THE NATIONAL CONFEDERATION OF GENERAL INSURANCE OFFICERS' ASSOCIATIONS

CONFED

C/o National Insurance Company Limited, DO-4, Regency Plaza, 4th Floor, Wing-A,
5 Park Road, Hazratganj, Lucknow-226001

President
S Sasikumar
Cell : 9443582885
ssasikumar@uiic.co.in

Working President
Anu Jacob
Cell : 9447356123
anu.jacob@newindia.co.in

Secretary General
Vijay Kumar Mishra
Cell :7704900395
vk.mishra@nic.co.in

Addl. Secy. General
Vishnu Aggarwal
Cell : 9811485945
vkaoicl@gmail.com
vishnu.aggarwal@orientalinsurance.co.in

Asst. Secy. Generals
Prashant Kumar
Cell : 8108769652
prashantkumar@newindia.co.in

Rajeev Ratan Sharma
Cell : 9643003182
rajeev.ratan@nic.co.in

S. Maghendran
Cell : 9841376316
selvam.maghendran@orientalinsurance.co.in

Rohit Kumar Argal
Cell : 9425012321
rohitargal@uiic.co.in

Treasurer
Asim Ali Khan
Cell : 9811733457
asimali.khan@nic.co.in

CONFED/2022/SG/026 Dated: 18-11-2022

To,
Shri Vivek Joshi
Secretary
Ministry of Finance
New Delhi.

Sir,

Re.: Proposed Restructuring in PSGICs.

We, under the banner of "The National Confederation of General Insurance Officers' Associations (CONFED)," representing 70% of officers in the PSGI Companies, would like to draw your kind attention to the structural reforms proposed under the "Implementing Organisational Efficiency and Performance Management in the Companies".

As an Officers' Association **we have always worked for the betterment of the PSGI Industry** and always remain in forefront to discharge our duties in the best interest of the PSGI Company. Recently we have been informed by GIPSA (Parent body of Four PSGI and GIC) that the Ministry of Finance has instructed to bring some changes in the functioning of PSGIC and a new initiative on KPI, Efficiency Measurers & Restructuring in the PSGICs has been initiated. We have been also informed that GIPSA has appointed M/s. E & Y as Consultant for the programme named "Implementing Organisational Efficiency and Performance Management in the Companies".

All the checked off Associations were invited for a discussion at Faridabad on 27th of August 2022. In the said meeting the Management and representatives of E&Y Consultants made a brief presentation and shared very brief information on these initiatives, giving **no opportunity to the Employee Representatives to adequately and completely understand the issue**. On our demand, we were informed that the Power Point Presentation (PPT) and detailed report of the Consultant on these issues shall be shared with the Employee Representatives enabling us to examine the same and submit our views / suggestions before implementing any initiatives. **Mr. Saurabh Mishra, JS, DFS, as Chairperson in that meeting categorically instructed GIPSA to share the Consultant's report with Employee Representatives.**

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In response to our repeated request to share the entire report, only the PPT containing a few slides have been shared by GIPSA and the Initial "As is" **report of the consultant is still awaited**. Bullet points contained in PPT reveal no details and we are unable to submit our view-points and suggestions in the matter. In the meanwhile, we find that the Companies are going ahead with their action plan **of implementation in haste the reforms, without taking the workforce into confidence on these vital issues**. Our PSGI Company's Management must appreciate the benefits of consensus and collective prudence rather than unilateral decisions.

E&Y have been pushing for changes in the PSUs at a very rapid pace **affecting the normal operations.** While Pay revision has been linked to the performance of the company and individuals, no condition attached to E&Y whether the steps suggested and being forced by them will yield results. Should not they give an undertaking if their suggestions are implemented, with specific targets on company performance for each of the recommendations implemented as per them. Also, there is no contract with the companies and E&Y. How we expect them to have contractual obligations? **What is their Locus Standii in directing the companies which is supposed to be an independent Board run company without the Board approval? They are seeking all the information from the companies without even signing a Non-disclosure agreement. The entire business operations, client details etc. is being shared with a third party?**

