



drishti

## General Insurance Business (Nationalisation) Amendment Bill, 2021

---

 [drishtiias.com/printpdf/general-insurance-business-nationalisation-amendment-bill-2021](https://drishtiias.com/printpdf/general-insurance-business-nationalisation-amendment-bill-2021)

### Why in News

---

Recently, the **General Insurance Business (Nationalisation) Amendment Bill, 2021**, was passed by **both the houses of the parliament**.

It seeks to amend the **General Insurance Business (Nationalisation) Act, 1972**.

### Key Points

---

- **Key Provisions of the Bill:**

- **Government Shareholding Threshold:**

It seeks to remove the **mandatory requirement of the Central government holding not less than 51% of the equity capital** in a specified insurer.

- **Defines General Insurance Business:**

- It defines **general insurance business** as **fire, marine or miscellaneous insurance business**.
- It excludes **capital redemption and annuity from certain businesses** 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.

- **Transfer of Control from the Government:**

It **will not apply to the specified insurers** from the date on which the **central government relinquishes control of the insurer**. Here control means:

- Power to appoint a majority of directors of a specified insurer.
- To have power over its management or policy decisions.

- **Empowers the Central Government:**

- It empowers the **central government to notify the terms and conditions of service of employees** of the specified insurers.
- It 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 will be transferred to the board of directors of the insurer.

- **Liabilities of Directors:**

It specifies that a **director of a specified insurer**, who is **not a whole-time director**, will be **held liable only for certain acts** which includes the acts which have been committed:

- With his knowledge, attributable through board processes.
- With his consent or connivance or where he had not acted diligently.

- **Significance:**
  - **Private Capital:**  
It will **bring in more private capital in the general insurance business** and **improve its reach** to make more products available to customers.
  - **Improved Efficiency:**  
The move is part of the **government's strategy to open up more sectors to private participation and improve efficiency.**
  - **Enhance Insurance Penetration:**  
It will **enhance insurance penetration and social protection** to better secure the interests of policyholders and **contribute to faster growth of the economy**
- **Concerns:**
  - **Affect the Workers:**  
It will affect **the insurance sector in the country** and the **workers engaged with the General Insurance Company.**
  - **Total Privatisation:**  
It may lead to **total privatisation of general insurance companies.**  
Privatising would lead to opening a Pandora's Box, throwing into insecurity 30 crore policyholders.
  - **Governments Loss:**  
The **government will also lose money** by way of dividend in the proportion of shares being offered.
  - **Pensions Safety:**
    - The pensioners in the four public sector general insurance companies were worried about the **safety of their future pensions when the central government privatised one of them.**
    - The pension fund is **dependent on the contributions of the employees** so that Pension Trust can pay the pensioners.

### **General Insurance Business (Nationalisation) Act, 1972:**

- The Act was enacted to **nationalise all private companies undertaking general insurance business in India.** It set up the **General Insurance Corporation of India (GIC).**  
**GIC** is an Indian **nationalised reinsurance company.**
- The businesses of the companies nationalised under the Act were **restructured in four subsidiary companies of GIC:**
  - National Insurance.
  - New India Assurance.
  - Oriental Insurance.
  - United India Insurance.

- The Act was subsequently **amended in 2002** to transfer the **control of these four subsidiary companies from GIC to the central government**, thereby making them **independent companies**.
- Since 2000, **GIC exclusively undertakes reinsurance business**.

**Source: TH**