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PSU insurers may get to tap capital markets

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PUBLIC sector general insurance companies – New India Assurance, National Insurance, Oriental Insurance and United India Insurance – may now be able to launch their initial public offerings (IPOs). The government may allow them to raise money from the market, diluting its 100% stake in these companies.

The finance ministry has accepted the proposal to allow PSU general insurers to access the capital market for meeting the required solvency margin ratio, sources said. It is understood that the government is not willing to infuse fresh capital in these companies due to paucity of funds and wants them to raise capital from the market.

Sources said the proposal was also discussed in a recent meeting of the group of ministers (GoM). Insurance Regulatory and Development Authority (IRDA) has been requesting the government to infuse more capital in national insurance companies to bring their solvency margin to the required level of 1.5 from the current level of around 1.08.

It was observed at the GoM meet that the government must support the finance ministry's proposal for raising capital from market by general insurance companies to meet their capital needs.

The proposal may be included in the Insurance Laws Amendment Bill, 2006 which is being considered by the GoM. Once the GoM gives its consent, the Bill will be introduced in the Parliament.

Post-nationalisation of insurance business in 1972, the four insurers were functioning as subsidiaries of General Insurance Corporation of India (GIC), a 100% government-promoted company. After the notification of the General Insurance Business (Nationalisation) Amendment Act, 2002, these subsidiaries were de-linked from GIC.

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