REVIEW OF PERFORMANCE OF INSURANCE SECTOR CPSUs

Parliamentary Committee Report - 32nd Session
(2026-27) Eighteenth Lok Sabha

10-Minute Executive Summary

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TABLE OF CONTENTS

1. DOCUMENT OVERVIEW

This is Parliament's comprehensive review of 7 Central Public Sector Undertakings (CPSUs) in India's insurance sector: Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC Re), Agriculture Insurance Company of India Limited (AICIL), The New India Assurance Company Limited (NIACL), National Insurance Company Limited (NICL), Oriental Insurance Company Limited (OICL), and United India Insurance Company Limited (UIICL). The report was presented on August 6, 2026, and contains 18 critical recommendations for sector transformation.

2. SECTOR SNAPSHOT (FY 2024-25)

Key Metrics

• **Total Insurance Premium:** ~■1.3 lakh crore
• **Insurance Penetration:** 3.7% of GDP (vs. global average 7%)
• **Insurance Density:** USD 95 per capita (vs. global average USD 889)
• **Global Ranking:** India ranks 10th by total premium volume; 6th largest market expected by 2032
• **Market Structure:** 74 total insurers (1 public life, 6 public general, 25 private life, 21 private general, 8 health, 2 reinsurers, 11 FRBs)

Individual CPSU Performance Snapshot

Entity	Gross Premium/AUM	PAT FY25	Solvency	Market Share
LIC	■54,52,297 Cr (AUM)	■48,151 Cr	1.98	57.05% (life FYPI)
GIC Re	■41,154 Cr	■9,078 Cr	3.25	~60% (domestic RI)
AICIL	■9,742 Cr	■1,368 Cr	3.34	32% (crop)
NIACL	■37,277 Cr	Positive	1.81	~14% (non-life)
NICL	■18,274 Cr	Positive (Q3)	(0.45)	~6.3% (non-life)
OICL	■15,761 Cr	Positive	(1.06)	~5.5% (non-life)
UIICL	■17,191 Cr	Positive	(0.59)	~5.9% (non-life)

3. EVOLUTION & STRUCTURE OF INSURANCE SECTOR

Historical Timeline

• **1818:** Oriental Life Insurance Company established in Kolkata
• **1956:** Life insurance nationalised — 245 companies merged to form LIC
• **1972:** General insurance nationalised — 107 insurers merged into 4 PSGICs + GIC Re
• **1999:** Insurance Regulatory Development Authority (IRDAI) established
• **2000:** Insurance sector liberalised, allowing private player entry
• **2003:** AICIL established as dedicated agricultural insurer
• **2021:** FDI limit increased to 74% (proposed increase to 100%)

4. ROLE OF STATE-OWNED INSURERS

Critical Functions

1. Financial Inclusion: PSGICs ensure insurance reaches rural, underserved, and economically weaker segments

2. Flagship Schemes: • LIC: Principal agency for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) — 16.73 crore enrollees
• PSGICs: Pradhan Mantri Suraksha Bima Yojana (PMSBY) — 34.17 crore enrollees
• AICIL: Market leader in crop insurance (32% market share under PMFBY/RWBCIS)
• Multiple insurers: Ayushman Bharat PMJAY implementation across states

Rural Penetration Data: Public sector insurers underwrote 18.38% of total premium from rural areas (FY 2023-24) vs. 24.42% in FY 2019-20

5. GLOBAL CONTEXT & POSITIONING

India's Insurance Market Standing

Penetration Ranking: India's 3.7% trails China (3.2-4.6%), USA (7-12%), Japan (8%)

Density Ranking: USD 95 per capita vs. China (USD 508), USA (USD 9,640), Japan (USD 2,938)

Potential: Significant headroom for growth in both penetration and density

Life Insurance Leader: India's life penetration exceeds China and USA in last 4 years

Non-Life Gap: Significantly lower than developed nations (1.0% vs. global 4.2%)

Global CPSU Standing:
• LIC: World's 6th largest insurer by total premium
• GIC Re: 10th largest reinsurer globally; only Indian insurer on Forbes Global 2000

