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01, Araku Constituency - Andhra Pradesh

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To.
Smt. Nirmala Seetharaman
Honorable Minister of Finance
Ministry of Finance
Government of India
New Delhi-110001

Subject: Addressing Key Issues and Challenges Faced by Public Sector General Insurance Companies (PSGICs)

Dear Madam,

I hope this letter finds you well. I am writing to bring to your attention some pressing concerns affecting the Public Sector General Insurance Companies (PSGICs) and their employees, which I received from the National Confederation of General Insurance Officers' Association (CONFED) and their affiliates (NICOA, OICOA, UIICOA, NIAOA). These challenges, if not addressed promptly, could impact the long-term sustainability and profitability of this vital sector, which plays a crucial role in the Indian economy and the well-being of millions of citizens.

Key Issues:

1. Wage Revision for PSGIC Employees

The wage revision for PSGIC employees has been pending since August 1, 2022, despite being traditionally negotiated alongside those for the banking sector and LIC. The prolonged delay has adversely affected the morale of over 36 thousand employees who are integral to the operations of these companies. Given the significant contribution of PSGICs to the national economy, it is essential to settle the wage revision promptly.

2. Merger of PSGICs (Proposed in the Union Budget of 2018)

While the Government's vision of "Insuring India by 2047" is ambitious, it is difficult to achieve this vision without addressing the unhealthy internal competition among the PSGICs. I strongly urge the Government to consider the merger of these companies, which would result in a unified, financially stable entity capable of addressing the insurance needs of all citizens, particularly in Tier 4, 5, and 6 cities.

3. Employer Contribution to NPS @ 14% and Minimum 30% Family Pension

We request your immediate attention to the matter of enhancing the employer contribution to the National Pension System (NPS) to 14%, as well as increasing the family pension from 15% to 30%, as has been implemented in the banking sector and LIC. These adjustments are essential to ensure fair treatment and long-term financial security for PSGIC employees.

4. Internal Competition Among PSGICs

The unhealthy competition within PSGICs, particularly in areas such as motor tie-up business and Group Mediclaim Policies, has led to aggressive pricing strategies that undermine underwriting results and financial solvency. This competitive race is damaging the sector's overall stability and sustainability.

5. Unlimited Liability in Motor Third-Party Claims & Non-Revision of Motor Third-Party Premiums

We urge the Government to introduce limited liability for Motor Third-Party Claims, revise the premiums for such policies, and address the issue of uninsured vehicles, which currently account for more than 51% of vehicles on Indian roads. This will ensure the long-term viability and financial health of the PSGICs.

6. 100% FDI in the Insurance Sector

The proposal to allow 100% Foreign Direct Investment (FDI) in the insurance sector is a matter of great concern. The PSGI industry, with a market size exceeding ₹1,35,000 crores, is crucial for the nation's financial security and stability. We fear that allowing 100% FDI could lead to an influx of unregulated new players, akin to the "mushroom farming" of insurance companies. This would likely destabilize the market, erode consumer confidence, and lead to a race to the bottom in pricing, undermining the quality of services provided to citizens. The resulting competition based solely on price, without regard for service quality, would ultimately harm consumers and hinder the vision of "Insuring India by 2047."

7. Effects of New Entrants & Capital Limit

A further concern is the reduction of the capital requirement for insurance companies to ₹50 crores. This could pave the way for the emergence of small, weakly capitalized players, chasing short-term profits at the expense of long-term market stability. Such entrants could destabilize the sector, damaging the reputation of the entire industry and putting the interests of policyholders at risk.

Madam, the challenges facing PSGICs are not only about financial stability but also about ensuring quality service for more than 25 crore beneficiaries across the country. The sector has made significant strides, with PSGICs reporting profits exceeding ₹7,500 crores in FY 2023-24 and continuing to improve their financial position in the current fiscal year. However, without addressing the above issues, the growth and stability of the industry are at risk.

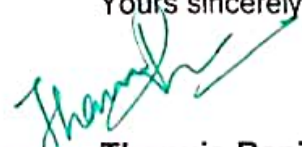
I strongly urge your intervention to resolve these matters urgently. A prompt settlement of the wage revision, enhancement of NPS contributions, and an increase in family pensions will go a long way in restoring employee morale and ensuring that PSGICs continue to serve the nation effectively.

Your support in addressing these critical issues will not only benefit the employees but also contribute significantly to the growth and stability of the public sector insurance industry in India.

Thank you for your time and consideration. I look forward to your positive response and timely intervention.

With kind regards,

Yours sincerely,



(Dr. Gumma Thanuja Rani)
Member of Parliament
Araku Constituency, Andhra Pradesh