KAL AAJ AUR ???

A STORY OF GENERAL INSURANCE IN INDIA

A WHITE PAPER.

Foreword

Insurance sector has an important role to play in any economy and more so in the one trying to leap forward from a long colonial past, such as India. Ever since her independence, the Indian economy has seen many changes: moving from Command economy to the Demand economy, from public sector dominance in the key sectors of the economy for the first four decades to a sharp increase volume of economic activities undertaken in the private sector during the last three decades.

How well such a shift might have served growth and equity may be debated, but the need to nurture and protect an insurance sector cannot be overemphasised. An aspiring and innovating enterprise needs an agile insurance firm promising to cover the risks. And this support is likely to be more effective under a public sector enterprise that is mandated to look after the well-being of the people in general. It is this context that the White Paper on General Insurance Sector in India becomes an essential reading for those interested in understanding the political economy of the general insurance sector in India. It covers the how and why of the major milestones crossed by this sector so far. Among other things the comparative financial highlights bring out clearly the superior performance of the PSU vis a vis the private players (Pg. 32) thereby contradicting a popular notion that PSUs, by definition, must represent inefficiency. The White Paper, thus, places a strongly persuasive argument based on facts and numbers as to why privatising a well-run insurance PSU might not only be unnecessary but perilous for the masses in general.

It has been my privilege to be associated with the core team that undertook this project. My role, however, has been a miniscule one. The White Paper is the result of total commitment and conviction of the team, and I hope it succeeds in reaching the policy makers in a right direction.

Dr. Suchita Krishnaprasad
Former Asso. Professor, Head,
Department of Economics
Elphinstone College,
Mumbai.

White Paper and Revelation of Facts

Governments come and go. CMDs come and go, some of them are energetic. But the Unions of employees and Association of officers. which are led by intelligent, dedicated, and farsighted people always think good and do good for the healthy growth of the Company and welfare of its employees by supporting and opposing the management according to the circumstances. They are totally dedicated people who have always been successful in their mission because they do not have any self-interest of their own. The White Paper which contains truth and nothing but the truth, will let the public know the level of their awareness and rationality of their thinking process.

For example, at the time of Nationalisation in August 1971, General Insurance Employees All India Association (GIEAIA) submitted in writing to the then Government for making one Corporation like L.I.C. What was suggested could not be an abstraction but was a prudently planned solution for the future that could have prevented the present-day disaster of the Non-Life PSU Companies.

Not only GIEAIA had wisely advocated for one Corporation in 1971, but this White Paper shows that it has many feathers to its cap in supporting the Management on Computerisation in 1986, and 50% direct Recruitment of Officers to infuse new blood into the industry. From time to time as the conscience keeper, it opposed privatisation but at the same time signed a joint appeal with the chairman GIC to render better service to the customers and in an overwhelming response employees participated wholeheartedly in providing better service to the customers with a marketing survey confirming the satisfaction rate at 70%.

I am sure this White Paper based on the facts taken both from the pages of history and contributions from the living legends like Kaka Samant who has the experience of living through hard times and is now seeing the worst that can happen due to lackadaisical attitude of all who are given the responsibility to write the success story of power that is vested in them.

Since hard days are ahead, it is time to do some hard thinking about how to save these PSU Non-life companies from their abysmal situations. The solvency margins of the three out of four companies are appallingly low. How long the Government will keep pumping capital into such companies which are the victims of the man-created disaster and have insufficient assets to cover their liabilities.

R.P.Samal,
Chaiman,
General Insurance Pensioners All India Federation

From the Secretary's Desk

2nd November 2023

Dear All,

I have a great pleasure in presenting this Booklet White Paper Kal Aaj aur ??? on the past and the causes due to which the Public Sector General Insurance Companies is in the present scenario.

It was decided way back in 21/22 October 2021 in the 6th conference held at Jodhpur to come out with a White Paper.

In the process we approached many well-known personalities in the field of labour laws and the economics. All of them guided us very well. Since the document is a total in house efforts, we had to approach many agencies such as GIC Re, IRDAI, GIPSA etc. for the historical data which was graciously provided to us.

By publishing the document if we succeed in changing the approach of the government towards General insurance public sector companies it would be our great achievement. All the readers, be it public or the media press and people connected with the government are requested to carefully go through the booklet and see to it that saving of the public sector enterprise is in the interests of the common man. Total privatisation would lead deprive the common man the various benefits implemented by the government from time to time.

We sincerely thank Dr.K R Shyam Sundar, Dr.Suchita Kulkarni for their valuable advice in the preparation of the book.

Comradely yours,

U Banerjee

Udayan Banerjee
General secretary

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KAL AAJ AUR ??? A STORY OF GENERAL INSURANCE IN INDIA

A WHITE PAPER.

1.00 WHY A WHITE PAPER?

- The government and the press have the tendency of defaming the insurance sectors particularly non-life public sector companies.
- Underwriting losses, higher incurred claim ratio, inadequate solvency margin, and not up to the mark efficiency of employees are the causes advanced.
- Added to this the Hon. Prime Minister has announced that "to do business is not the business of this Government."
- Often the General Insurance Public Sector Association **(GIPSA)** and concerned authorities would be cited financial stress of the GIPSA companies as an excuse to deny the rightful financial benefits to the employees and more so to the pensioners.

Therefore, we THE **GENERAL INSURANCE PENSIONERS ALL INDIA FEDERATION-(GIPAIF)** thought it fit to come out with the 'White Paper' which would give the factual financial status of the companies and if they have been appearing weak what are the reasons that have brought them to this state and suggest some remedies.

A white paper is a research-based report which offers a focused description of a complex topic and presents the point of view of the author or body represented by the author. The purpose of white paper is to give readers understanding of an issue which in turn helps them solve a problem or take a decision.

It is said that if a domestic animal is to be killed, it must be declared mad. The Public sector enterprise (PSEs) is dealt with in similar lines by GOI. By declaring them as unviable, and hence privatise the same.

Government has earned from general insurance PSUs crores of rupees as dividend over the years. Just to satisfy the dictates of the WTO the government is busy closing PSEs one after the other. They were otherwise doing well and have reached the present status because of the mismanagement and continued interference in their working.

2.00 THE PURPOSE OF THE PAPER

We are enumerating the various causes through this White Paper and present before the entire Nation the situation which the GIPSA companies are facing viz. Negative growth in the premium and the Solvency margin, which are the key indicators of the performance of any Insurance Company

3. WHAT IS INSURANCE?

Insurance is a contract between the Insured and the Insurer to make good the losses in certain circumstances sustained by the Insured in return for the consideration in the form of premium paid by the insured to the insurer.

There are two types of insurances i) Life Insurance ii) General insurance.

3.01 LIFE INSURANCE

A life insurance policy assures that the insurer pays a sum of money to the Insured beneficiaries (such as a spouse or children) if the Insured dies. As the consideration the insured pays premia during ones' lifetime.

Historically in India, it was the life insurance companies who were issuing the General insurance policies. It was only in the year 1907 that first General insurance company started its independent business in India

3.02 WHAT IS 'GENERAL INSURANCE'?

- Insurance contracts that do not come under the ambit of life insurance are called general insurance.
- The different forms of general insurance are fire, marine, motor, accident, and other miscellaneous non-life insurance. They are generally annual by nature.
- The tangible assets are susceptible to damage and a need to protect the economic value of the assets.
- For this purpose, general insurance products are bought as they provide protection against unforeseen contingencies like damage to and loss of the assets.
- Like life insurance, general insurance products come at a price in the form of premium.
- Various Types of Insurance - Motor, fire, marine miscellaneous, engineering, Personal accident, public liability, health are few kinds on

non-life insurance types. Reinsurance and Co-insurance are important segments of non-life insurance.

3.03 EVOLUTION OF INSURANCE IN INDIA

- In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra).
- The history of general Insurance dates to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century.
- It came to India as a legacy of British occupation. British and other foreign Insurance companies through their agencies in India transacted this business.
- The General insurance business in India can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British. In 1907 The Indian Mercantile Insurance Ltd., was set up. It was the first company to transact all classes of general insurance businesses.
- The Indian Life Assurance Companies Act 1912, was the first statutory measure to regulate life business.
- In 1928, the Indian Insurance Companies Act was enacted.
- In 1938, with a view to protect the interest of the Insured public, the earlier legislation was consolidated and amended through the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.
- Social Control Bill: It included regulation of investment of assets, minimum solvency norms, introduction of a system of licencing of surveyors, Mandating receipt of premium before commencement of risk and creating of price setting body for the industry known as TARRIF ADVISORY COMMITTEE (TAC).

- 1950: The Insurance Amendment Act of 1950 abolished Principal Agencies.
- 1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
- 1968: The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee was set up.

- 1972: The General Insurance Business (Nationalisation) Act, 1972 nationalised the general insurance business in India with effect from 1 January 1973.
- Prior to 1973, general insurance was urban-centric, catering mainly to the needs of organised trade and Industry. One hundred and seven insurers including branches of foreign companies operating in the country were integrated. These were grouped into four companies, viz. the National Insurance Company Ltd., the Oriental Insurance Company Ltd., the New India Assurance Company Ltd., and the United India Insurance Company Ltd. with their head offices at Calcutta, New Delhi, Bombay and Madras respectively.
- GIC was incorporated as a wholly owned Government company in 1972 and it commenced the business from January 1st, 1973.

4.00 STATUS ON TAKE OVER OF NONLIFE INSURANCE INDUSTRY.

Financials (In Crores in Rupees)	1972-73
Gross Premium	184.30
Paid-up Capital	37.00
Free Reserve	62.00
Net Worth	99.00
Technical Reserves	258.00
Total Investments	355.00
Investment Income	20.50
Return on Investment	0.06
Profit Before Tax	35.00
Branches	519
Divisional Offices	240
Regional Offices	20
% of World General Insurance Premium	0.25
GDP Size	8551.53

5.00 STATUS OF NON-LIFE INDUSTRY

In the following pages efforts are made to present the status of the industry with some historical facts and figures which led to its present ailing state. All those referring to this booklet would certainly be enriched with story of General insurance industry. We also wish that this information reaches to the concerned authorities who would take a cue from this and help the public sector industry to gain its past glory and help build a strong economy with social security which is the dream of everybody.

Delinking Jobs from the Degree

In the early 90s bright future was seen in the General insurance industry that there was specially designed course for the 10 plus 2 students at the level of secondary school level.

Many of the candidates recruited from those batches have reached up to the level of middle management in the public sector industry.

Unlike other contracts in the market the Insurance contracts are subject to certain principles such as Principle of Utmost good faith, Principle of Insurable interest, Principle of Indemnity, Principle of Proximate cause, Principle of Contribution and Subrogation, etc.

.

5.01 ACTS AND AUTHORITIES WHICH NON-LIFE INSURANCE IS CONNECTED.

- **Being an agreement between the two parties the insurance is subject to Indian Contract Act. It is also subject to following acts.**
- **Insurance Act 1938**
- **Motor Vehicles Act**
- **Indian Shipping Act**
- **Indian Aviation Act**
- **Sale of Goods Act**
- **Transfer of property act etc.**
- **IRDAI**
- **RBI**
- **GIPSA**
- **GIC Re**

6.00 PERIOD BEFORE THE NATIONALIZATION OF INSURANCE COMPANIES.

- The then Finance Minister Shri C. D. Deshmukh moved the life insurance (emergency provisions) Bill 1956 in the Lok Sabha on 29th February 1956.
- He said, “Insurance is an essential social service which a welfare state must make available to its people and the State must assume

responsibility for rendering this service once it cannot be provided in any other manner.

- It is the failure of the general run of insurance companies to live up to the high traditions demanded of them that has led the Government to take this step. **I would like to emphasise that nationalisation in this field is justifiable**.
- With the profit motive eliminated, and the efficiency of service made the sole criterion under nationalisation, it will be possible to spread the message of insurance as far wide as possible, reaching out beyond the more advanced urban areas and into hitherto neglected, namely, rural areas."

The need of Nationalization of insurance industry was very well explained in the speech given by the then Finance Minister Shri C. D. Deshmukh in the parliament. The issues are still relevant, yet the present government is set to de-nationalize the industry.