6. GOVERNANCE & PERFORMANCE ANALYSIS

Operational Challenges

Motor Third Party (TP) Insurance Crisis:
• PSGIC Motor ICR: 99.57% (FY 2023-24) vs. Private sector 73.30%
• Issue: Premiums actuarially inadequate relative to rising court awards
• Status: PSGICs legally mandated to underwrite, cannot exit despite consistent losses

Health Insurance Burden:
• PSGIC Health ICR: 103.16% (FY 2023-24) vs. Private sector 83.49%
• Drivers: Rising hospital costs, absent standardised pricing, high GST (18%) on senior citizen policies

Combined Claims Performance:
• PSGIC Combined ICR: 97.23% (FY 2023-24) vs. Private 76.49%
• Gap: Over 20 percentage points differential
• Cumulative underwriting losses: ■96,861 crore over 5 years (FY 2019-20 to 2023-24)

Financial Health Status

Life Insurance (LIC) — Strengths:
• PAT of ■48,151 Cr (FY 2024-25) without government capital support since 1956
• Solvency ratio 2.02 (healthy)
• AUM of ■54,52,297 Cr (largest institutional investor in India)
• VNB margin improving at 17.1%; Paid ■7,323 Cr dividends in FY 2024-25

Crop Insurance (AICIL) — Strengths:
• Highest solvency ratio (3.34) among all CPSUs
• Consistently profitable; paying dividends since FY 2021-22
• Insured 26 crore farmer applications over 10 crop seasons (last 5 years)
• Settled ■50,000 Cr claims under government schemes

General Insurance CPSUs — Challenge:
• Solvency Crisis: NICL (-0.45), OICL (-1.06), UIICL (-0.59) — all negative
• Recent Progress: All returned to PAT-level profitability in FY 2023-24
• Paradox: Core underwriting losses (■18,862 Cr) masked by investment income (■18,035 Cr) — unsustainable model
• Capital Infusion: ■17,450 Cr injected 2019-20 to 2021-22; still negative solvency

7. CRITICAL FINDINGS & GAPS

Insurance Penetration Crisis:
• Penetration Stagnant: 3.3% (2014) → 3.7% (2023-24)
• Density Growth Modest: USD 55 (2014) → USD 95 (2023)
• Large segments including middle-income remain underinsured

Operational Disadvantages of PSGICs:
1. Compensation Disparity: Lower senior management pay vs. private sector — talent drain
2. Operational Inflexibility: Constrained by public sector norms vs. private nimbleness
3. Forced Social Obligations: Mandatory implementation of government schemes (private sector avoids)
4. Bancassurance Disparity: PSGICs receive mandatory PMSBY (low margin); private get loan-linked products (high margin)

Digital Maturity Gap:
• LIC & AICIL have substantial progress; other PSGICs rely heavily on manual processes
• Claims processing and customer service functions not digitally optimised
• Integration with Bima Sugam (digital infrastructure) underutilised

Taxation Burden:
• GST Rate: India charges 18% (among highest globally)
• Impact: Increases cost, affects affordability for middle-income and seniors
• Solution: Group of Ministers examining GST optimisation

8. KEY RECOMMENDATIONS (18 MAJOR POINTS)

Recommendation 1: Penetration Targets — Set specific, time-bound targets for life and non-life penetration; publish annual progress transparently

Recommendation 2: Rural Expansion — Dedicated rural strategies with segment-specific goals (crop, livestock, microinsurance, low-ticket health)

Recommendation 3: Board Governance — Appoint Independent Directors within 6 months (current gaps: AICIL 0/3, GIC Re 1/3)

Recommendation 4: Operational Independence — Work with RBI & IRDAI for equitable business distribution; explore flexible compensation frameworks

Recommendation 5: Reduce Claims Ratios — Revise Motor TP premiums to actuarially sound levels; standardise hospital pricing for health insurance

Recommendation 6: Grievance Redressal — All CPSUs adopt 15-day turnaround targets (vs. current 92.52%); IRDAI publish comparative data annually

Recommendation 7: Solvency Restoration (PRIORITY) — Three companies in crisis (NICL, OICL, UIICL); DFS & IRDAI oversee Board-approved plans with quarterly milestones; Target minimum 1.50 ratio; Status report within 6 months

