

Item No. 37

Request of Agriculture Insurance Company of India Limited (AIC) to diversify to Agriculture & Allied Lines of Business

1. The Authority had received a letter dated 03.09.2019 from AIC followed by application dated 02.07.2020 wherein they have applied to the Authority for approval to write Agriculture and allied businesses such as cattle, farm motor, health, personal accident and dwellings and contents etc. along with Crop insurance business. The company aims to re-position itself as a “Comprehensive Rural Insurer”, covering the entire needs of the farmer under one umbrella from the current role of a standalone crop Insurer.
2. AIC was incorporated under the Indian Companies Act, 1956 on 20.12.2002 with an authorized share capital of Rs.1500 Crores and paid up capital of Rs. 200 Crores. The applicant obtained Certificate of Registration from the Authority on 29th October, 2003 to carry on Crop Insurance business.
3. The company was formed under the aegis of the Government of India and promoted by six public sector companies namely GIC (35%), NABARD (30%) and the four public sector general insurance companies (8.75%) each, viz., National, New India, Oriental and United India.
4. The following are the financial details of AIC for the last 5 years:

Particulars (Rs. in Crores)	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021
Gross Written Premium	6,980	7,893	6,907	9,361	12,052
Net written	1,778	1,781	1,559	2,100	6,354

Particulars (Rs. in Crores)	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021
Premium					
Incurred Claims	2,399	1,819	1,524	2,131	6,297
Expenses of Management	170	163	214	284	280
Underwriting Results	32	337	178	-252	329
Investment Income	465	532	538	528	639
Profit Before Tax	487	880	655	253	747
Profit After Tax	324	596	440	177	490
Net worth	2767	3363	3767	3944	4634
Solvency ratio	1.84	2.03	2.14	2.83	2.09

5. Insurer expects the following benefits from the proposed diversification:

- a) Reduction of Risk: The current “Monoline”, “Single source of Business” – Government sponsored schemes (PMFBY) leads to concentration of source of business.
- b) Wider risk coverage for farmers: By using the existing relationship with rural financial institutions network and other intermediaries
- c) Aims to reposition itself for a greater role as a “Comprehensive Rural Insurer”
- d) Will facilitate the company to create district level infrastructure, which is currently not viable given the tender based system of PMFBY.

6. Section 3(1) of Insurance Act, 1938 on registration states as under:

- 3. (1) No person shall, after commencement of this Act, being to carry on any**

class of insurance business in India and no insurer carrying on any class of insurance business in India shall, after the expiry of three months from the commencement of this Act, continue to carry on any such business, unless he has obtained from the Authority a certificate of registration for the particular class of insurance business:

7. Regulation 4 of IRDAI (Registration of Indian Insurance Companies) (Seventh Amendment), Regulations, 2016 states as under:

4(1) *The classes of business of insurance for which requisition for registration application may be made are:*

- (i) Life insurance business;*
- (ii) General insurance business;*
- (iii) Health insurance business exclusively;*
- (iv) Reinsurance business.*

4(2) *An applicant shall make a requisition for registration application under regulation 3 either for Life Insurance Business or General Insurance Business or Health Insurance Business exclusively or Reinsurance Business.*

8. Since, AIC is already a registered crop insurer which falls under the purview of General Insurance, a customized questionnaire containing relevant questions for examining the application in one go rather than in two stages (R1 and R2) was devised and duly filled in application obtained from AIC.
9. As regards the necessity for any capital infusion, if any, in the future, AIC has submitted that they have received “No Objection” from two of their promoters namely The New India Assurance Company Ltd. (NIACL) and NABARD for expansion of business to allied lines and for capital infusion, if required.

The following business projections have been submitted by AIC:

Rs. In Crore

FY 2021-22	FY 2022-23	FY2023-24	2024-25	2025-26
50	200-300	400-600	600-800	800-1000

AIC has stated that, given the current financial position of the three other public sector general insurance companies, they do not expect any such commitment from them at this juncture. It is noted that GIC Re too has not sent any communication to AIC in this matter.

10. However, given the financial strength of AIC and the fact that they have been complying with the required solvency margin over the last several years, it is recommended that AIC may be permitted to carry on 'Agriculture' insurance business (currently they are registered to carry on only 'Crop' Insurance business) subject to submission of a firm commitment as to the sources of raising capital to meet capital and solvency requirement, along with extracts of board resolution of respective organization for all capital infusion requirements that may arise in the future.

Placed for approval of the Authority.