Engaging a consultant like M/s E & Y is nothing new. We have seen from the late 1980s in the name of Vision 2000 and a decade back through PWC and BCG. It is seen in the past, the consultants only look at our watch and tell us the time. **They always suggest copying the Private sector business model without realizing our traditional strengths. After the reports of BCG and PWC, we have only worked towards increasing top line by aggressive, undercutting and predatory pricing leading to top line increase but huge losses, which was being covered by selling family silver and using Fair value asset monetization. We are at this juncture only due to the short vision of leaders guided by consultants.**

Here we would like to iterate the activities taken up for revamping PSGICs via the Boston Consultancy initiative way back in 2008. The drive was also launched to revive the current state of PSGIC **but adversely it leads to steep drop in**

1. Solvency margin
2. Net worth and capital reserves
3. Working ethics
4. Ownership of work

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The reforms were structural changes only and did not lead to any business policies development and market share enhancement. **The ultimate sufferers of all these reforms are Employees and the Customers in the long run.**

Office Closures:
We are being told that the companies are going ahead with **Office closures in the name of Office rationalization.** Our core strength over the Private sector is our Office network and now **we are cutting at the roots of our massive tree**. While we accept rationalization, the given targets for office closures is a ridiculous and short sighted approach.

Moving all accounts more than 1cr to Large Corporate Office:
We understand that **large Corporates which are predominantly serviced and maintained on interpersonal relations** of the concerned office/agent/development officer/ person have been proposed to be centralised at Hub levels with no trail of the interpersonal touch. **Insurance is relationship based Industry developed over many years by the concerned Operating office directly or through development Officer and Agents.** Corporate Hubs are predominantly mooted by Brokers who are well known for their business diversions based on the remuneration offered to them from other private companies.

Cutting layer in Operating Offices:
There is a proposal to revamp the office hierarchy removing a controlling Divisional office which **again leads to less checks on the operations of operating offices**. While Cutting one layer of Operating offices is debatable, concentrating all UW at Regional Offices will lead to more delays in customer service who are now getting OTC policies. There may be duplication of work by UW officer at Operating office and again by Underwriter at RO. To ensure enough staff at Regional office, there may be major shifting of officers from Mufassil to Regional Centres **causing unnecessary relocation apart from cost to company** by way of higher CCA, transfer allowance, leased accommodation etc.

Missing the woods for the Trees:
We recall our earlier mail dated 30th march 2021 wherein one of our affiliates wrote very specifically on reasons for poor performance of companies leading to loss of business and poor financial health. Broadly, it can be categorised as under:

a. Intercompany competition
b. Unethical practices by private sector.

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1. **INTERCOMPANY COMPETITION:**

Group Health Insurance:
One of the major points **was the pitfalls of GMC and restricting poaching in GMC among PSUs.** DFS ignored our letter and after more than a year, DFS is implementing whatever we suggested, but after loss of nearly **1000 cr** from each company. After implementing our suggestion, please notice the turnaround in Health Dept figures of the PSU insurers now.

Motor OD Discounts:
The next pitfall is the Motor portfolio. Discounts to capture another PSU renewal have gone to such maddening levels **that each company is showing de-growth apart from ICR crossing 120%.** We may expect another **1000 cr** loss for each company unless DFS steps in and puts a full stop to this unviable practices.

We have to stop discounts beyond certain levels. We have seen in the past that PSUs decided to restrict discounts to 60%. We did not lose market, in fact gained premium and the Private sector followed suit by restricting discounts at their end. We can make a try for No discount beyond 60% for other PSU renewals and offer higher discounts for renewals of the Private sector. Also incentives linked to discounts in reverse proportion.

Property Insurance:
Similar coordination is required in adverse property and project risks which the private sector does not participate in, but we pick it at **99% discounts due to Inter PSU competition.** Every company is targeting only accounts of other PSU, as Pvt. sector accounts are not referred by Brokers due to high incentives.

2. **UNETHICAL PRACTICES BY PRIVATE SECTOR**
Recently the DGGI has started a probe against Private Insurance Companies to investigate the unethical practices adopted by them by way of allegedly floating bogus expenses made to shell entities to **pay excess commission (**as high as 70% instead of ordinary 15%) under the head of marketing and advertising expenses. They have gone to the extent of raising fake invoices. The payments have been as high as Rs.5000 Crs.