7.00 THE NEED FOR NATIONALISATION.

In India the insurance companies both life and non-life were many in numbers. Mushroom companies were surfacing and closing down was hurting the genuine insureds. It was the order of the day. There were Indian companies, a few from the cooperative sector as well as some foreign Insurance companies.

Following malpractices were prevalent in the insurance industry then.

- In the name of commission and perquisites funds were misused.
- By reinsuring near total risk overseas huge foreign exchange was spent as premium.
- Benami agents and ghost employees were shown on pay roll and black money was generated.
- Key positions were occupied by the Owners and their relatives to manipulate decisions.
- Employees were paid meager salaries but pay vouchers were inflated.
- No employee could aspire for an upward wage or promotion and was insecure of his services.

- Appointment letters were given on submission of resignation letter without date so that employee can safely be sent away.
- Policies were issued to serve their own interest.
- Adjustment of premium was done from the claim amounts.

The concept of Insurance is based on collecting the premium from large number of people to compensate a few against the loss they may suffer. General Insurance Industry gives coverage for various risks.

<u>Prior to year 1971 the following situation was prevalent in the Insurance industry.</u>

- Opening & disappearance of Insurance companies, offices were in vogue during this period.
- No Regulator or controller. Inadequate regulator in the name of the Controller of Insurance under Insurance Act 1938.
- Ownership of companies was with the big industrialist which was used for their own benefit.
- Settlement of their own claims even if fraudulent was rampant ignoring the interest of the insured public.
- Illegal diversion of funds to their own group companies
- Pocketing profits by way of dividends

.

Lobbying against the Public sector/Govt. institutions is not a new concept/phenomenon. 'Nayist' existed right from the inception of the Nationalization and somehow or the other did a great damage to the industry.

Enthused by the success of the nationalisation of the Life insurance industry, the leadership under Com. KSB Pillai of Bombay Insurance Employees Union (Later on General Insurance Employees All India Association) started agitations in the General insurance industry for the nationalization and saw the light in the year 1971.

8.00 GENERAL INSURANCE BUSINESS WAS NATIONALIZED IN 1973

- On 13th May 1971 the political economic situation along with trade union pressure compelled government to take over the non-life insurance industry.
- Four Public Sector General Insurance Companies viz. The National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Fire & General Insurance Company Ltd and The United India Fire & General Insurance Company Ltd were created.
- The General Insurance Corporation of India was incorporated as a holding company in 1971 and it commenced business on 1st January 1973.

9.00 POSTION OF THE INDUSTRY AT THE TIME OF NATIONALIZATION.

Number of Insurers		Premium
Indian	**Foreign**	
55	52	19.5 Crore

10.00 OBJECTIVES OF NATIONALISATION AND THE PERFORMANCE POST NATIONALISATION

A presentation given at one of the conferences by the then GIC Officials is produced for the benefit of the readers which gives the correct position of the industry for the period 1972 to 1998. The winds of privatisation had started blowing then !!

11. OBJECTIVES OF NATIONALISATION AND THE PERFORMANCE POST NATIONALISATION :

Nationalisation - Mandate

General Insurance Business Nationalisation Act, 1972

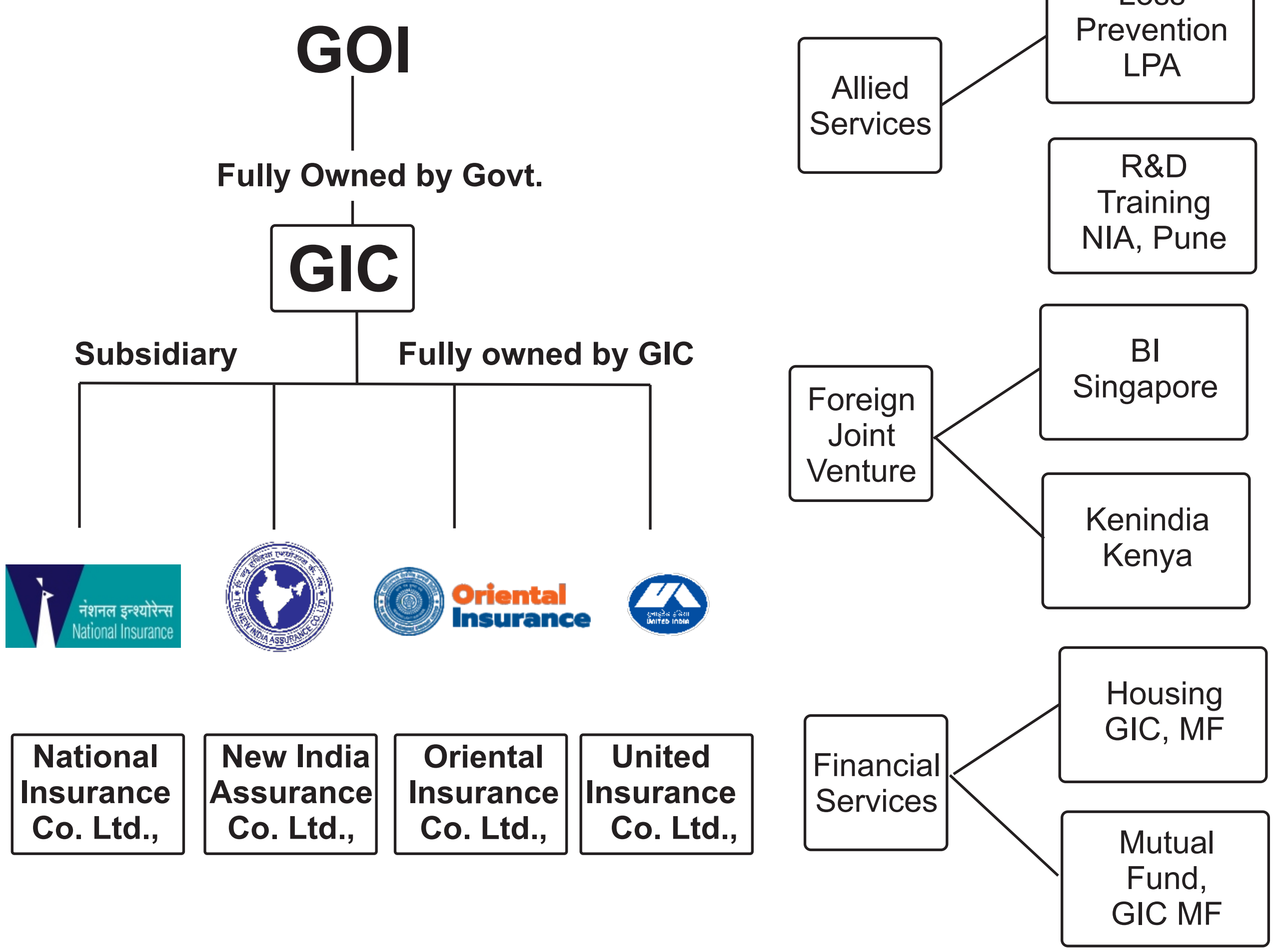
To serve better the need of the economy by securing development of General Insurance business on the best interest of the community.

To ensure that of operation of te economic system does notresult as concentration of wealth to common detriment.

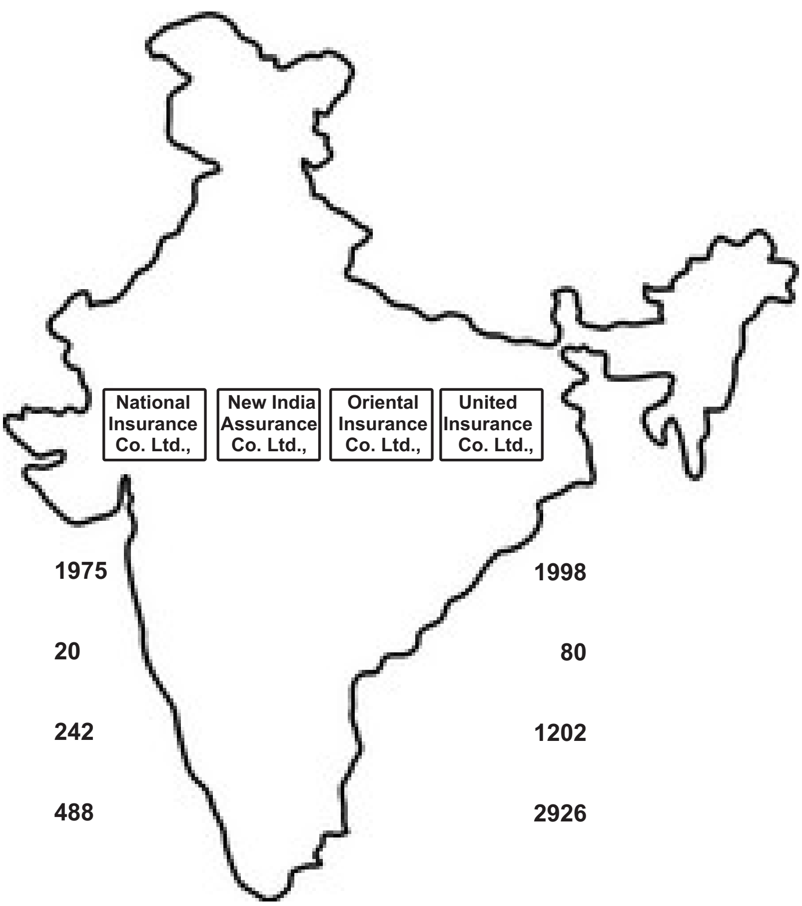
To regulate and control general Insurance business.

To run the industry on business principles.

INDUSTRY STRUCTURE



GENERAL INSURANCE INDUSTRY



Organitional expansion after nationalisation to spread message of general insurance to all nooks and corners of the country.

representation by an office in virtualy in every district of the country.

Manpower increased from 27033 in 1975 to 85193 in 1998.

Representation to weaker and handicapped sections of the society in employment

Manned by 85000 employees.				
	CL-I	CL-II	CL-III	CL-IV
1975	3306	4294	15303	4133
1998	14983	13303	45831	11076

GROSS DIRECT PREMIUM INCOME - AVERAGE GROWTH OF 16.48% SINCE 1973

RATIO ANALYSIS OF FINANCIAL PARAMETERS & PERFORMANCE TESTS

OVERALL RATING OF INDIAN COMPANIES 1997/98

GIC and 'New India' come off quite well in all 8 parameters, as compared to standard.

'National' 'Oriental' and 'United India' are well placed in 7 out of 8 parameters in 1998.

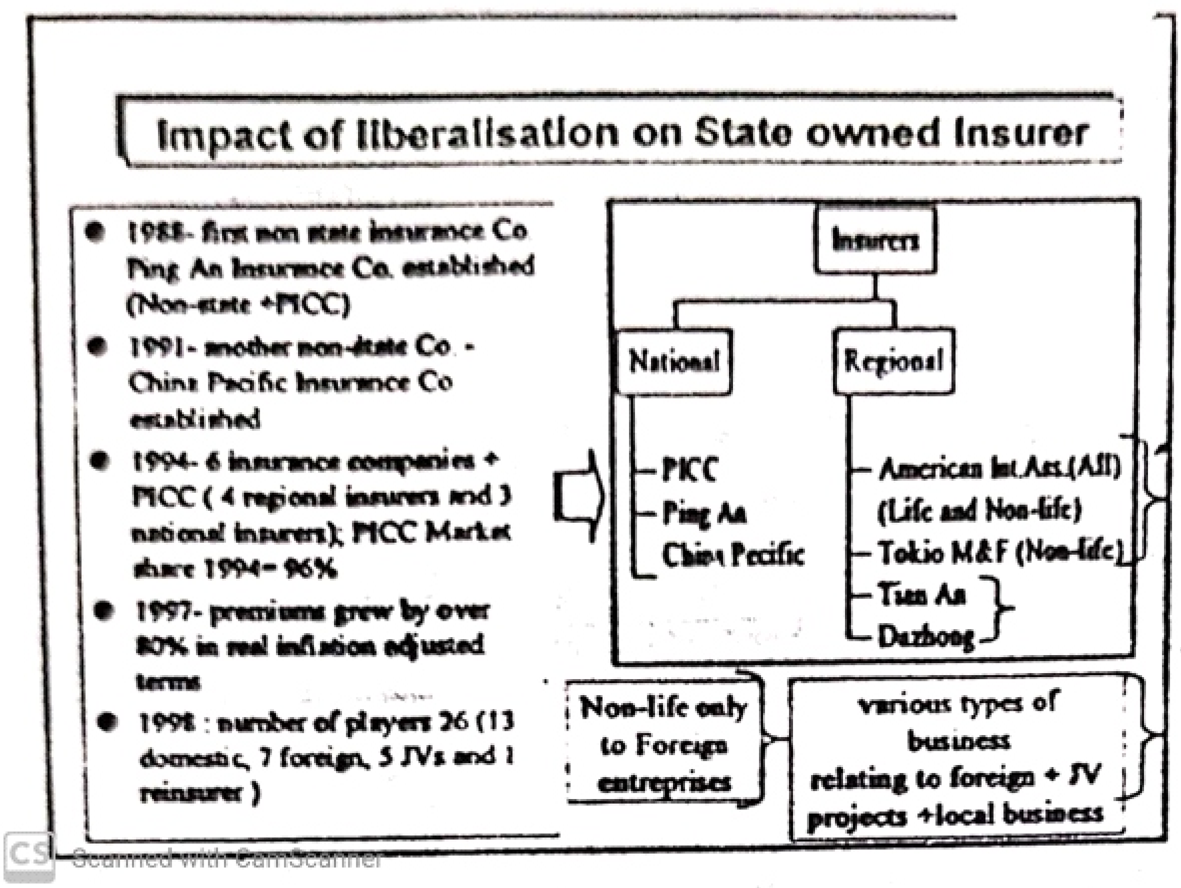
In terms of Financial / Technical parameters and performance test ratios. All the Indian Companies are comparable with select International Companies.

