



# ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

**Standing Committee (General Insurance)**

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To,  
All Zonal / Regional / State Units

Dear Comrades,

**Sub:- New India goes ahead with IPO - Observe two hour  
walkout strike on November 1, 2017 in all PSGICs**

Despite our strong opposition, The New India Assurance Company Limited has declared the schedule of its IPO. The same will open on 1st November, 2017 and close on 3rd November, 2017. The apparent reasons, as put forth by the Management for floating IPOs are augmenting of Capital base, better branding of the Company, enhanced efficiency and transparency in its operations.

We are well aware that the arguments are specious and do not stand the reality. The Company was nationalised in 1972, with initial capital of 3.8 crores invested by the Government. Since then, it has never approached the Government for further infusion of Capital. Instead, it has paid huge amount to the Government as dividend. For example, in last four financial years only, the Company has paid the Govt. Rs. 1250.00 Cr. as dividend. The Company has a massive asset base of over 69000 Cr., Net worth of Rs.38100 Cr at fair value with a market value of Rs. 63000 Cr. and a solvency margin of 2.27. Moreover, a lion's share of the money to be mobilised through the IPO will be taken away by the Government. The Company will be able to raise not more than Rs. 2000 Cr. through this whole exercise. One would be prompted to ask whether with the aforesaid gigantic financials, there was any need to go ahead with IPO resulting thereby a dilution of 14.56 percent of Govt. stake in the post IPO capital structure of the Company. Similarly, with 2.7 Crore of Client base and holding number one position on the Claim settlement parameter and having a market share of 16 percent, the argument of enhancing branding and efficiency, seems to be a facile one. Moreover, with recent identification of hundreds of dubious shell companies, the shares of which were jolly well being traded in the Stock Market, the very concept of increasing transparency through listing holds no water.

In fact, the actual purpose of this IPO is to serve the short term and long term goals of the Govt. We know, the Central Govt. has set a target of mobilising Rs. 72500 Cr in the current FY 2017-18 through divestment of PSUs and accelerating thereby the process of privatisation, a declared commitment of the present dispensation. The functioning and recommendations of the NITI AAYOG, leaves us in no doubt about the aversion of the present NDA Govt. towards the PSUs of the Country.

Our Association has always been fighting for protection and strengthening of PSGICs, because we are aware that the PSGICs have played a major role in building the self reliant economy of the country, besides making the Insurance service accessible to the common people of India at affordable cost. These companies have always played a leading role, when it comes to the implementation of Government welfare programmes. For instance, 83.22 percent of the policies under PMSBY were issued by the PSGICs last year. Noteworthy that the Companies are incurring Rs. 170 for each Rs. 100 they earn under the Scheme. The PSGICs are leading in all the business segments, where Margin of profit is low or losses take place, such as Health Insurance, Motor TP. Once the IPOs are issued and Shares are listed in the stock market, the Companies will be compelled to change their focus from affordable services to the Common People to maintaining a decent profit, so that the value of their shares don't get a beating in the market. We have fair enough experience that the businesses, which are run with the sole aim of increasing profits, take recourse to increasing the price of the product and trimming, downsizing and curtailing the benefits of their existing employees.

It is worth recalling here that the General Insurance sector was opened for private players in 1999, citing that it would increase the General Insurance penetration, which was very low, in the country. Even after 17 years of entry and 25 private insurers operating in the market, the General Insurance penetration level is still hovering around 0.7%. The votaries of divestment of PSGICs have again started putting forth the argument of increasing the penetration level. We would like to remind them that General Insurance business is directly related to the disposable income in the hands of the common people. With introduction of Neo liberal economic policies in 1991, which has been followed by successive Govts till date, the benefits of the growth of economy has gone into the hands of very few. The large part of the population still remain under poverty and misery and are finding it difficult to meet their basic needs. In backdrop of such a condition, how is it possible to increase penetration level of General Insurance, which primarily insures physical assets and businesses ?

It is well known that the GIC:RE IPO, which was opened on 11th October, 2017, had a dismal response from the retail investors including the employees. This has made the top Management of NIA extremely wary and they are not leaving any stone unturned for success of the IPO. Hence, they are providing employees all kinds of facilities from opening demat accounts to arranging for loans from banks for the employees so that

they could purchase shares. They are also campaigning among employees to become a co-owner of the Company by subscribing for its shares. Unfortunately, a section of employees/ officers are falling prey to this campaign. We urge upon the employees not to get misguided by the Management for some paltry monetary gain. As citizens of India, we already are owners of this great institution. The enormous amount of the assets of the Company has been created with people's money and our hard work. Selling of a part of stake of the Govt. is nothing but shifting of the ownership from common people to a number of individuals. Moreover, as already discussed, even a minor divestment is a major dilution and weakening of the Public Sector character of this fabulous institution. This apart, a closer look at the economy of the country clearly depicts that IPO is the initiation of privatisation of any PSU. Hence, we again request our co-workers not to become party to the dismantling of a wonderful PSGI on the pretext of becoming the Co- owner.

The AIIEA has been consistently fighting against any effort to weaken the PSGICs. Our 24th Conference held at Kochi in January, 2017, had decided to observe a one day strike, if, despite our opposition, any of the Companies goes ahead with IPO. However, in consultation with other Associations, we have decided to observe a two hour walk out strike on November,1, 2017(opening day of IPO of NIA) in all the PSGICs from 11.30 am to 1.30 pm. The Associations participating in the strike are:-

AIIEA, GIEAIA, GIOAIA, AIGIFWA, GIDOF, AIGISC/STWA. The agent associations AIGIAA and GIAWOI have also decided to support our strike.

We are still in touch with other Associations and constituents of Joint Forum for joining the protest strike.

All the Units are advised to mobilise the employees and officers to make the strike a grand success and organise protest demonstrations, preferably in front of NIA offices at all centres during the strike.

With greetings.

Yours Comradely,



(Sanjay Jha)  
Secretary