

Insurance merger on hold, govt may pick one for sale

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NEW DELHI: The Centre may drop its plan to merge three general insurers and instead pick one of them for privatisation this fiscal year, two people aware of the development said.

The other two may be provided additional capital to strengthen their balance sheets, the people cited above said on the condition of anonymity. To begin with, the government will assess the financial performance of all three insurers in the coming quarters.

"The aim is to strengthen the general insurers' balance sheets through recapitalisation before any potential merger is considered," the person added. While National Insurance, United India Insurance and Oriental India Insurance are considered weak, market leader New India Assurance is seen as strong and not a candidate for privatisation.

The Union budget 2018-19 had proposed merging the three



The government will assess the financial performance of all three insurers in the coming quarters. ISTOCKPHOTO

weak insurers into one and listing it on the stock exchanges, a plan that has made little progress. Federal think tank NITI Aayog recommended United India Insurance for privatisation to a secretaries' panel in FY22, but that has not taken off either. At the end of the September quarter, solvency ratios of National Insurance, Oriental Insurance, and United India Insurance stood at -0.45, -1.02,

and -0.71, respectively, while that of New India Assurance stood at 1.81. The insurance regulator mandates all insurers to maintain a minimum solvency ratio of 1.5. The ratio measures an insurer's ability to service the risks it has undertaken. According to the second person mentioned above, all PSU insurers are expected to have positive ratios after an expected capital infusion.

"While the Centre had earlier sought exemption from the Insurance Regulatory and Development Authority of India (Irdai) for all three entities from meeting regulator-mandated solvency margins, capital infusion may be done to strengthen them further," the person said. "After assessing the performance of these companies in these companies, a call could be taken on privatization," the person added.

Queries emailed to a finance ministry spokesperson and the secretary of the Department of Financial Services remained unanswered.