



File No.9-ITPO(1)/E-I/2020
India Trade Promotion Organisation
(Administration Division, E-I Section)

Pragati Maidan, New Delhi
14 July 2022

Circular No. Admin/ 40 /2022

Subject: Request for removal of Solvency Ratio as a criterion for participation in General Insurance related Tenders of CPSEs and Government Departments – reg.

All concerned are advised to take note and comply with the instructions (if/as applicable) issued vide Department of Financial Services, O.M. No.EG-14017/64/2020-Insll dated 02/07/2022 (enclosed) regarding above mentioned subject.

(Col. Pushpam Kumar, SM)
Officer on Special Duty(Admin)

To

All HoDs

Copy to:

1. Centralised Procurement Cell
2. All Regional Offices
3. IT Services Division - for upload on ITPO website
4. Circular Register
5. Notice Board

For information to:

1. PS to CMD
2. PS to ED
3. PA to ED(Projects)

To,

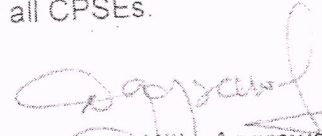
Chief Executives of all CPSEs

Subject: - Request for removal of Solvency Ratio as a criterion for participation in General Insurance related Tenders of CPSEs and Government Departments - regarding

Sir/Madam,

The undersigned is directed to forward herewith a copy of Department of Financial Services O.M. No. EG-14017/64/2020-InsII dated 2nd July, 2022 on the subject mentioned above for information and compliance by all CPSEs.

Encl : As stated



(Dr. Nitin Aggrawal)
Joint Director
Tel : 2436-0258

14017/64/2020-InsII

1/48703/2022

F.No - EG- 14017/64/2020-InsII
Government of India
Ministry of Finance
Department of Financial Services

Jeevan Deep Building, 2nd floor
Sansad Marg, New Delhi-110001
Date: 02 July,

2022

Office Memorandum

Sub: Request for removal of Solvency Ratio as a criterion for participation in Government Tenders

The undersigned is directed to refer to the captioned subject and to state that in general insurance related tenders, some Central Public Sector Enterprise and Government Departments include requirement of minimum solvency ratio of 1.5 of the liabilities as one of the eligibility criterion for insurers' participation. This makes three of the four Public Sector General Insurance Companies (PSGICs) namely, National Insurance Company Ltd, Oriental Insurance Company Limited and United India Insurance Company Limited, ineligible to participate in the tender process in spite of their vast experience and risk management skills.

2. While it is agreed that solvency margin is good measure to assess the financial health and stability and the ability of insurers to meet the liability, it is important to note that the insurance sector is duly regulated by Insurance Regulatory and Development Authority of India (IRDAI). IRDAI has allowed forbearance (from maintaining required solvency ratio) to these companies considering all aspects and allowed them to continue underwriting business as usual.

3. It is pertinent to note that the reinsured liability is not factored into calculation of Solvency Ratio, specified by IRDAI, as a result of which solvency ratio of 1.5 is very high from a risk perspective.

4. Further, Public Sector General Insurance Companies have not defaulted ever on their liabilities. Government of India has recently infused capital in the above-mentioned companies and stands committed to provide more capital, as may be required.

5. In view of the above, it is requested not to include solvency ratio as a criterion for participation of Public Sector General Insurance Companies in general insurance tenders. This would enhance competition in the bidding process without compromising on the quality of services. It is also requested to bring this to the attention of all the procuring entities and organisations under the administrative jurisdiction of your Ministry/Department.

Signed by Mandakini
(Mandakini Balodhi)
Director to the Government of India
Date: 02-07-2022

To:

Secretaries of all Departments/Ministries of Government of India

Copy for information:

1. CMD, NIACL
2. CMD, UIICL
3. CMD, NACL
4. CMD, OICL