

Cabinet approves Listing of Government owned General Insurance Companies at the stock exchanges

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The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi has given its 'in principle' approval for listing the following five Government owned General Insurance Companies in the stock exchanges. These are:

- (i) The New India Assurance Company Ltd.
- (ii) United India Insurance Company Ltd.,
- (iii) Oriental Insurance Company Ltd.,
- (iv) National Insurance Company Ltd. and
- (v) General Insurance Corporation of India.

The shareholding of these Public Sector General Insurance Companies (PSGICs) will be divested from 100 percent to 75 percent in one or more tranches over a period of time. During the process of disinvestment, existing rules and regulations of Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority of India (IRDAI) will be followed.

Listing of (PSGICs) is likely to yield the following benefits:

- a. Listing on the Stock Exchange necessitates compliance with a number of disclosures and accounting requirements of SEBI, which acts as an additional oversight mechanism. The disclosures bring about transparency and equity in the companies functioning.
- b. Listing is expected to lead to improved corporate governance and risk management practices leading to improved efficiency. A greater focus on growth and earnings can also be expected.
- c. Listing will open the way for the companies to raise resources from the capital market to meet their fund requirements to expand their businesses, instead of being dependent on the Government for capital infusion.

Background:

The Finance Minister in his Budget Speech for 2016-17 had announced that public shareholding in Government-owned companies is a means of ensuring higher levels of transparency and accountability; and to promote this objective, the general insurance companies owned by the Government will be listed on the stock exchanges.

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