EMERGING SCENARIO CONSOLIDATION

Global Corporate World including Insurance Industry is witnessing mergers and requisitions :

to reap the benefits of economics of scale
to gain strength to meet the throat of competition.

M & A Activity Financial Services Transactions ($ millions)



MARKETING

Weaknesses

Customer segmentation and targeting capabilities weak.
Segmentwise customer dayabase, product turnover database not developed.
Few back to back packaged products addressing varied insurance needs of customers groups.
Non-existent financial Insurance products.
Agency commission structure unattractive.
High marketing cost - remuneration/perquisites/incentives to development staff and commission to agents.
No direct interaction with agency force.

MARKETING - Issues

Too many products? Out of 150+ products, few moving
Is product development market research led ?
How well is our marketing research cell functioning ? In terms of customer need identification and repackaging the non-moving products ?
Are we ready with strategies of target marketing? In terms of market segmenting, distribution channel appropriateness,
desired customer service levels ?
How to retrain the existing customer base?
Do we have product specific training modules and strategies for the marketing force?
How to rationalise agency commission structure?
How to restructure the marketing force?

MARKETING
Initiatives

Focussed publicity campaigns for brand/Image building.
Product repackaging to cater to specific needs - *Vidash Yatra Mitra, Office Package Policy, Office Umbrella, Industrial All Risk Policy.*
Subsidiaries advised to concentrate on R&D activities.
R&D Cells formed. Products being designed to cater to customer needs / response - *Office Protection Shield. Critical illness Policy, Cradia Care, Stockbroker' Policy etc.*
Attempts are being made at restructuring the Agency Commission Structure and designing an modal Agency.
Regulation for streaming the functions of agents.
Discussions initiated with IRA.

MARKETING

Initiatives

Goverment has been approached for amendment of Sec 42 of the Insurance Act to include Institutions and Cooperatives within the puriew of agency.

Health Insurance Identified as potentially good business and policy decision to Introduce 'Managed Idemnity' followed by full scale 'Managed Health Care' taken.

Plan to introduce long term saving linked personal line Insurance policies.

Information Technology

Strengths

- Staff and unions receptive to computerisation.
- Locally developed operating office software being rolled out in all offices.

Weaknesses

- Low level of service. oriented automation.
- lack of integration between automated systems
- Data warehousing and data mining capabilities not established
- Inadequate expertise to develop and support the IT system.
- Computer literacy low.
- Inter office connectivity not achieved.

Information Technology

Issues

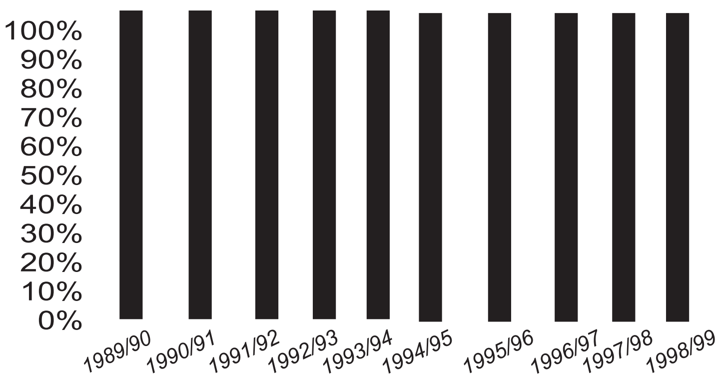
- Should the IT strategy be centrlly driven ?
- Will our IT systems be comparable to the state of the art technology of the new players ?
- What action needs to be taken to convert huge data bank avaliable with the industry into strategic tools ?
- Y2K readiness ?

Expenses of management Ratio (EOM)

- Section 40 C of the Insurance Act read with Rule 17 E of the Insurane Rules stipulates the expense ratio.
- Expenses of management ratio is defined as the ratio of expenses of management to Gross Premium Income written direct in India.
- Two component management expenses and commission which are in the nature of business procurement costs.
- Stipulated Expenses Ratio : 18.9% to 19.4% over the last 6 years (upto 1997 - 98).

Analysis of Expenses of Management

- > 70% of EOM relates to staff related non-variable expenses



HUMAN RESOURCES

Strengths

* Large pool of technical skilled manpower
* Experience and understanding of the market.

Weaknesses

* Over staffing
* Unionisation
* Mismatch between manpower requirement and availability across operating offices.
* Lack of reward and punishment system.
* Inadequately training Sales force.
* Conflict between the development personnel and administrative wing due to discrimination in perquisites.
* Lack of job definition at various levels and performance indicators.
* Promotions based on seniority not merit.
* High non-core manpower at 13%.
* Muilti-layered organisation.

HUMAN RESOURCES

Issues

* How to rationalise nanpower? Design exit policies ? Re-deploy excess staff in new business ventures e.g. banking, Managed Health Care, Corp Insurance ?
* How to define and measure performance and develop an adequate performance management system ?
* How to align promotion policies with the performance management system ?
* How to reform HR policies to ensure retention and growth of personnel ?
* Have we identified high performers and do we have any immediate plans for ensuring their retention in a competiive scenario ?

HUMAN RESOURCES

Initiatives

* Productivity linked wage structure - under negotiation.
* Check-off system to control multiplicity of unions.
* Choice to Class-III employees to opt for development / marketing function (Class - II).
* Proposal to reduce the number of hierarchical tiers from 7 to 4 in class I.
* Proposal to develop expertise in the areas of RI, actuarial science, security analysis, forex management, IT etc.

Organisation Structure : Issues
Option 1 - Merger of 4 Companies

Advantages

* Unhealthy competition in servicing large clients avoided.
* Reduction in duplication of efforts, less no. of offices. effective manpower utilisation - saving of management expenses.
* Combined financial resources/s strength human resources expenses.
* Combined risk bearing capacity and high risk retention through intra-group pooling.
* R&D strenthening.
* Forex outgo through reininsurance will be minimal.

Organisation Structure : Issues
Option 1 - Merger of 4 Companies

Advantages

* Diversification in new areas - health Insurance, retail banking with combined strength - advantageous position
* Redeployment of excess manpower is easier.
* Foreign operation - in better state of bargaining position in international market.
* will be better able to face competition from Banks Fi's
* By and large HR policies are same.
* Easier to meet cost and solvency norms.

Organisation Structure : Issues
Option 1 - Merger of 4 Companies

Challenges

* Person of top executives will have to be decided.
* Amendment of GIBNA will be required.
* Losing the Brand Images.
* Transaction problem associated with redeployment of personnel after merger, closures of offices, different practices prevailing in 4 companies.
* Career prospects of junior officers may be adversely affected due to reduction in cadre strength at higher levels.
* Promotion opportunities which are different in each subsidiary may be effected.

Option 2 - Each of the 4 subsidaries into independent company

Advantages

* Each company has own brand image, customer base & business operations.
* Transaction difficulties may be minimal.

Challenges

* Financial Strength will be adversely affected in regard to :

  bargaining strength in the international market.

  Cost and solvency standards.

  acceptance of large risk and retention capacity.

11.00 LOBBYING AGAINST THE NATIONALIZATION

- There was apprehension of the leaders of the Insurance Industry on the contemplation of the Government of India on Nationalisation.
- This led to extensive lobbying with the clout they wielded for becoming custodians of the New Company which extended to categorisation of the top personnel in the new company, plum postings, promotions and transfers.
- This demoralised the common employees who were inducted in the nationalised companies, as their interests were not protected, and they had to fend for themselves for their modest rights.
- Right from the beginning of the Nationalisation, some real Honest and hardworking personnel were ignored replaced by some immodest and continued further impeding the Companies in achieving the lofty goals intended to be attained.

Mathrani Committee: Government had appointed the Mathrani committee by a notification on 8th May 1972 to suggest categorisation of employees, organisation structure and wage standardisation. Recommendations were for four companies with General Insurance Corporation as the holding company.

GIEAIA was one of the staunch employees' unions to negotiate for the better than the best pay package for their employees. They could get the Index linked DA formulae and other benefits to the employees of general insurance.

12.00 HAS THE NATIONALIZATION SERVED IT'S PURPOSE?

Aims of Nationalization:

- To spread the General Insurance across length and breadth of the country.
- To introduce the innovative products in order to give coverage for risks of all nature not given before, like HUT Insurance, Cattle Insurance, Agricultural pump-set Insurance, JPA – Janata Personal Accident Policy, Poultry, Piggery, Fishing vessel, Sericulture, Horticulture and Floriculture and Crop Insurance etc.

- To bring about solutions and policies for the benefits of insuring common man.
- Through this, the common man was absolved from debt trap and their economic activities were not hindered at any cost.
- The four companies under the ownership of the General Insurance Corporation of India, **supported the Rural and Social Schemes such as the Integrated Rural Development Programme.**
- Universal Health Scheme for BPL families and other schemes were put in place by the Local and Central Governments through the Public Sector Banks, Co-operative banks and the NABARD.

13.00 TABLE SHOWING THE BENEFITS OF NATIONALIZATION.

Premium at the time of nationalization	Premium when Private Insurer Entered 31-03-1991	No.of Employees at the time of Nationalization	No.of employees as on 31-03-2022	No,of offices at the time of Nationalization	No.of offices as on 31-03-2022
Rs.19.5 Crs	9638.13 Crs	27000	52000	789	7546

At the time of nationalization there were 104 general insurance companies.

At the time when private insurer entered there were 4 PSUs viz. The National insurance Co. Ltd., The New India Assurance Co. Ltd., The Oriental Fire and General Insurance Co. Ltd. and The United India Insurance Co. Ltd.

The benefits of Integral Rural Development Programme (IRDP) with the support of the General insurance public sector insurance companies branches at all the district levels could augment the growth of public sector and Rural banks and support their various schemes.

14.00 SPREAD & EMPLOYMENT GENERATION

- To reach out to every section of the citizens, these PSGI Companies had spread their offices to all the Districts, Cities and Towns with the total number offices being increased TEN times from 750 Branches at the time of Nationalization to 4280 offices in 1998.
- The PSGI companies which were nationalized with 27000 employees, while increasing its presence to the interior parts of the country have

created jobs for many. PSGI reached its peak of 85193 in the year 1998. (And today they stand reduced to 43000.)

