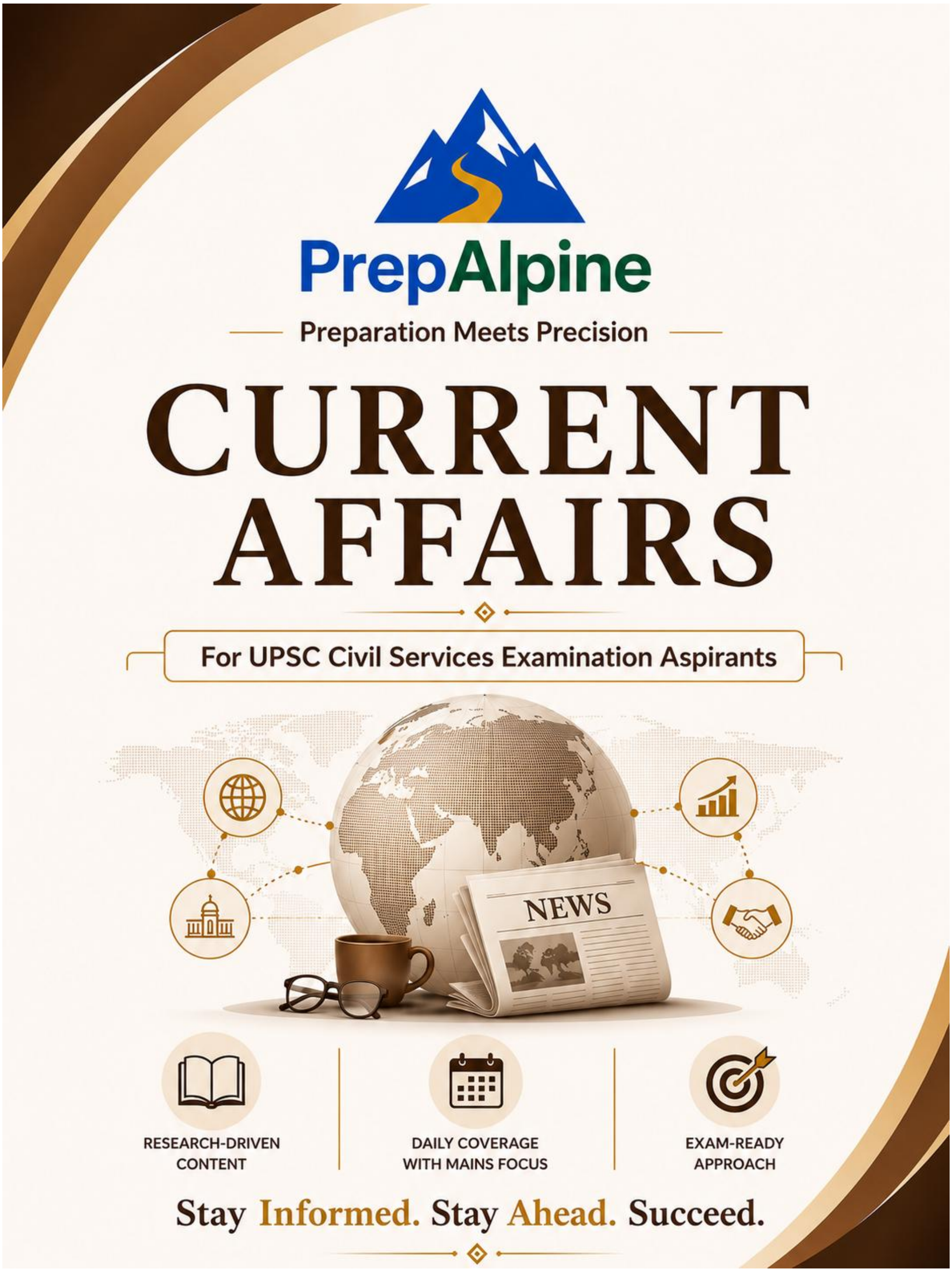
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For UPSC Civil Services Examination Aspirants
NEWS
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EXAM-READY APPROACH
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DAILY CURRENT AFFAIRS DATED 30.07.2026

