Bill Summary

The General Insurance Business (Nationalisation) Amendment Bill, 2021

- The General Insurance Business (Nationalisation) Amendment Bill, 2021 was introduced in Lok Sabha on July 30, 2021. The Bill seeks to amend the General Insurance Business (Nationalisation) Act, 1972. The Act was enacted to nationalise all private companies undertaking general insurance business in India. The Bill seeks to provide for a greater private sector participation in the public sector insurance companies regulated under the Act.
- 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: (i) National Insurance, (ii) New India Assurance, (iii) Oriental Insurance, and (iv) 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.
- **Government shareholding threshold**: The Act requires that shareholding of the central government in the specified insurers (the above five companies) must be at least 51%. The Bill removes this provision.
- **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.
- 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.

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