- This could become possible only because of its nature of Public Sector.
- This high rate of employment was generated with a mere Rs.19.5 Cr of initial investment in the year 1971.
- Only recently, nearly after Fifty years, additional capital to the tune of Rs.2500 Cr in the year 2019-20, Rs.9250 Cr in the year 2020-21 and Rs.5000 Cr in the year 2021-22 have been infused.
- The Paid-up capital was increased in tune with the IRDA Stipulations for the Primary insurers to be at Rs.100 Crore., This was out of the Profits earned by the PSUs, with no additional infusion from the Central Government which would have strengthened their Solvency.
- **Apart from direct employment, Agents, Brokers, Surveyors, Investigators, Third Party Administrators (TPAs) and Advocates around One lakh are indirectly engaged by the PSGI Companies, and they earn handsomely for their services**.
- The Four PSGI Companies engaging directly around 43000 employees are being least prioritised by the Government which is making all out attempt to privatise these companies as the first step of dis-investment.
- **The four PSGI companies have lifted socially and economically the backward classes and improved their standard of living by strictly following the Reservation Policy in their recruitment in the industry.**

15.00 SOCIAL RESPONSIBILITY

- These PSGI Companies cover the risk of Third Parties who become the victims of road accidents.
- All Motor Vehicle owners are to have compulsorily Third-Party Insurance Cover for their vehicles.
- The Third-Party Liabilities are with unlimited coverage. E.g., with a meagre premium starting from Rs.569/- for a two-wheeler, if the insured vehicle hits the pedestrian/s, these companies are compensating them in lacs depending upon the nature of the injury sustained, the medical expenses incurred towards hospitalisation, the mental agony suffered.
- In case of death unlimited compensation is provided to the family of the victim depending upon various factors.
- This is one of the most social friendly policy which intends to revamp the accident victims financially and keeping in mind the interest of society at large and the innocent common man in particular.

- **Except the General Insurance Industry, no organisation faces this type of challenge, which is utterly a loss-making business.**
- Everyone knows how the family will suffer financially if the bread winner meets with an accident and is dead or becomes permanently or partially disabled.

It is a well-known fact that private Insurers were reluctant to insure the Stand-alone Third-Party insurance, it was only on the directive from the IRDAI that they began to underwrite the same, whereas the PS Insurance companies were obliged to insure all the vehicles even when it was heavily loss-making business as social obligation.

16.00 INFRASTRUCTER DEVELOPMENTS:

- For any economy to grow the development of infrastructure plays an important role.
- To fund their schemes, like laying roads, housing scheme for the poor people, for generating electricity, rural electrification etc. Both States and the Centre always find it too difficult to augment the same.
- PSGI Companies with their limited resources have been funding these schemes although the returns on such investments are very very low.
- Following table shows the investments made by the four companies in these sectors as on 31st March 2020:

PSGI Company	Government Securities	Infrastructure & Social Sector	Total
	(in Crores)		
National Insurance Co. Ltd.	7821.96	1645.26	9467.22
New India Assurance Co. Ltd.	22853.19	6437.92	29291.11
Oriental Insurance Co. Ltd.	10466.29	3296.25	13762.54
United India Insurance Co. Ltd.	12578.66	5496.88	18075.54
Total	**53720.10**	**16876.31**	**70596.41**

There is tremendous scope for the growth of the insurance industry in India. The Density of insurance is still in double digit in Asian countries, and we are nowhere near the developed countries. Hence the existence of the public sector is a must seeing the population of 143 crores

17.00 DENSITY OF INSURANCE

The Public sector insurance companies tried to improve the Density of insured population by the following measures:

- Bringing about various General Insurance products at affordable rates
- By timely settlement of the claims.
- By implementing various schemes introduced by the Central Government viz.:

  a) Recouping the loss to the Farmers against the Natural Calamities through Prime Minister Fasal Bima Yojana (PMFBY).

  b) Compensating the Bank account holders against the permanent / partial disability occurred due to accident to him or his family. If death occurs Pradhan Mantri Suraksha Bima Yojana (PMSBY) provides the coverage of Rs.2 lakh with meagre premium of Rs.12/- p.a.

  c) Extending medical coverage for hospitalization through Rashtriya Swasthya Bima Yojana for the workers of the unorganised Sector, with a Sum insured of Rs. 30,000 floated over a family at mere Rs. 565/- per year,

  d) Pradhan Mantri Jan Arogya Yojana (PMJAY) provides medical benefits up to Rs.5 lakhs per family at the lowest rate of premium,

The ambitious scheme of NDA Government to cover up to 50 Cr of Indian population have ultimately achieved the aims and objects of the PSGI for which they were nationalized.

INTERNATIONAL COMPARISON OF INSURANCE DENSITY NON LIFE		
Countries	**2009**	**2021**
Australia	**1307.9**	**2195**
Brazil	**123.8**	**130**
France	**1289.4**	**1486**
Germany	**1518.7**	**1992**
Russia	**276.4**	**111**
South Africa	**163.9**	**154**
Switzerland	**2852.1**	**3744**
United Kingdom	**1051.2**	**1039**

United States	2107.3	6356
Asian Countries		
Bangladesh	1.3	Not Available
Hong Kong	417.5	1123
India	6.7	22
Japan	840.4	855
Malaysia	115	157
Pakistan	3.6	4
PR China	40	229
Singapore	645.6	1327
South Korea	709.7	1764
Sri Lanka	17.7	25
Taiwan	494.8	1032
Thailand	62.7	141
World	253.9	492
* Insurance density is measured as ratio of premium (in US Dollar) to total population.		

We are a densely populated country with the population of nearly 143 crores but not densely insured enough. In comparison to the developed countries, we are far behind and with the support of the governments schemes the insurance benefits could reach to the nook and corner of the country. This could be achieved only with the presence of PSEs.

18.00 PENETRATION OF INSURANCE

- The general Insurance Business has grown in spread and volume after nationalisation.
- The four companies (on 31st March 1993) had 3151 Branch Offices, 1124 Divisional Offices and 77Regional Offices spread all over the Country.
- Net Premium Income has grown from Rs. 222 Crore in 1973 to Rs. 3868 Crores in 1992-93.
- Investments had increased from Rs. 355 Crore in 1973 to Rs. 7328 Crore in 1992-93.

- GIC has been declaring dividend @ 25% for a number of years and has also issued bonus shares from time to time.
- Equity capital has increased from the original sum of Rs. 21.5 Crore to Rs.107.5 Crore in 1992-93

INTERNATIONAL COMPARISON OF INSURANCE PENETRATION NON LIFE		
Countries	**2009-10**	**2021-22**
Australia	**3.00**	**3.50**
Brazil	**1.50**	**1.70**
France	**3.10**	**3.40**
Germany	**3.70**	**3.90**
Russia	**2.50**	**0.90**
South Africa	**2.90**	**2.20**
Switzerland	**4.50**	**4.00**
United Kingdom	**3.00**	**2.20**
United States	**4.50**	**9.10**

INTERNATIONAL COMPARISON OF INSURANCE PENETRATION NON LIFE		
Asian Countries		
Bangladesh	**0.20**	**NA**
Hong Kong	**1.40**	**2.30**
India#	**0.60**	**1.00**
Japan	**2.10**	**2.20**
Malaysia	**1.60**	**1.40**
Pakistan	**0.40**	**0.20**
PR China	**1.10**	**1.90**
Singapore	**1.70**	**1.80**
South Korea	**3.90**	**5.20**
Sri Lanka	**0.90**	**0.60**
Taiwan	**3.00**	**3.20**
Thailand	**1.60**	**1.90**
World	**3.00**	**3.90**
Source: Swiss Re, Sigma various volumes		
*** Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars)**		

Insurance is still considered as luxury in the country like India. It is not

Purchased it must be sold. Hence the need for marketing strategy and the marketing force to sell it effectively.

19.00 MARKETING IN PSUs

- **Inspector/Development officer**:At the time of nationalisation there were 4270 personnel on field for the business development categorised as Inspectors, later on named as Development Officers. This number increased to 13205 as on 31-03-1993.
- **Agent:** Agency force was a major player in development of business but progressive lowering of commission rate payable and exclusion of certain categories of clients for payment of Agency Commission weakened this institution of Agents. .
- **Broker:** The Insurance Brokers represent the clients and are well versed with the different products in the Insurance Market available with different insurers with reference to the rates, terms and conditions. These brokers, on behalf of their clients, negotiate with the insurers and ensure the right insurance products suitable to the needs of the clients. They also assist in the event of claims so that both insurers and the insured have a fair deal.

Blunders committed by BCG & Price Water
Claim Hubs: - Recommended by the consultant (BCG & Price Water)
Disconnected our marketing men from their Insured public at the time when the insured public needed their presence the most.

20.00 THE PROCESS OF OPENING OF INSURANCE SECTOR TO PRIVATE COMPANIES.

MALHOTRA COMMITTEE (effect in liberalisation, privatisation & Globalisation)

- The process of opening of the sector had begun in the early 1990s and the last decade.
- Due to directive from the World Bank and the World Trade Organization, the then GOI, set up a commission to introduce reforms in the General Insurance Sector.
- In the year 1993 under the stewardship of Shri R. N. Malhotra Former Finance Secretary and RBI Governor was appointed to propose recommendations for reforms in the insurance sector.

- The objective was to complement the reforms initiated in the Insurance sector.
- The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry.
- They stated that foreign companies be allowed to enter by floating the Indian companies, preferably a joint venture with Indian partners.
- An Independent Survey by an organisation, MARG, was also conducted to assess the environment in preparation to liberalise the Insurance Sector in India
- The report there from being alluded to in the R. N. Malhotra Committee's Report submitted to the Government of India.

According to the successive governments the industries dominated by the Public Sector Enterprises are opened at the behest of the World Trade Organisations. They claim to bring in the private players for better service to the customers and to boost to the economy. Is it always so? Think over.

Committees' finding included the following important observations:

- Public awareness of the GIC and its subsidiaries was low,
- Two thirds of the claimants were satisfied with their last claim settlements.
- The Committee found that the General Insurance Companies fared **well** in regard to overall Service.

Though the insuring public welcomed the idea of allowing the Private entrants in the industry, they were however apprehensive mainly as regards to the safety of their money with new companies

A booklet published by GIEAIA "Reaction to Malhotra committee (23/02/1994)" on ill effects of the opening of the general insurance industry to the private sector was proof enough of what is happening now in the industry. The link to the book is provided hereunder. It is an eye opener.

21.00 RECOMMENDATIONS OF THE MALHOTRA COMMITTEE.

In the year 1994, the committee recommended 4 changes as under: -

a) Government stake in Insurance companies to be at 50%,
b) Government to take over the holdings of GIC & their subsidiaries so that they can act as independent corporations.
c) The Public Sector General Insurance Companies to be reorganised with respect to the Head Offices and the other offices spread over the country, resultant surplus staff due to intense automation, may then be redeployed to cater to the needs of the rural citizens.
d) Insurance Companies to be given greater freedom to operate.

There used to be Intercompany coordination committees (ICC) at the district and city and H. O. level of the GIPSA companies. They used to discuss the proposals which were common to the companies and used to finalize the terms of acceptance amongst them. This could avoid the unnecessary competition amongst the PSI companies.

22.00 INTER INSURANCE COMPANY COMPETITION:

a. Insurance Act to be suitably changed,
b. Insurance Regulatory Body to be set up,
c. Controller of Insurance should be an independent body,
d. Proper regulations be put in place even before new entrants are allowed, especially with respect to the rural insurance to allow level playing field to all the insurers.
e. Private companies with paid up capital of Rs.1 billion (minimum) to be permitted to enter the industry,
f. Foreign companies to be allowed to enter the industry in collaboration with the domestic companies.

23.00 INVESTMENT:

GIC & its subsidiaries not to hold more than 5% in any company.

24.00 CUSTOMER SERVICE.

Computerization of operations and updating of technology to be carried out in the insurance industry.

The committee emphasized that in order to improve the customer services and increase the coverage of insurance policies, industry should be opened up to competition. But at the same time, the committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry. Hence, it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs.100 crore.

GIEAIA had a MOU with GIC as early as 1986 for introduction of Microprocessors in the industry for better customer service. GIEAIA had requested then P.M. Shri Manmohan Singh for withdrawal of newly introduced 5% Service Tax on Insurance Premium.