Why no external independent audit on financing by Pvt. sector through shell companies not being done by IRDAI even though entire market knows about it. When the media can get the catch of such activities why IRDAI should not be held as an accomplice!!! We had already brought this to notice of all in our earlier letter marked to all seeking external auditing of expenses of Private Sector.

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These controls can improve health and revenues of companies instead of short term Office rationalization & asset monetization. Working on actual monetary benefits of these measures will show how miniscule the affect is on company performance than the suggested measures by us.

SUMMARY:
We feel that DFS is not able to see wood for the Trees. **They have entered into such a deep level of micro management of companies that** they have lost the Macro approach needed to create coordination among the companies. Micro management has also affected the morale of the company. There are market rumours that **one of CMDs of the PSU General Insurance Company has opted for VRS in disgust** due to constant interference and micro management by E&Y and DFS.

Sir, **we are not resisting any changes which are in the greater good of the PSGI Industry** as well as for the common insured but feel that all stakeholders should be taken in confidence and we should have detailed discussions with our Management on the issue of KPI and restructuring. Our respective Company's Management are yet to provide the full details of the initial report of Consultant and going ahead for implementation of KPI under extreme pressure of DFS and E&Y, without any discussions and proper preparation which will definitely lead to chaos in the Industry. **BDE/BDM is one such example of the failure where outgo on scheme is more than the income of premium and the same has been acknowledged by earlier Secretary of Finance also in the Board Meeting of one of the Company. Even though the pilot scheme ended up in failure, the same is rolled out in all the companies.**

Instead of suggesting corrective measures for controlling the loss in market share, consultants are only promoting the obsolete market strategies for our reforms. Moreover, we feel that the consultants are only serving us the old wine in new bottles by way of suggesting the already taken up stands of our company in a new envelope of words. Such half cooked ideas will only be devastating in the long run.

It is to be understood that we are a company where the majority of policy level decisions are taken up after due cognizance of the board. **But proposed reforms are not yet being taken up with any of the stakeholders except for the DFS and GIPSA impositions.**

In the above background we suggest the following immediately:

- **Share** the detailed report of consultants for our perusal and desired feedback / viewpoints.

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- **Formation of a committee** on urgent basis at GM level with Ministry representative **to prevent inter PSU competition** and hara-kiri with strict adherence. Competition commission issues are irrelevant as it is not mandatory to quote for other company renewals.
- **Merger of the Companies** (as proposed in the earlier union budget) first and then, business reengineering. We are putting the cart before the horse now.
- **Reviving Development Officers** by upgrading star agents to bring more loyalty among them and targeting large clients who will have long term relationships with PSU than through a Broker or BDM/BDE scheme.
- **Massive investment in IT and web based selling**. Tie up with Insutech companies. Companies like Go digit and Acko have grown over such investments only.
- **Investment in publicity** which is near zero now. Our market presence is not felt in the retail market. Policy Bazaar has grown only due to massive publicity.
- **Have open intention on Office rationalizations** than targets for office closures, especially in unrepresented areas.
- **Reorganize claim procedures** by cutting down levels of decision making.
- **Start recruitment process**. We have not learnt from our mistakes. There was no recruitment from 1991 till 2007. During this period, we had suggested minimum recruitment to ensure no cadre collapse in future. This exactly is happening in middle cadres now. Again companies have stopped recruitment, which will affect in the next decade.

In such a situation, we request your good self to please intervene in the matter and be kind enough to instruct DFS/GIPSA to keep on hold the KPI implementation till the issue is discussed with Associations representing Officers and Employees.

We are open to participate and contribute positively to the Management initiatives.

With warm regards,

(**S. SASIKUMAR**)
PRESIDENT

CC:
1. Chief Executive GIPSA, New Delhi
2. Chairmen Cum Managing Director, New India Assurance Co. Ltd., Mumbai
3. Chairmen Cum Managing Director, United India Insurance Co. Ltd., Chennai
4. Chairmen Cum Managing Director, Oriental Insurance Co. Ltd. New Delhi
5. Chairmen Cum Managing Director, National Insurance Co. Ltd. Kolkatta