

Nationalised General Insurance Industry-Present challenges and the Road ahead

Sanjay Jha

According to the data released by IRDA for November, 2021, the four Public Sector General Insurance Companies (PSGICs) have procured a total premium of Rs. 49855.66 cr. with a growth rate of 7.94% and dominated the industry with a market share of 41.49%. They were able to almost keep their premiums at pre- pandemic levels even in 2020-21 when the Indian economy shrank by 7.9%. This says a lot about the resilience of these companies in terms of growth.

This is the direct outcome of Nationalization of the General Insurance business. Mandated by the General Insurance Business Nationalization Act, 1972 the General Insurance Corporation of India and its four subsidiaries embarked on opening offices in remote centres and diversified into several personal line of business which catered to the needs of various sections of society. Health Insurance, Motor TP, shopkeeper's policy, Householders policy, livestock and crop insurance etc are some of the products introduced by the GIC and its subsidiaries.

They also started to provide insurance facilities under various schemes of Central and State Governments in Health, Crops and Personal Accident segments. In a nutshell, the PSGI Companies have rendered the General Insurance Business into an industry which apart from protecting financial interests of industries and economy is catering to the needs of different sections of common people. This also added to the diversity of portfolio in the industry and more specifically in PSGI Companies. At the same time, the State General Insurers through collection of premiums channelized domestic savings in various developmental projects. As on March, 2021, total investments of these companies is Rs. 152637 Cr. and their total Asset is more than RS. 180000 Cr. Thus, the Nationalised General Insurers are contributing to the national economy in manifold ways. At the same time, they have developed into a resilient industry.

Despite their multi- faceted contribution to the economy, the Central Government is adamant on privatising them. To facilitate their privatisation, the Government got the General Insurance Business Nationalisation Amendment Act, 2021 passed through the Parliament despite vociferous protests from a united opposition. The Government argues that these companies need capital for efficient operation, which it cannot provide. AIIEA does not see any iota of truth in this. The companies do not need capital for running their business. They require capital to meet solvency stipulations set by the regulator as due to certain arbitrary decision taken by the regulator as well as Finance Ministry, the three companies viz. National, Oriental and United had to allocate huge sums under provisions. Moreover, last two decades of entry of private insurers and detariffing of premium rates in the name of facilitating competition, there is a price war going on in the industry. In the absence of any base level price, the risks are underwritten at unsustainable premiums and underwriting profits have become elusive in the

whole industry. Naturally, the General Insurance Business has become more and more capital intensive. Instead of addressing this issue and asking the IRDA to rein in unhealthy competition, the Government is resorting to an ostrich- like approach and seeks to come out of this sector. Actually, blinded by the so called so called virtues of Neo liberal economic policies and indignation to the public sectors, the Government fails to see the significance of the PSGI Companies for a self reliant economy and seeks to hand over these companies to its corporate "cronies". AIEA has been fighting against privatisation since 1994 and will continue to do so. With passage of the GIBNAA, 2021, AIEA has decided to mobilise public opinion and has already started the campaign in various manner.

Ever since the entry of the of the Private players in the General Insurance market, AIEA has been consistently demanding for merger of four PSGI Companies into a single entity like LIC. This would help the new nationalized entity to take advantage of economies of scale. Their risk retention capacity will increase manifold. They can save on the unnecessary cost which they incur presently while competing with one another. All these factors will result into a strong consolidated entity which can compete with the private insurers more effectively as well as introduce more people-centric policies to support common people. Thus a single formidable entity will serve the economy in far better way. With this conviction in mind AIEA welcomed the decision of the Government, when the erstwhile Finance Minister Late Arun Jaitley announced in his budget speech in 2018 that three PSGI Companies viz. National, United India, Oriental will be merged. AIEA also demanded to include New India in the scheme of merger.