25.00 EFFECTS OF MALHOTRA COMMITTEE'S REPORT

- Taking these recommendations as the need of the hour the Government opened the General Insurance to private players, though in the initial note the then Hon'ble Finance Minister, Shri Manmohan Singh, had specifically stated in his budget speech that the industry would be first opened for the Health Sector.
- IRDA was set up in the year 1999 as a Regulatory Body for Both General Insurance, Life Insurance Business and Reinsurance business.
- The first few Private Insurance companies, Iffco Tokio General Insurance Co. Ltd., Reliance General Insurance Co. Ltd. opened in the year 2000, followed by ICICI Lombard General Insurance Co. Ltd., Tata AIG General Insurance Co. Ltd., and a few more in the year 2001 and by 2007, 14 private insurance companies came into existence in addition to the 4 PSU Insurance companies.
- As on 31/03/2023 the total number of General insurance companies are 33

Being a very responsible employee's organisation the GIEAIA had published a book "One single monolithic corporation" on 2nd August 2012 and sounded the dangers of introduction of Private insurance

companies without providing the even playing field for the public sector to compete. Absence of which is now proving fatal to the General Insurance public sector companies.

26.00 APRIL 2000 IRDA WAS INCORPORATED AS A STATUTORY BODY

- Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry.
- The IRDA was incorporated as a statutory body in April, 2000.
- **The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market**.

The functions of the IRDAI are defined in Section 14 of the IRDAI Act, 1999,[1] and include:

- Issuing, renewing, modifying, withdrawing, suspending or cancelling Licences
- Protecting policyholder interests
- Specifying qualifications, the code of conduct and training for intermediaries and agents
- Specifying the code of conduct for surveyors and loss assessors
- Promoting efficiency in the conduct of insurance businesses
- Promoting and regulating professional organisations connected with the insurance and re-insurance industry.
- Levying fees and other charges
- Inspecting and investigating insurers, intermediaries and other relevant organisations
- Regulating rates, advantages, terms and conditions which may be offered by insurers not covered by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938)
- Specifying how books should be kept.
- Regulating company investment of funds
- Regulating a margin of solvency
- Adjudicating disputes between insurers and intermediaries or insurance intermediaries
- Supervising the Tariff Advisory Committee

- Specifying the percentage of premium income to finance schemes for promoting and regulating professional organisations
- Specifying the percentage of life- and general insurance business undertaken in the rural or social sector
- Specifying the form and the manner in which books of accounts shall be maintained, and statement of accounts shall be rendered by insurers and other insurer intermediaries.

Employees and their organisations had opposed the setting up of IRDA as it was felt that it would only facilitate the formation of new Private General Insurance Companies.

27.00 AUGUST 2000 IRDA OPENED UP THE MARKET

- The IRDA opened the insurance market in August 2000 for the private players with the invitation for application for registrations.
- Foreign companies were allowed the ownership of up to 26%.
- The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from the year 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

28.00 THE SUBSIDIARIES OF GIC WERE RESTRUCTURED

Vide notification dt.03/11/2000 under section 101-A (8) (II) GIC has been notified as India reinsurer. In December 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies.

Parliament passed a bill de-linking the four subsidiaries from GIC in July 2002.

The major cause of the failure of the PSEs in India can be attributed to be the regular interference of the bureaucrats in the day-to-day management of the companies.

29.00 CAUSE OF THE DOWNFALL OF THE PSUs.

- The interference of the Politicians, Ministers, and the Bureaucrats in the day-to-day work of the management demotivated the Officers.
- Defiance of such unrecorded pressure from outside the Public Sector General Insurance Companies resulted in Damage to the career and reputation of the officers including the CEOs.
- The discretionary decisions were avoided by the competent personnel for the fear of facing queries from CAG, CVC AND CBI, which could be embarrassing.
- This was compounded by the seniors targeting the juniors with the investigative mechanisms for personal dislikes.
- Private insurance companies came into existence in addition to the 4 PSU Insurance companies.

30.00 POSITION OF THE INDUSTRY BEFORE THE ENTRY OF THE PRIVATE SECTOR INSURER.

Number of Companies	Gross Premium	Profitability
4	9638.13 Crore	625.16 Crore

31.00 ILL EFFECTS OF OPENING THE SECTOR TO THE PRIVATE SECTOR ON THE PSUS.

- With the gradual opening of new private insurance companies, the experts in the field of Insurance was the need of these companies. They inducted Insurance personnel from the existing 4 PSU's leading to the loss of quality officers.
- Further, these private companies started to under quote premium, gave heavy discount on premium leading to PSUs losing key business to these private insurance companies.
- Further, due to the sustained pressure of the Private companies, IRDA, in the year 2006, announced that the Tariff Insurance products would be freed from tariff by 01/01/2007.

Table showing the effect of opening of Insurance Sector

GROSS DIRECT PREMIUM OF GENERAL AND HEALTH INSURERS (WITHIN AND OUTSIDE INDIA) IN CRORE		
Public Sector Insurers	2009-10	2021-22
National Insurance Co. Ltd.	4645.99	13,076.83
The New India Assurance Co. Ltd.	7099.14	35,515.93
The Oriental Insurance Co. Ltd.	4854.67	14,020.43
United India Insurance Co. Ltd.	5239.05	15,722.25
Public Sector Insurers Total	21838.85	78,335.45

GROSS DIRECT PREMIUM OF GENERAL AND HEALTH INSURERS (WITHIN AND OUTSIDE INDIA) IN CRORE		
Private Sector Insurers		
Acko General Insurance Ltd.	NA	988.21
Bajaj Allianz General Insurance Co. Ltd.	2482.33	13,688.59
Bharti AXA General Insurance Co. Ltd.#	310.82	NA
Cholamandalam MS General Insurance Co. Ltd.	784.85	4,824.12
Edelweiss General Insurance Co. Ltd.	NA	348.88
Future Generali India Insurance Co. Ltd.	376.61	4,137.98
Go Digit General Insurance Ltd.	NA	4,673.94
HDFC ERGO General Insurance Co. Ltd.^	NA	NA
HDFC ERGO General Insurance Co. Ltd.^^	915.40	13,497.55
ICICI Lombard General Insurance Co. Ltd.	3295.06	17,976.87
IFFCO Tokio General Insurance Co. Ltd.	1457.84	8,452.91
Kotak Mahindra General Insurance Co. Ltd.	NA	742.47
Liberty General Insurance Ltd.	NA	1,506.46
Magma HDI General Insurance Co. Ltd.	NA	1,757.17
Navi General Insurance Limited	NA	106.57
Raheja QBE General Insurance Co. Ltd.	1.32	375.83
Reliance General Insurance Co. Ltd.	1979.65	9,408.96
Royal Sundaram General Insurance Co. Ltd.	913.11	2,866.59
SBI General Insurance Co. Ltd.	NA	9,166.22
Shriram General Insurance Co. Ltd.	416.93	1,752.95
Tata AIG General Insurance Co. Ltd.	853.80	10,024.97

Universal Sompo General Insurance Co. Ltd.	189.28	3,456.12
Private Sector Insurers Total	13977.00	1,09,753.37

Specialized Insurers		
Agriculture Insurance Company of India Ltd.	1520.70	13,940.21
ECGC Ltd.	813.00	1,106.62
Specialized Insurers Total	2333.70	15,046.83

Stand-alone Health Insurers		
Aditya Birla Health insurance Co. Ltd.		1,726.67
Apollo Munich	114.66	
Care Health Insurance Ltd.		3,880.91
HDFC ERGO Health Insurance Co. Ltd.*	0.13	NA
ManipalCigna Health Insurance Co. Ltd.		986.18
Max Bupa		
Niva Bupa Health Insurance Co. Ltd.	961.65	2,809.97
Reliance Health Insurance Ltd.@		-0.02
Star Health & Allied Insurance Co. Ltd.		11,463.47
Stand-alone Health Insurers Total	1076.44	20,867.18

What could be viewed is that premium remained the same with the marginal growth in the overall business of the General Insurance. But the players sharing the cake went on increasing. There is a competition in grabbing the existing business by doling out the unsustainable benefits.

FINANCIAL HIGHLIGHTS FOR THE PERIOD ENDED 31.03.2023 (PROVISIONAL)							
							(All figures in Rs Cr)
Particulars	Net Premium	Gross Incurred Claims	Net Incurred Claims	Commission Net	Mgmt. Expenses	Other income/outgo (Revenue a/c)	Pure Underwriting results
Public Sector							
National Insurance Co Ltd	13,242.54	13,394.87	12,753.64	807.74	5,113.38	-1,422.33	-4,420.11
The New India Assurance Co Ltd	31,126.57	32,646.51	28,909.10	2,412.24	4,288.99	11.67	-5,377.61
The Oriental Insurance Co Ltd	14,338.64	16,378.20	14,859.11	946.33	5,138.94	-216.19	-7,477.20
United India Insurance Co Ltd	15,396.84	15,225.00	14,060.98	1,061.19	6,307.68	-	-6,285.56

FINANCIAL HIGHLIGHTS FOR THE PERIOD ENDED 31.03.2023 (PROVISIONAL)									
								(All figures in Rs Cr)	
Particulars	Investment Income allocated to Policyholders' fund	Operating Profit	Balance Investment Income after adjusting allocation to Policyholders' fund	Other Income/Outgo (P&L a/c)	Profit/ (Loss) After Tax	Net Incurred Claims/NEP (%)	Commission /NWP	Expenses of Mgmt. / NWP	Combined Ratio (IRDAI circular Ref: IRDA/F&I/CIR/F&A/231/ 10/2012)
Public Sector									
National Insurance Co Ltd	2,550.87	-1,869.24	267.86	-2,249.63	-3,850.60	99.4%	6.1%	38.6%	144.1%
The New India Assurance Co Ltd	7,475.12	2,097.51	2,966.68	-3,818.97	1,055.40	95.6%	7.7%	13.8%	117.1%
The Oriental Insurance Co Ltd	3,290.96	-4,186.24	-578.63	-191.36	-4,968.11	112.1%	6.6%	35.8%	154.6%
United India Insurance Co Ltd	5,870.47	-415.09	-	-2,414.23	-2,829.33	92.8%	6.9%	41.0%	140.7%

Particulars	No. of Employees	No.of Agents	No. of Offices	No.of Policies	No.of Point of Sale Personnel	FDI (Rs Cr)	Capital & Free Reserves (*)	Investments in infrastructure /Social Sectors (Rs Cr)
Public Sector								
National Insurance Co Ltd	8,630	60,823	882	1,06,40,753	8,390	-	9,375.00	5,164.99
The New India Assurance Co Ltd	12,816	1,11,339	1,915	2,99,64,687	1,917	-	18,505.51	10,375.69
The Oriental Insurance Co Ltd	8,284	49,354	1,306	68,75,447	11,005	-	4,620.00	2,229.89
United India Insurance Co Ltd	10,355	88,942	1,472	1,28,92,802	-	-	3,927.12	3,978.21

Source GIC Council Financial highlights Q4 2022-23

FORM NL-26 - SOLVENCY MARGIN (TABLE IB)					
TABLE - IB AVAILABLE SOLVENCY MARGIN AND SOLVENCY RATIO As at 31.03.2023					
(1)	(2)	(3)			
ITEM NO.	DESCRIPTION	AMOUNT	AMOUNT	AMOUNT	AMOUNT
	Company				
(A)	Policyholder's FUNDS				
	Available assets(as per Form IRDAI-GI-TA)	5304781	34,59,530	31,47,041	40,04,844
	Deduct:				
(B)	Current Liabilities as per BS	4754687	27,16,194	18,15,850	24,87,499
(C)	Provisions as per BS	0	8,25,911	7,06,175	7,10,599
(D)	Other Liabilities	600530	35,800	1,21,203	9,32,622
(E)	Excess in Policyholder's funds (A)-(B)-(C)-(D)	-50436	**-1,18,375**	5,03,813	**-1,25,876**
	Shareholder's FUNDS			-	
(F)	Available Assets	2170454	-	(5,53,253)	-
	Deduct:				
(G)	Other Liabilities	**446327**	-	4,03,586	-
(H)	Excess in Shareholder's funds (F-G)	1724127	**-**	(9,56,839)	-
(I)	Total ASM (E+H)	1673691	**-1,18,375**	(4,53,026)	**-1,25,876**
(J)	Total RSM	896448	**4,04,975**	4,69,792	**4,34,142**
(K)	SOLVENCY RATIO (Total ASM/ Total RSM)	**1.87**	**-0.29**	(0.96)	**-0.29**

Note: The above analysis has been done as per prescribed IRDAI Solvency Regulations as amended from time to time.