GS Paper III: Economics

1. IRDAI Insurance-Sector Reforms

a. Introduction

The Insurance Regulatory and Development Authority of India (IRDAI) has approved a package of regulatory reforms to improve capital availability, governance, policyholder protection and ease of doing business. The measures operationalise key provisions of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025.

b. Key Reforms

Reform	Key purpose
Liberalised investment norms	Greater operational and financial flexibility for insurers
Capital & restructuring framework	Easier capital infusion, share transfers and amalgamations
Policyholders' Education & Protection Fund (PEPF)	Insurance literacy, grievance redressal and recovery of unclaimed amounts
Salesperson tagging	Every proposal/policy linked to the authorised salesperson
Perpetual registration of intermediaries	Replaces periodic renewal with annual-fee regime
Penalty framework	Uniform, transparent and proportionate regulatory enforcement
100% foreign investment permitted	Greater access to global capital

c. Analysis/ Observations

Moving from regulatory control towards facilitative regulation

The reforms indicate a shift towards risk-based and principle-oriented regulation. Greater flexibility in investments, capital infusion and corporate restructuring can reduce regulatory friction and enable insurers to deploy capital more efficiently.

At the same time, transparent penalty procedures and stronger actuarial oversight seek to ensure that ease of doing business does not become dilution of prudential regulation.

Policyholder protection as the core of insurance reform

Insurance suffers from significant information asymmetry: insurers and intermediaries generally understand complex products better than consumers.

The reforms address this through:

- salesperson traceability and accountability;
- stronger disclosure requirements;
- insurance education and literacy through PEPF;
- improved grievance-redressal mechanisms; and
- mechanisms for tracing unclaimed insurance amounts.

Salesperson tagging is particularly significant for tackling mis-selling, as responsibility for a policy can be traced to a specific authorised intermediary.

Capital reforms can deepen insurance markets

Permitting up to 100% foreign investment can:

- mobilise long-term capital;
- support expansion into underserved markets;
- introduce global technology and underwriting expertise;
- strengthen competition and product innovation.

