its suggestions to the government, seeking to reduce goods and services tax (GST) rates on health insurance premiums to 5 per cent from the existing 18 per cent, said the firm's Managing Director and Chief Executive Officer (MD & CEO) **Subrata Mondal** in an in-person interview with *Harsh Kumar*. Mondal discussed the future plan of insurance companies along with emerging challenges for the sector. Edited excerpts:

What is your view on the demand for reduction of GST on health insurance premiums?

For a long time, we have been discussing reduction of the GST rate on health insurance premiums. If we want to increase penetration and make insurance more accessible, we need to advocate for a lower GST rate on health insurance. This would help reduce costs and make insurance more affordable for the public. We have given our suggestions through the association of insurers to the government. We are hopeful that the government will offer some relief to the people. The proposal we have put forward is to reduce the GST on health insurance to 5 per cent from the current 18 per cent.

How are you addressing the issue of mis-selling of insurance products?

As an industry, we are focused on making customers more aware of what they need to know about their policies. Currently, policies are often 30-40 pages long, and most people don't read the entire document. They only refer to it when an incident occurs, and that's when they often discover important details hidden in the fine print. To address this, we have introduced a Customer Information Sheet (CIS). This is a brief summary of what the policy covers, and it is attached to the full policy document. As a company, when we send out both the CIS and the policy, we encourage customers to contact us if they have any questions. We provide our toll-free number and offer assistance to clarify any concerns. Our goal is to increase customer awareness and help them understand their coverage better, preventing surprises when they need it the most.

Can we expect a change in premium rates this year?

As a company, there are certain actions we can take, but there are also areas where the government needs to step in. For example, consider third-party motor insurance. The rates for third-party motor insurance have not been revised in the last four years. Meanwhile, the number of vehicles and accidents is increasing. Additionally, there are issues related to the government's plans to introduce funds for certain schemes, requiring insurance companies to contribute. These additional expenses burdens the industry. On the property side, the situation is even more challenging due to the rising frequency of natural disasters. In the financial year 2023-24 alone, India experienced nine catastrophic events. If this trend continues, the country could face difficulties in securing reinsurance coverage. As an industry, we need to find ways to address this growing challenge. With more companies entering the market and everyone seeking a share of this segment, prices are not stabilising as they should, which further complicates the situation.

What issues do general insurance companies face with the Ayushman Bharat scheme?

The challenge lies in managing the vast hospital network, whether it's under Ayushman Bharat, group health, or individual health insurance. Unfortunately, this is an area where we have very little control. Hospitals are highly organised, but there are no standardised norms for treatments and procedures.

In particular, larger hospitals often do not follow our protocols for specific diseases. For example, they may require six or seven tests before administering the first dose of medication. These additional costs quickly add up. The same issue exists with Ayushman Bharat, where the demand is similar. Whether serving a government-sponsored scheme or an individual customer, the costs and processes remain a challenge.

To manage these schemes effectively, there must be a solid management process in place. Without this, it will be difficult to sustain these schemes, and over time, private companies may start moving away from such situations.

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