Table Showing Channel wise premium by various agencies.

Segment	Direct Business		Micro Insurance		Others		Total	
	2013-14	2021-22	2013-14	2021-22	2013-14	2021-22	2013-14	2021-22
Fire	2,477.05	5,698.48		0.02	44.44	22.83	7,407.10	21,547.90
Marine (Cargo)	564.8	701.6		-	4.4	4.29	2,027.53	3,141.40
Marine (Hull)	922.46	704.94		-	0.87	12.83	1,127.11	1,026.21
Aviation	320.76	514.73		-	1.48	36.18	447.64	852.16
Engineering	926.73	1,110.17		-	9.68	8.98	2,495.64	3,563.31
Motor Own Damage	2,984.06	1,302.93		0	86.91	1,514.66	17,768.02	27,172.69
Motor Third Party	2,612.50	2,771.18		0	87.94	3,492.89	15,873.40	43,260.76
Liability Insurance	268.06	736.62		-	2.68	4.67	1,253.47	4,050.18
Crop Insurance	1,067.58	14,588.24		20.04	3,419.58	12,507.44	4,610.75	29,465.29
Credit Insurance	1,330.24	1,041.68		-	0.18	-	1,429.32	1,492.31
Miscellaneous	886.77	835.49		0.03	16.29	15.99	3,501.58	4,625.66
Grand Total	**14,361.01**	**30,006.05**	-	**20.1**	**3,674.44**	**17,620.76**	**57,941.56**	**1,40,197.88**

32.00 CONSTRAINTS FOR THE PUBLIC SECTOR INSURANCE COMPANIES

Though the insurance sector was thrown open to private players and even the Tariffs were given a go by the public sector companies could not derive any

benefits out of it. Instead, there were various constraints which tied them down. Following are few of them.

33.00 CONSTRAINTS OF PSU - MOTOR THIRD PARTY PREMIUM

- To tide over the continuous losses suffered by the insurance companies and the public sector in particular in the Motor Insurance, efforts were made to introduce the hike in the third party insurance premiums.
- The Transport Cartel pressurized and stalled the move of increase in premium by going on nationwide strike against increase in the Motor Third-party from retrospective date.
- IRDA intervened and on 23/01/2007 freed the Insurance companies of Tariff retrospectively from 01/01/2007.
- The Policy wording to be de-tariffed with effect from 31/03/2008 was kept in abeyance.
- However, the 4 PSU's General Insurance companies were not able to take advantage of the de-tariffed regime, as they were always subject to three audits, Internal Audit, Statutory Audit, and Government Audit, which ensured that there would be no under cutting on the premium rates
- Level playing field which was ought to be established was absent putting the PSU at disadvantage.
- This began the steady outflow of business to Private Insurance Companies.

34.00 CONSTRAINTS OF PSU - RULE TWISTINGS - DISADVANTAGE PSUs

- In the period of 2010 to 2015, Private Insurance Companies indulged in rampant malpractices like issuing policy through foreign insurers directly
- One example being in Mumbai, Jewellers Block Policy which has fix rates depending on the classification of risk, was issued by one of the private Insurance companies directly to the Insured, with a very vital condition i.e., condition of average deleted, which acted as a great advantage to the Insured,
- Only when PSU General Insurance Companies took up the matter with IRDA, this wrong practice was stopped.
- But the damage was done, and the source of premium was loss to PSUs.
- Private Insurance companies had great advantage in arranging for new policies like Public Offering of Security Insurance, these covers were never

heard of wherein the policy is issued to cover any wrong/non-disclosure of Company/Director details at the time of initial public offer of share/debentures, as they had Foreign Insurance Company as their promoters who had the expertise in such type of covers.

- Private Insurers started the concept of issuing Package policy under which they would club different covers to suit the Insured's requirement.
- Private Insurance companies brought product innovation which they were officially not permitted to.

35.00 CONSTRAINTS OF PSU - DISADVANTAGE TO PSUS CONTINUED

- Working with the four Tier Structure in the PSU General Insurance Companies i.e., Head Office, Regional Office & Divisional Office and Branch office, prompt decision is often delayed.
- Particularly in mega projects, where the Probable Maximum Loss was Huge and beyond the retention of the Public Sector Companies they had to seek Reinsurance Protection,
- The delay in obtaining the required protection often led to delayed reply to the Insured,
- The advantage was taken by Private Sectors and PSU lost Insurance of the Mega Projects.
- In the year 2014 IRDA was renamed as IRDAI but with no major positive impact in the working of the PSU GIC.

- During the period 2010 to 2020 there was noticeable intervention by the GOI in the postings of the top executives of the PSU GIC companies.
- This led to an unviable working atmosphere,
- There were huge inter-company transfers of executives with the implementation of Transfer and Mobility policy.
- This policy has helped in hastening the deterioration in the working of the PSU GIC companies. With the implementation of this policy, the specialization that was required for Underwriting of Insurance policies or timely handling of complicated claims was totally lost.
- Further, the setting up of Third-Party Administrators for handling Health Claims in the name of Service led to huge losses to the Public Sector Insurance, due to connivance of the Hospital and TPA's.

36.00 CONSTRAINTS OF PSU - DIAGNOSING THE PSUS AGAIN AND AGAIN FOR WRONG REASONS

- During this period consultants like Boston Consulting Group and Price Waterhouse Coopers were appointed by the PSU GIC companies at a huge fee, the benefit of which could not be achieved.
- The main recommendation was not disclosed by the Management and a few superficial changes, in the name of Re-engineering, were made in the structure of working like setting up of Centralized Claim Service Centres, with the nomenclature of Verticals, resulting in the big disadvantage of underwriting offices losing both controls over the settlement of Claims and contact with their clients.
- Large Clients and Brokers verticals (coming under direct control of Head Office, with financial powers of the Regional Offices) had to practically compete with the Divisional and Regional Offices within the same company to prop up their performances,
- This was taken advantage of especially by the Insurance Brokers in the industry.

37.00 CONSTRAINTS OF PSU - LATE ACCEPTANCE OF TECHNOLOGY

- The four Public Sector companies were late in adopting the Modern means of technology in the industry for the betterment of their performance,
- The private insurance companies started their business with the adoption of all the latest technology, which was of a great advantage to them in maintaining statistics and speedy issue of policies.

38.00 CONSTRAINTS OF PSU – INTERCOMPANY COMPETITION

- Instead of working in conjunction with each other the four Public Sector companies competed amongst them leading to huge rate cutting in the premium.
- This ultimately led to the overall Reduced/Negative income of premium.

39.00 THE EMPLOYEE'S PERCEPTION

The employees and the ex-employees do have a feeling that the general insurance business is such that if managed properly could never go in loss. It is for the interference of the government that the companies were mismanaged due to various decisions in the garb of introduction of private sector or to have healthy competition. This ultimately weakened them and now all sorts of medication are being suggested for them to die a natural death.

Before nationalization there were 104 companies doing general insurance business in India. It is said that almost all of them were doing choosy business and making profits. Some of them were good pay masters for their employees too.

40.00 GOVERNMENTS AT CENTRE AND THEIR POLICIES FOR GENERAL INSURANCE

- In spite of all the welfare measures for the common man, the Governments at the Centre continued their Neo-Liberalization policy under the patronage of Late Prime Minister Sri. Narasimha Rao, to privatise this Society Servicing Industry.
- The powerful Trade Union movement of the industry and with able support of Left Parties, and political exigencies the move of the Government was put to halt for a decade.
- However, in the year 2000, then BJP Government headed by Late. Prime Minister Atal Bihari Vajpayee opened up the Insurance Industry to Private Players with 26% FDI.
- However, Mr. Atal Bihari Vajpayee Government which privatised the insurance industry once again in the year 1990 took a decision in favour of Private Players.
- The joint secretary of Banking and Insurance directed GIPSA companies to offer SVRS to employees disregarding internal compulsions as management expenses were to be brought down. This SVRS has affected PSUs as the experienced, loyal and highly qualified employees were lured to take SVRS. They were immediately picked up by private sector. The general rule of ‘cooling period’ was also relaxed in this case to benefit the private sector . to facilitate the private players
- **There was huge exodus and brain drain in these companies and ultimately benefited the private insurance players as they were re-employed by them.**

The Special VRS proved fatal to the public sector insurance companies as they lost a good number of experienced and loyal employees. Some of

the middle management officers joined the private players with the shifting of the cream business to them. There was void created in the industry as very well experienced and trained staff was not available. This was the advantage to the Private Insurance companies.

Table showing the effect of SVRS given to Development Officer in the year 2003.

Company	Premium in Lakh		Growth in premium Over Previous Year	Growth over Previous year in Percentage
	2003-04	**2004-04**		
Bajaj	28641.00	47929.00		
Bharti Axa/Cholamandalam	4832.00	8947.00		
Future Generali/HDFC Ergo	8867.00	13425.00		
ICICI	12981.00	32089.00		
IFFCO	13334.00	23476.00		
Raheja QBE/Reliance	3454.00	6196.00		
Shriram/Royal Sundaram	15630.00	20162.00		
TATA AIG/Universal Sompo	18864.00	25977.00		
Private	**106603.00**	**178201.00**	**71598.00**	**67.16%**
PSU	**1032800.00**	**1111795.00**	**78995.00**	**7.65%**

- Then UPA Government introduced Insurance Laws (Amendment) Bill, 2008 in the Parliament on 22nd December 2008.
- Same was referred to the Parliament Standing Committee on Finance for examination and submission of their Report.
- The Parliament Standing Committee submitted its Report on 13th December 2011 which was not taken up for consideration and was referred to Select Committee of the Rajya Sabha by NDA Govt.
- The Committee submitted its report on 10th December 2014 ~~and~~

GIEAIA advanced its views and conveyed the same with personal evidence before the Committee.

During Budget Session of 2015, Parliament witnessed stiff opposition for back door adoption of the Law and the employees to exhibit their anger, continuously carried various program of actions including a Day Strike which forced the Government to withdraw its ordinance.

- As NDA Government failed to garner maximum number of members' support for the Bill in the Rajya Sabha, had chosen a back door method and notified the Insurance Laws (Amendment) Ordinance, 2014 vie Ordinance No.8 of 2014 dt.26th December 2014.
- However, it was re-introduced, and the Government garnered required support from Congress and successfully amended the Insurance Laws for which Honourable President gave his assent on 20th March 2015
- It was gazetted vide No.5 of 2015 dt.23rd March 2015 through which the cap on FDI stands increased from 26% to 49%.
- Foreign Re-insurers permitted to open their branches in India and allowed 100%. FDI in Re-insurance.
- Relaxed the rules for multi-Nationals to open Broker Firms etc. In the name of increasing their business in Rural & Social Sectors and to maintain their solvency,
- NDA Government amended the General Insurance Business Nationalization Act, 1972 (GIBNA Act, 1972) and opened up the gate for dis-investment of PSGI Companies' shares up to 49%.
- The Government explained - the reason for increase in FDI cap to 49% will facilitate the private players to bring in more foreign capital and will take their offices to the doorsteps of Rural Mass.
- In the budget placed before the Parliament on 1st February 2021, FM announced the Private Gen. Insurers' Shares held by Indian Promoter/s Shares held by the Foreign Partner/s as follows:
-

Private General Insurance	**Shares held by Indian Promoter/ s**				**Shares held by Foreign Partner / s**			
	2014-15		**2019-20**		**2014-15**		**2019-20**	
	%	Cr	%	Cr	%	Cr	%	Cr

ICICI-Lombard	72.97	325.88	76.50	347.68	25.64	114.50	23.50	106.79
Bajaj Allianz	74.00	81.57	74.00	81.57	26.00	28.66	26.00	28.66
HDFC ERGO	100	662.00	51.77	313.64	-	-	48.23	292.20
IFFCO Tokio	74.00	199.30	51.00	139.85	26.00	70.02	49.00	134.37
Tata AIG	74.00	373.70	74.00	735.90	26.00	131.30	26.00	258.56
Reliance Gen	100	122.77	100	251.55	-	-	-	-
SBI Gen	74.00	150.22	88.36	190.41	26.00	52.78	11.64	25.09
Cholamandalam MS	74.00	221.12	60.00	179.28	26.00	77.69	40.00	119.52
Future Generali	74.50	528.95	74.49	674.02	25.50	181.05	25.51	230.78
Royal Sundaram	74.00	233.10	60.00	269.40	26.00	81.90	40.00	176.60
Bharati AXA	77.78	963.41	51.00	1023.05	22.22	275.26	49.00	982.93
Shriram Gen	100	258.09	77.08	199.76	-	-	22.92	59.40

In this digital era though policies are issued online, opening of branches at Rural areas is very much essential to penetrate as well for the customers to redress their grievances. As shown in the table below despite FDI increase from 26% to 49%, the private players have not opened any branches in rural areas.