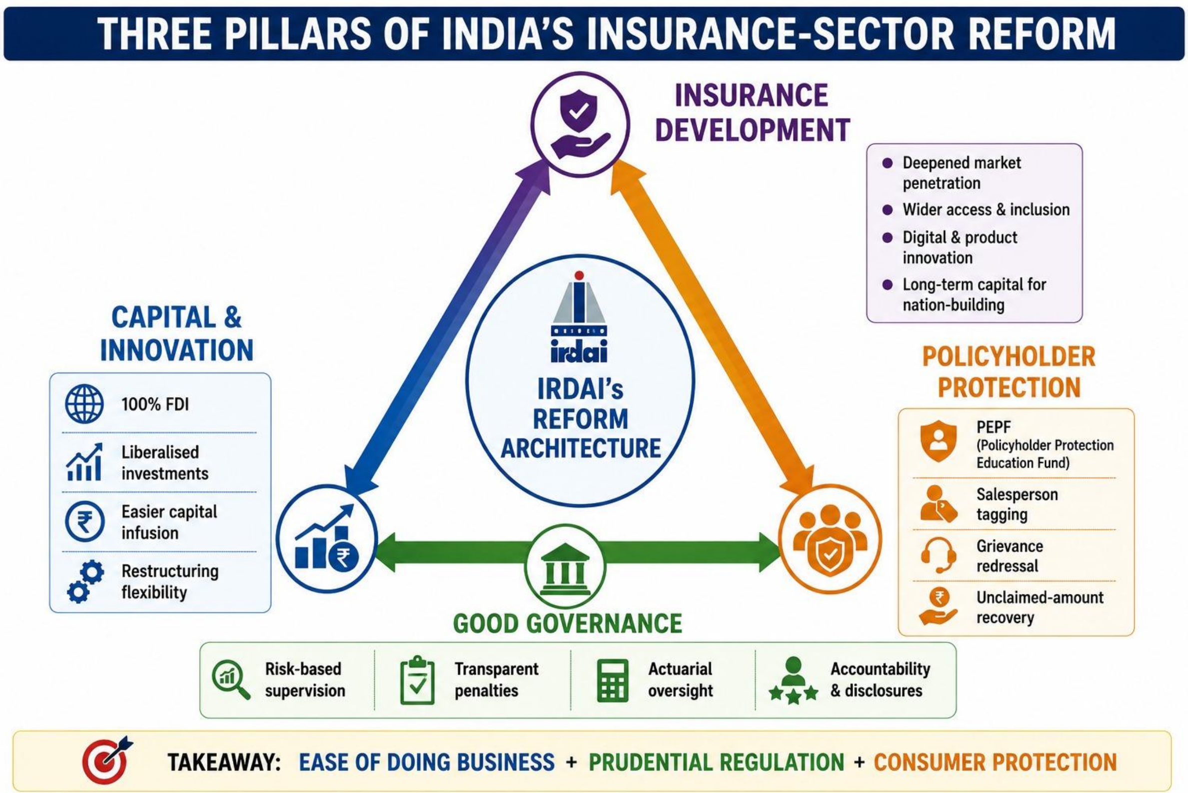
A stronger insurance industry also contributes to domestic capital formation, since insurers are major long-term institutional investors.

Insurance penetration remains the ultimate test

Regulatory liberalisation alone may not ensure universalisation. Major constraints include:

- inadequate insurance awareness;
- affordability problems among low-income households;
- rural and regional access gaps;
- complex products and documentation;
- mis-selling and weak consumer trust.

Thus, the developmental role of IRDAI remains as important as its regulatory role.



d. Key Governance Challenge

The reforms involve a fundamental regulatory trade-off:

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More capital + operational flexibility + competition
↓
Greater insurance penetration and innovation

but simultaneously require

Prudential regulation + transparency + consumer protection
↓
Financial stability and policyholder trust

Hence, insurance reform must balance market development with market discipline.

e. Way Forward

- Strengthen risk-based supervision as insurers receive greater operational flexibility.
- Use PEPF to improve financial and insurance literacy, particularly among rural and vulnerable populations.
- Combine salesperson tagging with effective penalties to curb mis-selling and unfair practices.
- Promote simple, affordable and digitally accessible insurance products to improve last-mile coverage.
- Ensure foreign capital translates into deeper insurance inclusion, rather than merely greater competition in profitable urban segments.

Conclusion:
The IRDAI reforms mark a transition towards a more capital-friendly, transparent and policyholder-centric insurance architecture. Their success should ultimately be judged not merely by investment inflows or the number of insurers, but by whether they produce wider coverage, stronger consumer trust and greater financial resilience.

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Reader's Note — About This Current Affairs Compilation

Dear Aspirant,

This document is part of the PrepAlpine Current Affairs Series — designed to bring clarity, structure, and precision to your daily UPSC learning.

While every effort has been made to balance depth with brevity, please keep the following in mind:

1. Orientation & Purpose

This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

2. Content Length

Some sections may feel shorter or longer depending on topic relevance and news density.
To fit your personal preference, you may freely resize or summarize sections using any LLM tool (ChatGPT, Gemini, Claude, etc.) at your convenience.

3. Format Flexibility

The formatting combines:

- paragraphs
- lists
- tables
- visual cues

—all optimised for retention.

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4. Monthly Current Affairs Release

The complete Monthly Current Affairs Module will be released soon, optimized to a compact 100–150 pages — comprehensive yet concise, exam-ready, and revision-efficient.

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