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Stressed PSU General Insurers may face PCA-like restrictions

BY [DHEERAJ TIWARI](#), ET BUREAU | DEC 15, 2018, 06.46 AM IST

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The government is reassessing capital needs of state-run [general insurance companies](#) in view of mounting losses, and considering if a kind of prompt corrective action (PCA) along lines of that for weak banks is needed for insurers as well.

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Initial estimates suggest that [capital infusion](#) of about Rs 8,000 crore may be required. "The idea is at a very preliminary stage. It cannot be only for public-sector insurers," said the above quoted official, adding that the rising losses of general insurers may require such restrictions.

Under the [PCA framework](#), banks face restrictions on lending among other constraints till they regain health. "Most public sector firms are bleeding on their health portfolio," said the official, adding that the government want insurers to focus on a six-point agenda which include sustainable and prudent business, talent management and customer orientation.

India's largest general insurer New India's underwriting losses stood at Rs 1,228.66 crore for Q2 compared with Rs 626.94 crore in the year-ago period. According to IRDAI's annual report of 2016-17, underwriting losses of staterun general insurance firms grew 43.89% to Rs 15,591 crore from Rs 10,835 crore the previous year.

Insurers themselves feel the need to take corrective action in view of losses to maintain solvency levels, which refer to excess of assets over liabilities.

The Insurance Regulatory and Development Authority of India (IRDAI) has prescribed that all insurance companies maintain a surplus of 1.5 times the liabilities at all times. United India and National Insurance at present fall short of the regulatory requirements. "Some insurers have themselves taken a measured approach towards growth, improve the quality of business and consolidate financial strength," said chairman of state-run insurance firm.

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A lack of capital could undermine the goal to increase insurance penetration, which stands at very low levels for general and [life insurance](#) companies.

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