

Article Date	Headline / Summary	Publication
08 Dec 2025	Budget 2026 Expectations: Mandatory employer health cover, speedy motor claims, transparent commissions, says Tapan Singhel of Bajaj General	Moneycontrol

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The insurance sector has the potential to be a major growth catalyst but penetration is low at 3.7%. Five reforms can accelerate progress, Tapan Singhel of Bajaj General writes

The Budget can reinforce that protection is not separate from growth; it is what allows growth to endure.

As we move towards the Union Budget, conversations naturally centre on growth, capital and investment. These are essential but sustainable progress depends just as much on protection. A single hospitalisation pushing a family into debt, a shopkeeper losing stock in a flood, a small factory shutting after a cyclone, or an accident victim waiting years for compensation; these incidents quietly weaken economic momentum and confidence.

India has already shown how transformative policy design can be in sectors such as digital payments, identity, taxation and health. Insurance can be the next major catalyst. Yet, according to Insurance Regulatory and Development Authority of India's annual report, overall insurance penetration in India is only 3.7 percent, far below the global average of 7 percent, with general insurance at about a percent.

On behalf of the general insurance industry, my pre-budget recommendations rest on a simple premise: treat insurance as social infrastructure, an essential system that protects citizens, businesses and public investment. Five reforms can help accelerate this shift.

A National MSME risk shield

MSMEs are central to India's economy. According to PIB, the Ministry of MSME and NITI Aayog, they contribute 29–30 percent of GDP, 36 percent of manufacturing output, 45 percent of exports, and employ over 12 crore people. But they remain highly exposed to climate-related risks.

Swiss Re estimates that natural catastrophes caused \$12 billion in economic losses in 2023, compared with an annual average of \$8 billion over the previous decade.

Between 2018 and 2022, India suffered \$32.94 billion in uninsured catastrophe losses, with 93 percent of exposures uninsured. To reduce this vulnerability, we have proposed a National MSME Protection Scheme, linked to Udyam and Udyam Assist, which can become mandatory in stages. The scheme includes:

- A simple standard cover for property damage from key perils
- Parametric add-ons for floods, cyclones and extreme rainfall, with predefined triggers and payouts
- Automated payouts to MSME bank accounts when triggers are met, avoiding complex documentation

This framework enables quicker recovery, protects jobs and reduces stress on the credit system by lowering post-disaster loan defaults. Even modest reductions in climate-related output losses can generate large economic savings.

We have also recommended removing the Rs 5-crore cap on the sum insured for commercial risks sourced through banks, NBFCs and microfinance institutions. This change will also enable banks to play a stronger role in the surety business, unlocking long-term guarantees for contractors and projects and giving a substantial boost to India's infrastructure growth.

With 3.8 crore MSMEs registered on the Udyam portal, enabling financial partners to offer larger covers will strengthen manufacturing, support Make in India and Atmanirbhar Bharat, and improve climate resilience.

Making health protection a basic workplace right

Government-funded schemes have widened coverage but a significant "missing middle" remains uninsured. The NITI Aayog estimates more than 40 crore people, or about 30 percent of the population, fall into this segment.

Out-of-pocket expenditure has fallen from 62.6 percent in 2014–15 to 39.4 percent in 2021–22 (National Health Accounts) yet it remains high by global standards.

The WHO estimates that excessive medical spending pushes 55 million Indians into poverty each year, and 17 percent of households face catastrophic health expenses.

To strengthen health protection, we have proposed a mandatory employer-employee health insurance framework for the organised sector covering full-time, contractual and gig workers.

Implementation can be phased, with thresholds based on employer size or turnover. Employers may purchase minimum-standard group covers or link employees to approved government schemes.

Tax incentives can encourage coverage of low-wage and missing-middle employees, and CSR rules can recognise health cover for contractual workers as eligible CSR spend.

This framework protects families from medical distress, supports employers through healthier workforces and reduces pressure on public hospitals.

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Claimants receive a digital settlement offer, which they can accept for a payout within a week or pursue through the tribunal with full rights intact.

This approach speeds up compensation, reduces litigation costs and meaningfully lowers MACT workloads. For affected households, timely financial support improves recovery and stability.

Transparency in commissions and expenses

Policyholders today mostly see the total premium and basic policy coverage. They rarely know how much of their payment goes toward the risk pool, commissions or operating expenses. Strengthening trust requires clearer information.

We have recommended a Unified Commission and Expense Disclosure Framework for retail health and motor policies. Every policy should clearly display, both in rupees and percentages:

- The commission on that specific policy and intermediary type
- Estimated management and operating expenses
- The amount allocated to the risk pool and claims

Such disclosures in policy documents, digital journeys, and on platforms such as Bima Sugam will help policyholders compare offerings more effectively. Transparent pricing discourages aggressive commission-driven selling and supports simpler, value-oriented products. Over time, this strengthens trust and participation in insurance.

Empower Bima Sugam to make it repository of entire insurance ecosystem

Today, insurance data is spread across insurers, intermediaries, government schemes and multiple digital platforms. This fragmentation makes it difficult for citizens to verify entities and for policymakers to track protection gaps. The concern is amplified by India's natural catastrophe protection gap, which exceeds 90 percent (Swiss Re).

To address this, we propose building a Unified Public Insurance Registry (UPIR) by upgrading the Insurance Information Bureau into a statutory digital public infrastructure hosted on the Bima Sugam platform.

The idea is: every entity in the insurance ecosystem, insurers, intermediaries, garages, hospitals and other partners, should be part of a single verified repository. This simplifies verification and reduces the ability of fraudulent actors to operate. Universal inclusion and easier authentication are the core objectives of this registry.

The UPIR vision includes:

- A single source of truth for all licensed insurers, intermediaries and service providers
- A registry of approved insurance products with citizen-friendly summaries
- A secure, anonymised repository of policy and claims data up to the pin-code level
- Analytical tools for regulators and policymakers
- A citizen-facing layer for verification and, over time, unified policy management

This strengthens trust, reduces fraud, improves service delivery and gives policymakers real-time insights to better target schemes and identify under-protected regions. Just as UPI transformed payments, a unified insurance registry can support the vision of Insurance for All by 2047.

A partnership agenda for a resilient India

These reforms create an integrated architecture for resilience: MSME protection for economic continuity, workplace health cover to address the missing middle, quicker settlements for motor accident victims, greater transparency to build trust and a unified registry to strengthen governance.

As an industry, we are ready to partner with the Government, IRDAI, and state authorities to co-invest in technology, improve data quality and disclosures, and help design and scale these frameworks.

The Budget can reinforce that protection is not separate from growth; it is what allows growth to endure. When a shop reopens quickly after a flood, when a worker avoids distress during a medical emergency, when an accident victim receives timely compensation and when citizens can verify their insurance details with confidence, we strengthen the foundations of Viksit Bharat.

That is the India we hope to help build: secure, prepared and confident in its future.

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Disclaimer: The views expressed by experts on Moneycontrol are their own and not those of the website or its management.

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