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To,
All the Zonal/Divisional/State/Regional Units

Lok Sabha Passes Bill to amend GIBNA Act without a Debate
Roads Cleared for Privatisation of PSGI Companies
Prepare for One Day Strike in PSGI Industry on 4th August 2021

The Lok Sabha passed the General Insurance Business (Nationalisation) Amendment Bill 2021 yesterday. The Bill was passed without a debate amid continuing protests by the opposition parties over the Pegasus snooping and other issues. The Bill was introduced by the Finance Minister on 30th July 2021 despite serious objections raised by a wide spectrum of public opinion. The Finance Minister had made the intentions of the government clear when she presented the Union Budget for 2021-22. Announcing a big ticket privatisation policy of the government, she had said "We propose to take up the privatisation of two Public Sector Banks and one General Insurance Company in the year 2021-22. This would require legislative amendments." The passage of the General Insurance Business (Nationalisation) Amendment Bill 2021 not only carries forward the agenda of the government to privatise one PSGI Company, but it paves the way for privatisation of all the PSGI Companies in one fell swoop.

The Hon'ble Finance Minister gave a labored explanation saying that the Bill was not intended for privatizing any Public Sector General Insurance Company. The statement of objects and reasons of the Bill says that the General Insurance Business (Nationalisation) Act, 1972 is being amended "To provide for greater private participation in the public sector insurance companies, enhance insurance penetration, better secure the interests of policy holders and contribute to faster growth of the economy." A closer scrutiny of the amendments made in the GIBNA 1972 would make it amply clear that privatisation is the ultimate objective of the government.

The Bill proposes three amendments to the GIBNA Act of 1972. Two of the amendments are particularly dangerous for PSGI Companies. Section 10B of the GIBNA 1972 stipulates that the government would hold at least 51% stake in the Public Sector General Insurance Companies. Now this section has been omitted to enable the government to sell majority stakes. This is outright privatization. The second amendment is to insert a new Section 24B. This section states that the GIBNA Act will not be applicable to any company in which the government

stakes comes below 51%. This is a clear indication that such company will not be regulated by this Act as the government no longer would enjoy control over such company.

These measures will therefore enable the government to privatise all the four public sector general insurance companies and the reinsurer GIC Re. The argument of the Finance Minister that it is not privatisation but an effort towards greater private participation sounds somewhat ludicrous. It does not require rocket science to understand that dilution of government stake in any company below 51 per cent amounts to privatisation. The argument that bringing down government equity below 51 per cent would enhance insurance penetration is not at all convincing. The growth of general insurance industry depends upon the growth of the economy and creation of business and personal assets. There is continuous growth in the penetration. Even as the Covid19 pandemic destroyed the economy, the general insurance sector led by public sector units held its ground and recorded progress. In justification of her decision, the Finance Minister says that servicing of the private sector insurance companies are much better than that of PSGI Companies. One should not forget in this context that even today the Public Sector General Insurance companies occupy the first five slots in terms of premium and also claims settlement. In the year 2020 and 2021 penalties were imposed against private insurance companies only and the number of grievances registered against private insurance companies was 82% as against 18% against public sector insurance companies. The public sector general insurance companies are doing yeoman service by opening branches in the tier 4, 5 and tier 6 cities where the population is less than 5000. This is done as per the directives of the government of India. Nearly 40% of the branches are in the tier 3, 4, 5 and 6 cities. Whereas private insurance companies operate only in metro cities and they don't have branches in tier 5 and 6 cities and only 3% in tier 3 and tier 4 cities.

To say that amendment of the GIBNA Act would foster faster growth of the economy is something utterly absurd. The four public sector general insurance companies today command over an asset base of Rs.2,00,000 crores. The total investments of the four PSGI companies amounts to Rs.1,78,000 crores. The public sector has been supporting the social welfare schemes of the government. Prime Minister Suraksha Bima Yojana under which accidental death coverage of Rs 2 lakhs is provided for an yearly premium of Rs.12 is underwritten by the four Public Sector General Insurance Companies while private sector has not shown any interest in this scheme. The reason is the losses the companies incur due to low rate of premium. The public sector companies are paying a claim of Rs265 for every Rs.100 premium collected. The Ayushman Bharath health insurance scheme is underwritten by the four public Sector General Insurance companies to the tune of around 90% which again is a loss making business.

Privatisation of PSGI Companies will have wide ranging consequences for the national economy as also the social obligations of the government as enshrined in the Directive Principles of the State Policy under Article 37 to 51 of the Constitution. The dilution of stakes below 51% means that these companies will no longer be the Instrumentality of the State. This means that the issue of social and economic justice would enormously suffer as private companies are not obliged to have reservations in employment and promotion. This will seriously impact the interests of SC/ST/OBC and other weaker sections of the communities.

Unfortunately, these issues are not important for a government committed to neo liberalism and committed to promoting the interests of their corporate masters. The government has been openly saying that the crisis engendered by the pandemic has to be utilised as an opportunity. This opportunity is being utilised to dismantle India's public sector which was conceptualized as a part of India's anti-imperialist struggle. Sadly enough, a notoriously misleading slogan of "Atmanirbharata" (Self Reliance) is being used to privatise India's public sector units and pander to the whims and fancies of domestic and foreign capital. This has to be resisted at all costs.

Our units in PSGI Companies under the guidance of the Standing Committee have launched a massive campaign. The Joint Front of Trade Unions in PSGI Companies met yesterday and decided to launch a powerful protest against the decision of the government to privatise PSGI companies. **The Joint Front of Trade Unions in PSGI has given a call for One Day Strike on 4th August 2021 (Wednesday) against the passage of the Bill in the Lok Sabha. We call upon our units in the Life Sector to hold solidarity demonstrations during lunch recess on the same day and extend all help to our comrades in PSGI companies to make the Strike action a historic one.**

With Greetings,

Comradely Yours



General Secretary