Private General Insurance	**No. of Offices**			
	2015-16		**2019-20**	
	Total	in Rural	Total	in Rural
ICICI Lombardo	257	Nil	273	Nil
Bajaj Allianz	214	Nil	185	Nil
HDFC ERGO	107	Nil	129	Nil
IFFCO TOKIO	82	Nil	337	Nil
Tata AIF	103	Nil	192	Nil
Reliance General	127	Nil	136	Nil
SBI General	NA	Nil	122	1
Chola MS	116	Nil	135	Nil
Future Generali GI	138	Nil	126	Nil
Royal Sundaram	116	Nil	156	Nil
Bharti AXA	87	Nil	152	Nil

- Out of 11 major Private General Companies, only THREE have opened their offices in Rural Areas, that too hardly FIFTEEN such offices.

- Whereas, long before, Four PSGI Companies have opened up their offices in remotest unrepresented areas, there were 4350 offices of PSGI Companies in the year 2001-02.
- It increased to 7546 in the year 2019-20 with 50% of the offices in Rural, Semi-urban and small towns.

Due to unhealthy practices of private players, the market share of PSGI Companies has steadily reduced from 100% to less than 50%. To restore the glory of Public Sector, GIEAIA continuously placed its demand to merge all PSGI Companies into single unit. Along with the Budget proposal for 2018-19, Late Sri Arun Jaitley, ex-FM placed the proposal on 1st February 2018 for merger of three PSGI Companies viz., National Insurance, Oriental Insurance and United India Insurance as a Single Entity and to list their shares in various Stock Exchanges aiming dis-investment. It's a mystery that no one knows what happened to this proposal which would have served the interest of all.

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41.00 THE PROCESS OF MERGER MOVED IN SNAIL'S SPEED:

A) It took a long time for obtaining opinion of consultant viz., Ernest & Young who gave its recommendation for merger

B) Delay to bring about suitable amendment in GIBNA Act, 1972 which took place during budget session of 2020 and

C) Finally, delay in adoption of resolution by three PSGI companies in their Board.

- More the delay, more apprehension in the minds of Insuring Customers which resulted in huge reduction in combined market share of these companies from 30.10% as on 1st February 2018 (the day of merger was announced) to 24.49% as on 31st March 2020.
- After completing all these base works, suddenly as a rude shock to everyone, the Government decided to place its budget proposal of merger in the cold storage.
- Such uncertain moves of the government demoralised the public sector out of which private companies benefited most in procuring business.
- One could easily conclude that it was an act of encouragement to private players by subverting the financially strong PSUs.

Government created uncertainties by planning to merge 3 PSUs. Clients lost faith and left for private sector

42.00 MORE CONFUSION FROM GOVERNMENT

- Adding fuel to the fire, FM in part of Budget placed on 1st February 2021 on the floor of Parliament the "New Public Sector Enterprise (PSE) Policy for Atmanirbhar Bhart" classifying the Public Sector Commercial Enterprises as Strategic and Non-Strategic Sectors and accordingly classified Banking, Insurance and Financial Services as Strategic Sectors.
- Under this policy bare minimum number will be retained as PSE and others will either be privatised, merged or be closed down.
- Further she said "the Government intent to raise Rs.1.75 lakh Cr funds through dis-investing the stake of the Government or strategic sales of PSEs."
- Out of this, they propose to raise Rs.1 lakh crore by privatising TWO Public Sector Banks and ONE Public Sector General Insurance Industry and the names of them will be announced soon.
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Against this decision, all Employees and Officers had struck the work for ONE HOUR, TWO HOURS and ONE DAY on 3rd, 24th February and 17th March 2021 as a mark of protest and planned for a Day Strike in the month of March'21. The Employees and Officers were firm in their decision to fight out this wrong decision of the Government which, instead of strengthening the PSUs which contributed immensely to save the country's economy during 2008 world-wide recession, planning to sell them out right, to offset the deficit in the budget.

43.00 FURTHER:

- Hon'ble FM introduced in the Lok Sabha, the GIBNA Act, 1972 Amendment Bill 2021.
- On 27th July 2021 the bill was introduced where she stated that following are the aims of amendment, and it is not for privatisation:
  - to give greater private participation in the PSGI Companies
  - to enhance insurance penetration and social protection.
  - to better secure the interests of policy holders and
  - to contribute to faster growth of the economy.

- The Bill was passed on 2nd August 2021 without much discussion in the Lok Sabha.

The entire PSGI Employees went on strike on 4th August 2021 as a declaration of objection and public manifestation of protest.

44.00 OUR CASE (SOME QUERRIES)

- In spite of our united protest, the Government has exhibited its adamant attitude by listing the Bill on Amendments to GIBNA Act which came up for discussion in Rajya Sabha on 9th, postponed to 10th and at the far end of the session on 11th August 2021 FM introduced and moved Bill on Amendments to GIBNA Act, 1972 and passed the same without discussion.
- If the Government believes the reasons are strong enough to privatise the PSGI Companies, why they refused to refer the same to either Standing Committee of Lok Sabha or Select Committee of Rajya Sabha to ascertain the views of all stake holders including the public?
- If the amendments are not intended for privatisation as claimed by FM, what is the necessity to delete Section 10B of GIBNA Act - to remove the requirement that the Central Government holds not less than 51% of the equity capital in a specific insurer?

Why mis-leading information was given to the august house about the performance and contributions of PSGI Companies when their performances are otherwise as follows:

- GDPI of four PSGI Companies has increased from Rs.12,622.60 Cr in 2002-03 @ 5.69 times to Rs.71,825.68 Cr in 20020-21 despite unhealthy practices of 21 private players.
- The above premium is procured by them in spite of the reduction in staff strength drastically from -83527- to around -52000- between 2002-03 and 2020-21.
- One of the reasons for Nationalization was to reach out the common man which could be achieved through their office outlets which was 789 in the year 1971 and 4350 in 2002- 03 increased to 7344 in the year 2020-21, out of which 311 are in Rural Areas. Whereas 21 Private Players have

2749 offices with hardly 47 Rural Branches. Who will penetrate better and reach out to remote places?

- Total amounts of Rs.55,565.29 Cr paid by 4 PSGI Cos in 2020-21 towards claim settlements.
- Under various health policies, in the financial year 2020-21, Rs.27425.57 Cr of claim amount settled and paid by the four PSGI Companies against the premium of Rs.28193.96 Cr.
- In the last financial year of 2020-21 four PSGI Companies settled Crop claim to the tune of Rs.8197.66 Cr against the procured premium of Rs.4794.16 Cr. This benefitted the farmers facing the calamity.
- Their total investment in Government and Infrastructure Schemes is Rs.1.51 lakh Cr in 2020-21.
- They issued various types of 6.44 Cr policies in 2020-21 covering around 50 crore Insured public.
- More than 150 policies for different type of risks covering common man, MSMEs, Farmers, Big Industrialists are issued by 4 PSGI Companies including Tailor made policies and private players have only renamed and issued the same.
- PMSBY a welfare scheme is ably implemented by PSGI Companies.
- Social Justice rendered through reservation on recruitment only by PSUs and not by the Private players for which the Government said they are committed to provide the same and carried out 127th Amendment to Constitution on the same day, 11th August 2021.

Whilst the Private sector is set to strengthen its roots in the industry, Pensioners feel with heavy heart that public sector companies with the glorious past should not be allowed to die. There should exist at least a strong public sector General Insurance company to remind us of our past mistakes and be the model for the industry.

45.00 Table showing growth of premium Class wise from time of opening of General Insurance Industry

Classwise General Insurance Business in Crore

Classwise	2013-14	2021-22
Fire	7,407.10	21,547.90
Marine (Cargo)	2,027.53	3,141.40
Marine (Hull)	1,127.11	1,026.21
Aviation	447.64	852.16
Engineering	2,495.64	3,563.31
Motor Own Damage	17,768.02	27,172.69
Motor Third Party	15,873.40	43,260.76
Liability Insurance	1,253.47	4,050.18
Crop Insurance	4,610.75	29,465.29
Credit Insurance	1,429.32	1,492.31
Miscellaneous	3,501.58	4,625.66
Grand Total	**57,941.56**	**1,40,197.88**

46.00 <u>WHAT IS THE REMEDY FOR PSU</u>:

The present scenario can be described as follows

A) Threat to survival of the industry.

B) Threat to job security of the personnel.

C) Steps to be taken by industry and the government to meet the challenges.

D) How an individual in the industry has to evolve inwardly and outwardly.

Therefore, following steps may be taken for preventing further deterioration:

- The public sector non-life industry`s survival is at stake.
- As an employee, the company should seek opinion from them on matters related to improvement in service,
- Questionnaires can be distributed, and answers obtained should be scrutinised for betterment of the company by a panel of senior designated employees of the company and not the outsiders, as outsider may not appreciate intricacies of the industry.
- An analysis of the reasons for gradual and systematic degeneration of services to the insuring public in general insurance industry is necessary.
- Safeguard against same maladies to avoid repetition.
- To make it abundantly clear that sitting on the file or adopting delaying tactics will be detrimental to our Company.
- Make it widely known that delay or hesitating in using discretionary powers for decision making will be seriously viewed.
- Professionalism and merit ought to be rewarded on time.
- Placement of adequately qualified and experienced employees at appropriate places.
- Officers facing CBI, Vigilance, CAG enquiries should be assured of support if found honest in applying discretionary power.
- Interference must be stopped of politician, autocrats, government, ministers in the issues of prerogatives of the management. This demotivates the officers further.
- Chief executives were appointed for two and three years, extension of their services is at the mercy of Government and Bureaucrats. Therefore, they had to remain in good books of the individuals who matters.
- Chief must be appointed for five years terms and his efficiency and effectiveness ought to be scrutinised periodically.

The renewal file of the term of a CMD of The UNITED INDIA INSURANCE CO. LTD. was kept pending at the PMO office because the CMD had not approved a non-payable claim of Hyderabad studio. This became a political turmoil in Andhra Pradesh Assembly also. Appointment of CMD was subsequently cleared after months.

47.00 REMIDIAL MEASURES TO REVIVE THE PUBLIC SECTOR: ROADMAP FOR TURN AROUND.

- Adapt “employee first attitude”.
- Be transparent in your dealings. It applies more to management and government.

- Rationalize the office in consultation with employee representative-TUs.
- Train, train, and retrain the employees.
- Use advanced technology in the activities of the company.
- Develop consistent corporate policies.
- Put in place risk assessment prior to underwriting to ensure quality underwriting.
- Put in place a mechanism to check business pilferage.
- Use more and more social media channels for distribution of insurance products and to disseminate the insurance awareness.
- Establish R&D in PSGI companies and use the findings for the benefit of the Company.
- Innovate more and more marketable insurance products.
- Hasten the process of claim settlement by visiting the site of claim and by adapting new technologies.

