

‘Insurers will have to deal with more taxes in GST regime’

The report added that the reinsurance industry is undergoing a major change, with foreign insurers being permitted to set up branch offices in India.

Insurance companies will potentially have to deal with more taxes once the GST is implemented with the emergence of the Centre and states as dual stakeholders, a report said.

The number of taxes will increase as calculation of input-output tax credits will be done separately for each individual state in which they are earned, it added.

Insurance, being a service industry, deals with one single tax (service tax) with one administering authority (the Central government), the EY and CII ‘Insurer of the Future’ report said.

“One of the significant impacts on insurance industry under the dual GST structure would be the emergence of dual stakeholders in every taxable supply of service, the state government, where the supply is made and the Centre,” it said.

From dealing with a central service tax for pan-India operations, insurers now will potentially start dealing with 38 taxes, including 35 state GSTs (SGSTs), including Union Territories, one Central GST (CGST) and IGST on inter-state supplies, it pointed out.

The report added that the reinsurance industry is undergoing a major change, with foreign insurers being permitted to set up branch offices in India.

The new rules are expected to create an even greater focus on services by foreign insurers as they compete for a share of the market, it added.

The market for emerging risks such as cyber insurance, customised liability insurance and specific disease insurance is expected to grow, driven by the willingness of customers to pay a premium for specialised and innovative solutions.

Reinsurers have a key role to play in helping the insurance industry innovate and cover new frontiers, as the industry looks to them when it comes to exploring the unknown.

The report also stated that technology will form the backbone for this transformation, acting as both an enabler and disruptor.

Its role is expected to rapidly change from its current ancillary function to becoming a core competency for insurance businesses.

Solutions such as data analytics, robotics process automation, block chain and cloud, which are already being implemented, however, is only the tip of the iceberg in terms of their potential applications and overall ability to transform businesses.

The digital bar for insurers is rising continuously and the companies that can meet this challenge will build greater customer loyalty, improve cost efficiency and increase profitability, it added.

(Financial Express)