PUBLIC SECTOR INSURANCE INDUSTRY
THE ROAD AHEAD

Shreekant Mishra

The government has been using the pandemic engendered economic crisis to the hilt. The crisis is being used as an alibi for large scale privatisation of India's public sector institutions. Finance Minister Smt. Nirmala Sitharaman had announced a disinvestment target of Rs.1.75 lakh crore during this financial year. Of this, the government aims to mop up Rs. 1 lakh crore by way of selling its stake in public sector financial institutions and Rs. 75,000 crores by way of disinvestment receipts from CPSEs. The recently announced National Asset Monetisation Pipeline envisaging mobilisation of Rs. 6 lakh crores over a four-year period ending 2025 is a further step in that direction.

Public Sector insurance industry is under severe attack. The government is in a tearing hurry to bring IPO of LIC. It was not prepared even to wait for the amendment of the LIC Act to carry forward the necessary legislative agenda. Therefore, the government stealthily sneaked in the proposed amendments to the LIC Act in the Finance Bill itself. Twenty seven amendments have already been made in the LIC Act. After this amendment, like any other listed company the LIC will now be governed by the Companies Act and SEBI Act (post IPO) as well. The government has recently selected Milliman Advisors LLP India as the reporting actuary for determining the embedded value of LIC. LIC has appointed Sri Arijit Basu, former MD of State Bank of India and former MD and CEO of SBI Life as a consultant to help launch the IPO. The Union Cabinet recently approved the disinvestment of equity in LIC and the ball has been set rolling. According to media reports, the government has shortlisted 10 merchant bankers including Goldman Sachs Group Inc, JP Morgan Chase & Co and ICICI Securities to manage the IPO. Till now, it is not clear as to what would be the exact quantum of shares that would be offloaded. In view of the fact that LIC's IPO size is going to be huge, there are reports that LIC may split its IPO into two parts with a gap of a few months. The desperation of the government for LIC IPO can be seen from the fact they want nothing to be left to chance. Two issues need to be noted here. First, there is a plan to allow cornerstone investors and marquee asset managers to put in large funds ahead of the IPO. Secondly, the government also seems to be planning to allow FDI in the LIC by inviting strategic investors such as pension funds and overseas insurance firms to participate in the IPO.

The AIIEA has been opposing the IPO of LIC as it amounts to the first step towards privatisation. Our units are in the midst of campaign and struggle against this disastrous move. It is because of our campaign that the government was forced to announce in Parliament that they do not intend to privatise LIC. It is also due to our campaign that Section 37 of the LIC Act which gives sovereign guarantee to policies issued by LIC was left untouched. The unity we have built up on the issue of LIC IPO is to be further consolidated and expanded.

The way the government railroaded the GIBNA amendment Act 2021 disregarding all public opinion in favour of PSGI industry is indicative of the democratic deficit in the government. The government was not even prepared to send the bill to a select committee for closer scrutiny. The government had made a commitment in the floor of Parliament in 2015 that government equity in PSGI companies would remain at not less than 51 per cent. The finance minister however announced in her Budget Speech 2021-22 that her government would be privatizing two public sector banks and one PSGI company. But the GIBNA Bill 2021 recently passed in Parliament gives sweeping powers to the government to bring down government equity below 51 per cent in any PSGI company it likes. The Bill is therefore a clear roadmap for privatisation of PSGI companies. The recent moves to close or merge Branch and divisional offices of some PSGI companies at the behest of the government are also steps in that direction. One redeeming feature of our struggle is that the issue of general insurance privatisation brought about the unity of all major opposition parties inside the Parliament. Political parties otherwise close to the ruling party were also supportive of us on the issue of general insurance privatisation. This should give us new strength to launch a powerful movement against the move to privatise PSGI companies.

We must realise today that financial institutions in the public sector, particularly, have come under increasing attack from the government. This is because the Indian economy has moved towards greater financialisation during the last decade. Finance capital has become autonomous of the productive sectors of the economy. Finance capital is capable of generating huge profits for itself merely by speculations in the stock market. That is why we see the stock market registering huge increase everyday even when the real economy is in deep crisis. This drive towards greater financialisation of the economy is an important reason for the mad rush to privatise India's public sector financial institutions, including LIC and the PSGI companies. It is a matter of great satisfaction that the uncompromising struggle of insurance employees under the banner of AIIEA could successfully stall the government policy to privatise LIC and PSGI companies for 26 long years as recommended by Malhotra Committee in 1994.