Recommendation 8: LIC Strategic Roadmap — Expand bancassurance (4.13% → 10%+); diversify towards high-margin products; improve policy persistency (64-67% → higher)

Recommendation 9: GIC Re Underwriting — Improve technical profitability beyond investment income reliance; strengthen risk assessment frameworks

Recommendation 10: AICIL Continuity — Ensure agricultural insurance remains viable; increase non-loanee farmer coverage through simplified enrolment

Recommendation 11: Investment Management — Strengthen governance frameworks; balance safety, liquidity, returns with long-term liability alignment

Recommendation 12: Risk-Based Capital Transition — Expedite RBC framework finalisation; provide adequate implementation support

Recommendation 13: Digital Transformation (CRITICAL) — Establish measurable benchmarks; emphasis on claims automation, fraud analytics, AI/ML adoption

Recommendation 14: GST Rationalisation — Examine on priority with objectives of affordability; focus on health, term life, agricultural products

Recommendation 15: Coordinated Policy Reform — DFS, IRDAI, Ministries develop action plan; focus on underserved (small farmers, informal workers, MSMEs, seniors)

Recommendation 16: CSR & ESG Integration — Continue aligning CSR initiatives with national development; adopt appropriate ESG practices

Recommendation 17: Government Schemes — Implement PMJJBY (16.73 Cr enrollees), PMSBY (34.17 Cr enrollees), PMFBY (■50,000 Cr claims settled)

Recommendation 18: "Insurance for All by 2047" Roadmap (COMPREHENSIVE) — Prepare roadmap with defined responsibilities; outcome-based indicators: penetration, density, rural coverage, women's participation, claims efficiency, service standards

9. EMERGING OPPORTUNITIES & STRATEGIC IMPERATIVES

Technology as Differentiator:
• Digital transformation critical for competitiveness; claims automation improves efficiency and reduces fraud
• Customer self-service platforms enhance accessibility; AI and predictive analytics strengthen underwriting

Distribution Channel Reform:
• Bima Sakhi Scheme (LIC): 1,01,000 Mahila Career Agents appointed; 1,26,000 applications pending
• Target: One representative per Panchayat across country

Female Participation:
• Women policies (2023-24): 1 crore (34.28% of 2.92 crore total); Growing trajectory positive
• Women agents: 8.72 lakh (30.13% of agency force)

Climate Risk & Parametric Insurance:
• GIC Re promotes parametric insurance for natural disaster relief
• Green projects funding through reinsurance portfolio; ESG screening in progress

10. CRITICAL SUCCESS FACTORS FOR TRANSFORMATION

1. **Time-Bound Implementation:** 6-month deadline for Independent Director appointments; clear solvency milestones
2. **Measurable Accountability:** Quarterly reviews; transparent performance tracking
3. **Talent Acquisition:** Competitive compensation for specialists in actuarial, analytics, technology
4. **Operational Freedom:** Balance public sector compliance with competitive flexibility
5. **Technology Investment:** Treat digital transformation as strategic priority, not IT initiative
6. **Coordinated Governance:** DFS, IRDAI, Ministries working in concert
7. **Policymaker Support:** GST rationalisation; Motor TP premium revision; hospital pricing standardisation
8. **Long-Term Vision:** Insurance for All by 2047 roadmap with outcome-based metrics

11. CONCLUSION

The Committee's report paints a picture of an Indian insurance sector at an inflection point. While public sector insurers have demonstrated sector-leading excellence (LIC's global ranking, GIC Re's turnaround, AICIL's crop insurance dominance), three of four general insurance PSGICs face solvency crises despite ■17,450 crore in recent capital infusions.

The Path Forward hinges on:
• Resolving Motor TP and Health underwriting economics
• Accelerating digital transformation
• Attracting and retaining top talent
• Achieving parity in operational flexibility and compensation
• Implementing comprehensive governance reforms
• Supporting the vision of Insurance for All by 2047

The Committee expresses confidence that **with sustained operational improvements, appropriate policy support, and timely implementation of these 18 recommendations**, the insurance sector—and particularly public sector CPSUs—can strengthen market positioning, restore financial sustainability, and serve India's hundreds of millions of policyholders more effectively.

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