

The General Insurance Business Nationalisation Amendment Bill 2021

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Amid Opposition protests and sloganeering over the Pegasus snooping issue and the three controversial farm laws, the Lok Sabha passed a law to amend the general insurance business Act without a debate. Moving the bill for consideration and passage, Finance Minister Nirmala Sitharaman said she couldn't respond to concerns raised by the Opposition as the House wasn't in order.

In news: Lok Sabha passes bill to amend general insurance law without debate amid opposition protest

Placing it in syllabus: Economy

Dimensions

- Provisions of the Bill
- Importance
- Criticisms
- Suggestions

Content:

Provisions of the Bill:

- The General Insurance Business (Nationalisation) Amendment Bill, 2021 seeks to amend the General Insurance Business (Nationalisation) Act, 1972.
- The 1972 Act was enacted to nationalise all private companies undertaking general insurance business in India.

The major provisions of the bill include:

Remove Government Shareholding Threshold:

- The bill removes the provision in the 1972 Act that requires shareholding of the central government in the specified insurers must be at least 51%.

Change in definition of general insurance business:

- The Act defines general insurance business as fire, marine or miscellaneous insurance business. It excludes capital redemption and annuity-certain business from the definition.
- Capital redemption insurance involves payment of a sum of money on a specific date by the insurer after the beneficiary pays premiums periodically. Under annuity certain insurance, the insurer pays the beneficiary over a period of time.
- The Bill removes this definition and instead, refers to the definition provided by the Insurance Act, 1938. Under the Insurance Act capital redemption and annuity certain are included within general insurance business.

Transfer of control from the government:

- The Bill provides that the Act will not apply to the specified insurers from the date on which the central government relinquishes control of the insurer.
- Control means: (i) the power to appoint a majority of directors of a specified insurer, or (ii) to have power over its management or policy decisions.

Board of Directors Given Powers to Modify Service Conditions of Employees:

- The Act empowers the central government to notify the terms and conditions of service of employees of the specified insurers.
- The Bill provides that schemes formulated by the central

government in this regard will be deemed to have been adopted by the insurer.

- The board of directors of the insurer may change these schemes or frame new policies.
- Further, powers of the central government under such schemes (framed under the Act) will be transferred to the board of directors of the insurer.

Liabilities of directors:

- The Bill specifies that a director of a specified insurer, who is not a whole-time director, will be held liable only for certain acts.
- These include acts which have been committed: (i) with his knowledge, attributable through board processes, and (ii) with his consent or connivance or where he had not acted diligently.

What is the General Insurance Business (Nationalisation) Act, 1972?

The General Insurance Business (Nationalisation) Act, 1972, was **enacted to provide for the acquisition and transfer of shares of Indian insurance firms for developing the general insurance business.**

The 1972 Act **set up the General Insurance Corporation of India (GIC).** The businesses of the companies nationalised under the Act were restructured in **four subsidiary companies of GIC**

Presently, there are four general insurance companies in the public sector:

- Oriental Insurance Company,
- National Insurance Company,
- United India Insurance Company and
- New India Assurance Company.

In the year 2002, it was amended to transfer and vest the shares of the acquiring companies with the central government,

thereby mandating it to maintain at least 51 percent shareholding in the general insurance companies

Importance:

- The Bill seeks to **provide for a greater private sector participation** in the public sector insurance companies regulated under the Act.
- The objectives and reasons for the Bill are to provide for **increased insurance access, better the social protection and interests of policyholders, and contribute to the rapid growth** of the economy.
- While India's insurance sector has been growing dynamically in recent years, its share in the global insurance market remains abysmally low.
- The Bill will **allow the government to bring down its stake in State-owned general insurance companies, generate required resources and help public sector general insurers design innovative products.**
- Finance Minister Nirmala Sitharaman said that resources are necessary for the rapid growth of these insurance companies, and they **can get money and technology from the private sector.**
- The government argues that The General Insurance Business (Nationalisation) Amendment Bill, 2021 is aimed at generating required resources from the Indian markets so that public sector general insurers can design innovative products.

Criticisms:

The latest bill, which was **passed by the Lower House of Parliament without any discussion**, has been protested upon by the opposition and West Bengal Finance Minister Amit Mitra.

The opposition argues that :

- **Privatisation Agenda:** This bill may **lead to total**

privatisation of general insurance companies. Privatising LIC and other public sector insurers would lead to opening a Pandora's Box, throwing into insecurity 30 crore policyholders.

- **Loss of Revenue:** With this, the government will also lose money by way of dividend in the proportion of shares being offered. If it does not sell parts of its stake, it will be required to borrow money which means higher expenditure in future on account of debt servicing.
- The opposition also described the amendment bill as "anti-people and anti-national" and alleged that it was meant to sell public assets to select business houses.

Suggestions:

- The manner in which the Lok Sabha Passed important legislation without proper debate is a matter of great concern.
- Any bill to amend the general insurance law to allow the government to pare its stake in state-owned insurers must be thoroughly debated on the floor of the parliament.

Mould your thought: Critically evaluate the provisions of The General Insurance Business Nationalisation Amendment Bill 2021.

Approach to the answer:

- Introduction
- Mention the provisions of the Bill
- Discuss the importance of these amendments
- Write about the criticisms of the bill
- Conclusion