The public sector insurance industry- the LIC and the PSGI companies- have been doing admirably well in the face of intense competition from the private insurance companies and the pandemic induced economic crisis. As at the end of September 2021, the has procured 73,74,125 new policies and Rs. 85,112 crore of First Year Premium Income registering a growth of 19.68 per cent and (-)3.3 per cent respectively. While the subdued growth of LIC over the past couple of months in the individual assurance segment is a cause of concern, it is to be noted that the high growth of some private companies is due to a low base effect. The four PSGI companies have generated a premium income of Rs.38,525 crore as at 30th of September and have shown a growth of 8 per cent with a market share of around 42 per cent.

According to a Swiss Re Sigma study, India is poised to be among the top 10 largest insurance markets in the world. The Swiss Re puts the protection gap for India at $16.5 trillion. The market is bound to see an intense competition in the coming days for a larger piece of the insurance pie. FDI limit in insurance was raised from 26 to 49 per cent in 2015 during the first term of the Modi government. Now the FDI limits have been further increased from 49 to 74 per cent. They have also allowed foreign ownership and control of the insurance companies. With the management control in their hands, the foreign players would like to capture major share of the domestic household savings and enhance their profits. The insurance industry is bound to see some consolidation in the days to come as the recent developments suggest. Recently, HDFC Life acquired Exide Life in a stock and cash deal worth Rs.6,687 crore. ICICI Lombard is reported to have received the final approval of the IRDAI for its acquisition of Bharti Axa General Insurance. US based insurance firm Met Life is seriously considering raising its stake in PNB Metlife by acquiring a 15.27 per cent stake of IGE (India) Private Limited and Elpro International Limited. The consolidation of the private insurance companies will pose a big challenge to the market dominance of the public sector insurance companies.

We must brace ourselves for new and emerging challenges in the area of technological innovation and updation. The pandemic has pushed the insurance sector towards greater digitalization. While insurance penetration in India is around 4%, penetration of the internet in India is at 45%. Almost half of the 1.39 billion people in India have access to the internet. The ease of ‘click and buy’ has given a significant push to online purchasing. Online insurance market in India is expected to grow to Rs.22,000 crore by 2024. Insurtech - the use of technology in the sale of insurance products – has become the new buzzword today. According to the Standard and Poor Global Market Intelligence Data 2021, India is the second largest insurance technology market in Asia-Pacific. Insurance companies are capturing customers with the aid of technology. Using improved data analytics and Artificial Intelligence (AI), insurance companies are developing products and rendering servicing according to the needs of the customers. Today’s insurance industry is being driven by the millennials or new-age customers. Millennials form about 46% of India’s workforce today. These ‘digital natives’ are not enthused by the old style of selling and servicing. They believe less in physical handshakes and more on digital handshakes. While it is true that insurance industry is largely relationship oriented and depends heavily on personal meetings to sell products, the pandemic has changed all that beyond recognition. ‘Phygital Marketplace’- a combination of physical branches and digital platforms like phone-based contact centres, Chatbots, WhatsApp, Mobile Apps and social media- is slowly becoming the order of the day. The digital foot prints are already visible in the public sector insurance industry. We have to carefully balance the employees' interest with that of the institution while taking a call on the digitalization in our industry. The youth of today no longer prefer the plain Vanilla products. Our product basket needs to be spiced up to meet the needs of these customers. The pandemic has clearly shown that health insurance and retirement planning will be the key drivers of growth in the future. As per a World Economic Forum Report, retirees around the world will outlive their savings. According to this report, India is among the few countries in the world with a large retirement savings market. The public sector insurance industry has to seize upon the opportunity and develop products in these lines. Finally, the biggest challenge for us is to retain the loyalty of the customer by retaining our preeminent positions as epitomes of customer care. Our units have the capability to contribute to what is called UI and UX in the present times: User Interface and User Experience. The uncompromising struggle of insurance employees for the protection of public sector insurance industry under the banner of AIIEA for over three decades gives us the necessary confidence that we can reach out to our customers and retain their loyalty.

A new idiom of struggle is developing across the country against the destructive economic policies being pursued today. Insurance employees under the banner of AIIEA will certainly be proud partners of these emerging struggles in the interest of the industry, the public and the republic.