However, in July, 2020, the Government suddenly decided to go back from its own decision stating that their priority was growth with profitability for each of the three companies. What they wanted to achieve (Growth with profitability) keeping the companies separate could have been achieved more easily by consolidating them. Moreover, as per industry sources we understand that the merger would have been completed without costing the exchequer more than what the Government has spent on recapitalizing three PSGICs separately. However, the subsequent developments displayed that this decision was a part of more sinister design of the Government i.e dismantling of these institutions. For AIEA, merger of all PSGI Companies is still our demand. In the prevailing condition, merger and consolidation among entities is order of the day. Recently, Reliance Health Portfolio has been taken over by Reliance General Insurance and Bharati AXA General Insurance Co. Ltd. has been merged with ICICI Lombard General Insurance. Therefore, it is high time that the Government should consider to merge all the PSGI Companies. While campaigning and struggling against privatization, AIEA will continue to demand and mobilize employees and other stakeholders on merger of these companies.

Wage Revision in PSGI Companies fell due on 01/08/2017. In the meeting of Check off qualified Associations at Mumbai on 04/04/2019, the former Chairman of GIPSA Sri A V Girijakumar had

assured the delegation of Associations that the Wage Revision would be settled timely and will be done on the lines of LIC only. AIEA strongly feels that the workforce of these companies deserve a wage revision on lines of LIC. This is justified on grounds of their performance during the period under discussion and beyond. Their productivity in terms underwriting and claim settlement has increased more than 100 percent since the last wage revision. They cannot be asked to suffer for the reasons extraneous to their performance. If the companies are showing some weakness in their Balance sheets it is entirely because of incompetence of the Regulator and Government's policies. In this background AIEA approached other Associations in the Industry and a broader unity was formed in the name Joint Forum Of Trade Unions and Associations (JFTU). Employees and officers are fighting for wage revision under the banner of JFTU for more than one year. They have gone for innumerable Dharnas including weeklong relay Dharna, Hunger strike, partial and whole day strikes. However, till date no official communication has been received from the GIPSA on the matter. The CMDs and GIPSA officials on being contacted give a routine reply that the matter is positively being considered by the Ministry. The AIEA is of firm opinion that this situation of stalemate cannot be broken unless there is a serious and intensified action to bring the industry to a standstill. Hence, nothing short of a strike can achieve our purpose. AIEA proposed for strike actions in the last meetings of JFTU Constituents held on 24/10/2021 and 23/11/2021. Unfortunately, consensus could not be arrived on the issue. The next meeting will be held on 21/12/2021 at Delhi after the JFTU programme of Dharna at Jantar Mantar. AIEA will surely try to build consensus on the issue as wage revision in GIPSA Companies must be settled without further delay. In its letters written to Chairman, GIPSA and Secretary, DFS respectively, AIEA has made it amply clear that the wage issue brooks no further delay and failure on their part in initiating the wage talks with Associations and finalizing the same will constrain us to take intensified IR actions.

Technological advancement presents another challenge before the PSGICs and our organization. The companies need to upgrade their processes commensurate with the progresses made in technology. At the same time, considering that the youth constitute majority of population of the country, the companies need to come out with digitally available products catering to the needs and convenience of the younger population. However, large scale introduction of upgraded technology will certainly lead to redundancy of a lot of manual jobs. Therefore it will be a challenge to the organization to explore various avenues for creating employment possibilities in the companies. It is pertinent to mention here that any progress in technology is meant to serve the human being; and no extent of technology can reduce human beings into Zombies.

This is truer for Insurance Business, which sells promises as product to its customers. So, insurance companies need physical presence through adequately manned operating offices. Hence, directive of the Government to mechanically reduce number of offices of PSGICs to 40%

of their present strength is ill-conceived. AIEA has demanded that there should be a threadbare discussion at various levels with the employees representatives and the interest of policyholders, Agents and employees must be protected. Instead of drastic reduction of offices the companies should focus on launching innovative and relevant products which may be marketed and sold by their well spread network of offices. Moreover, these offices need to be manned properly. Today, shortage of staff is a serious problem in these companies. As on 31st March, 2021, 7281 offices of PSGI Companies were being served by only 49149 employees while in Private General Insurers and Health Insurers, 92966 employees were working in 3878 offices. Obviously the deficit of staff is affecting proper servicing to the clients too. Hence, immediate recruitment in Class III, IV cadres must be commenced at the earliest.

(Writer is Secretary, Standing Committee-GI)