48.00 INVESTMENT IN INFRASTRUCTURE AND SOCIAL SECTOR BY PSU

PSGI Company	Government Securities	Infrastructure & Social Sector	Total
	(in Crores)		
National Insurance Co. Ltd.	7821.96	1645.26	9467.22
New India Assurance Co. Ltd.	22853.19	6437.92	29291.11
Oriental Insurance Co. Ltd.	10466.29	3296.25	13762.54
United India Insurance Co. Ltd.	12578.66	5496.88	18075.54
Total	**53720.10**	**16876.31**	**70596.41**

49.00. THE TABLE INDICATING THE FINANCIAL POSITION OF THE PSUS/PRIVATE INSURERS AS ON 31/03/2023

General Insurers	Premium	Claims Paid	Insurred Claim Ratio	Solvancy Margin
Public Sector	**Amount in Crores**			
National Insurance Co Ltd	15,838.34	12,753.64	84.6%	-0.29%
The New India Assurance Co Ltd	38,791.48	28,909.10	84.2%	1.87%
The Oriental Insurance Co Ltd	16,683.53	14,859.11	98.2%	-0.96%
United India Insurance Co Ltd	17,914.32	14,060.98	85.0%	-0.29%
Private Sector				
Acko General Insurance Ltd	1,509.41	706.61	67.5%	2.75%
Bajaj Allianz General Insurance Co Ltd	15,486.93	5,846.96	60.9%	391.00%
Cholamandalam MS General Insurance Co Ltd	6,200.37	2,863.09	57.5%	2.01%
Future Generali India Insurance Co Ltd	4,626.80	1,805.34	58.6%	2.10%
Go Digit General Insurance Ltd	7,242.99	3,471.39	56.6%	1.78%
HDFC Ergo General Insurance Co Ltd	16,873.14	6,422.95	65.9%	1.81%
ICICI Lombard General Insurance Co Ltd	21,771.83	10,725.65	59.8%	2.53%
IFFCO-Tokio General Insurance Co Ltd	10,044.07	5,697.42	77.6%	1.72%
Kotak Mahindra General Insurance Co Ltd	1,148.30	473.82	59.8%	1.83%
Liberty General Insurance Co. Ltd	1,984.86	1,113.43	60.7%	2.05%
Magma HDI General Insurance Co Ltd	2,588.29	1,114.10	52.3%	2.10%
Navi General Insurance Co. Ltd	72.40	76.80	126.3%	2.88%
Raheja QBE General Insurance Co Ltd	396.03	281.68	83.3%	2.03%
Reliance General Insurance Co Ltd	10,489.23	4,649.26	62.4%	1.57%
Royal Sundaram General Insurance Co Ltd	3,517.24	1,878.62	65.6%	2.27%
SBI General Insurance Co Ltd	10,888.44	3,844.88	64.9%	1.72%
Shriram General Insurance Co Ltd	2,285.00	1,228.42	58.0%	4.91%
Tata AIG General Insurance Co Ltd	13,448.30	6,059.00	62.6%	1.94%
Universal Sompo General Insurance Co Ltd	4,169.16	1,689.77	63.3%	1.73%
Zuno General Insurance Limited	551.74	252.39	62.2%	1.80%

50.00 WORDS OF WISDOM FROM THE SENIORS WHO BRAVELY FOUGHT THE POWERS FOR THE WELLBEING OF THE INDUSTRY.

Following were the suggestion of Mr. Bhattacharya, Ex. General Manager United India to improve the working of the Nationalised General Insurance companies: -

One monolithic corporation will have the following advantages:

a. Unnecessary multiplication of all resources will come down.
b. Unhealthy competition between PSU companies will no longer exist.

c. Human resource will be properly utilised because of wide choice available.
d. There are two, three and even four offices at one place/Bldg. this could be avoided saving lot of expenses.
e. Better bargaining power with foreign insurers will be available with this merger.
f. Investment portfolio being large there will be better spread and optimum return.
g. There will be definite reduction on travelling expenses etc. There will be definite gradual reduction in procurement expenses.
h. This corporation can ensure prompt, efficient services to the customers as against divided attention as exist today.
i. The will and determination of the Man in the industry backed by the support of authorities will certainly produce better results.

Mr. G C Bhattacharya was the General Manager of United India earlier, a highly qualified, experienced and with impeccable integrity. He proved his qualities by bringing United India near number one Company. He was suddenly transferred to National Insurance Co. at Kolkata. The reason being he was not obliging the verbal unlawful instructions of the authorities. Such an officer was given charge sheet. He took the matter to the high court. The Divisional Bench passed strictures against authorities calling the actions as mala fide and malicious.

51.00 PRESENCE OF GENERAL INSURANCE COMPANIES AS ON DATE

- As on 31/03/2022, there are 34 General Insurance companies including the ECGC and Agriculture Insurance Corporation of India.
- There are 24 life insurance companies operating in the country. The insurance sector is a colossal one and is growing at a speed of 15-20%.
- Together with banking services, insurance services add about 7% to the country's GDP.
- A well-developed and evolved insurance sector is a boon for economic development as it provides long- term funds for infrastructure development at the same time strengthening the risk-taking ability of the country.

(Source: Ref. No: IRDA/GEN/06/2007 | Published Date:12/05/2021)

EQUITY SHARE CAPITAL OF GENERAL AND HEALTH INSURERS		
(As on 31st March)		
S.No.	**Insurer**	**2022**
	Public Sector Insurers	
1	National Insurance Co. Ltd.	9,375.00
2	The New India Assurance Co. Ltd.	824.00
3	The Oriental Insurance Co. Ltd.	4,620.00
4	United India Insurance Co. Ltd.	3,905.00
	Public Sector Insurers Total	**18,724.00**

EQUITY SHARE CAPITAL OF GENERAL AND HEALTH INSURERS		
(As on 31st March)		
S.No.	**Insurer**	**2022**
	Private Sector Insurers	
5	Acko General Insurance Ltd.	1,146.00
6	Bajaj Allianz General Insurance Co. Ltd.	110.23
7	Bharti AXA General Insurance Co. Ltd.#	-
8	Cholamandalam MS General Insurance Co. Ltd.	298.81
9	Edelweiss General Insurance Co. Ltd.	513.00
10	Future Generali India Insurance Co. Ltd.	904.80
11	Go Digit General Insurance Ltd.	859.01
12	HDFC ERGO General Insurance Co. Ltd.^	--
	HDFC ERGO General Insurance Co. Ltd.^^	712.78
13	ICICI Lombard General Insurance Co. Ltd.	490.89
14	IFFCO Tokio General Insurance Co. Ltd.	280.25
15	Kotak Mahindra General Insurance Co. Ltd.	455.00
16	Liberty General Insurance Ltd.	1,086.23
17	Magma HDI General Insurance Co. Ltd.	154.71
18	Navi General Insurance Limited	495.79
19	Raheja QBE General Insurance Co. Ltd.	296.04
20	Reliance General Insurance Co. Ltd.	251.81
21	Royal Sundaram General Insurance Co. Ltd.	449.00
22	SBI General Insurance Co. Ltd.	215.62
23	Shriram General Insurance Co. Ltd.	259.16
24	Tata AIG General Insurance Co. Ltd.	994.46
25	Universal Sompo General Insurance Co. Ltd.	368.18
	Private Sector Insurers Total	**10,341.76**

EQUITY SHARE CAPITAL OF GENERAL AND HEALTH INSURERS		
(As on 31st March)		
S.No.	**Insurer**	**2022**
	Stand-alone Health Insurers	
28	Aditya Birla Health insurance Co. Ltd.	435.12
29	Care Health Insurance Ltd.	908.57
30	HDFC ERGO Health Insurance Co. Ltd.*	-
31	ManipalCigna Health Insurance Co. Ltd.	1,117.62
32	Niva Bupa Health Insurance Co. Ltd.	1,408.60
33	Reliance Health Insurance Ltd.	193.90
34	Star Health & Allied Insurance Co. Ltd.	575.52
	Stand-alone Health Insurers Total	**4,639.33**
	Grand Total	**37,855.09**

EQUITY SHARE CAPITAL OF GENERAL AND HEALTH INSURERS		
(As on 31st March)		
S.No.	**Insurer**	**2022**
	Specialized Insurers	
26	Agriculture Insurance Company of India Ltd.	200.00
27	ECGC Ltd.	3,950.00
	Specialized Insurers Total	**4,150.00**

General insurance vis a vis Life insurance corporation of India.

How LIC of India could sustain the onslaught of Private players?

In the first place we need to understand the difference between the two business. Basically, the Life insurance policies are a long-term contract. The claims do not happen during every year in the policy. Usually, the policyholder keeps on paying the premium during his lifetime or certain period and would receive the benefit once only. During this period, he has no option to change the insurer. Moreover, it being long term contracts the insured opts for the sovereign security instead of going to private sector. Hence LIC doesn't have to

lose their existing business. The Private players must start with fresh proposals only.

Whereas in the general insurance being annual contracts, the insured has the freedom to shift the business at the time of renewal for petty benefits. With the exodus of talented personnel from the general insurance public sector, the existing business of the public sector also got shifted from one insurer to other. Even in case of Health sector because of portability clause the business also shifted to other insurers.

52.00 COMING A FULL CIRCLE.

- The General Insurance industry was nationalized in 1971.
- Fifty years after, the government seems to be keen and bent upon denationalizing it.
- It was the Life Insurance Corporation which was nationalised first and there after lots of struggle and strikes from the employees of the industry and their veterans like late comrade KSB Pillai and others the General insurance industry too was freed from the clutches of the private insurer and the industrialists.
- The nation as a whole and the substantial strata of society reaped the benefits of the insurance. If not, the entire population could be reached, at least most of the people have developed the awareness of the insurance schemes available.
- Due to unwanted interference from the various governments through their policies and due to lack of will to strengthen the public sector general insurance companies all the public sector insurance companies have reached the present state of being on the Ventilator.
- Neither of small repairs nor stitches would be able to revive them unless some major surgery like amalgamation of them into mega public sector unit is performed.

With this we conclude our efforts to bring the facts about the general insurance to the knowledge of all the citizens of the country. We also hope the wiser counsel would prevail among the authorities and appropriate decisions are taken to save the general insurance in public sector.

53.00 WHO CAN USE THIS INFORMATION

This Document is for Private Circulation only and can be used by all the entities with the permission of GIPAIF for the benefit of the industry, its ex-employees, the employees in service and also for the study purpose of the general insurance industry.

LONG LIVE THE PUBLIC SECTOR ENTERPRISES!!

MAY THE BENEFITS OF DEVELOPMENT REACH EVERY NOOK & CORNER!!

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The readers are expected to know about the following terms which are often used in the General Insurance.

Utmost good faith; The principle of utmost good faith states that the insurer and insured both must be transparent and disclose all the essential information required before the policy is issued. It states that both the parties must disclose all the facts material to the risk.

Principle of Insurable Interest: Insurable interest means that the subject matter of the insurance must provide some financial gain by existing for the insured (or policyholder) and would lead to a financial loss if damaged, destroyed, stolen, or lost.

Principle of indemnity: The principle of indemnity governs that an insurance contract compensates the insured for any damage, loss or injury caused only to the extent of the loss incurred. Insurance contract ensures that the insured does not make a profit in the event of an incurred loss.

Subrogation: The subrogation principle in insurance refers to the legal right that an insurance company holds to protect the policyholder against the damages caused by the third party. It allows the insurer to recover costs, including deductibles, from the third party's insurance company if the third party causes the damage.

Contribution and mitigation: Contribution principle applies when the insured takes more than one insurance policy for the same subject matter. It states the same thing as in the principle of indemnity, i.e., the insured cannot make a profit by claiming the loss of one subject matter from different policies or companies.

Law of large numbers: The Law of Large Numbers theorizes that the average of a large number of results closely mirrors the expected value, and that difference narrows as more results are introduced. In insurance, with a large number of policyholders, the actual loss per event will equal the expected loss per event.

Proximate cause: It is the direct cause of a loss event. The principle of proximate cause is the cause that is primary to the occurred event. It could also be the most significant incident which cascades into the loss event. The insurer will entertain the claim only if this significant cause is close enough to the loss.

Solvency margin: The solvency margin is the extra capital the companies must hold over and above the claim amounts they are likely to incur. It acts as a financial backup in extreme situations, enabling the company to settle all claims.

GIEAIA: A leading Trade Union in the General Insurance Industry.

Inter Company transfers of all the Senior Officers (DGMs/GMs) created chaos in the absence of mutual trust (could not be established with strangers at higher level). Except NIA Ltd. none of the other companies could get any benefit of this policy

Too much use of internal and external audits, vigilance and CBI in PSUs in trivial matters drained away the enthusiasm of dynamic officers. Slowed down the business procurement and claim settlement. Finally resulting in attrition of talented officers to private sector.