

**ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION**  
LIC BUILDING SECRETARIAT ROAD HYDERABAD

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**7<sup>th</sup> May 2008**

To all the Zonal/Divisional/State/Regional Units:

Dear Comrades,

**Decisions of the AIIEA Secretariat**

The two day meeting of the AIIEA Secretariat was held as scheduled on May 2-3, 2008 at Bhopal. This meeting was convened to review our campaign and struggle in defence of the public sector insurance industry and to decide on steps to force commencement of negotiations on wage revision that fell due on 1.8.2007. The Secretariat unanimously concluded that our campaign against further liberalization of insurance sector has been a great success and therefore, there is a need to heighten up the campaign and struggle. Similarly, on the issue of wage revision, the Secretariat felt that there is inordinate delay in commencement of wage negotiation and organizational steps are necessary to force open negotiations.

**Performance of Public Sector and our struggle**

The LIC closed its financial year 2007-08 with yet another creditable performance. The LIC earned Rs.43, 813 crore of first premium income through sale of 3.76 crore policies. The LIC secured 9260 crore of premium through group and pension business. It is expected that the total premium income of LIC would touch Rs.1,50,000 crore. Similarly, the four general insurance companies earned around Rs.16, 900 crore of gross direct premium income and registered enormous growth in profits.

This performance is to be seen and understood in the context of the difficult challenges the public sector had to meet during this period. The government and IRDA continued their efforts to weaken the public sector and encourage the private companies by resorting to various measures. The Indian economy that registered growth in excess of 9% in the earlier years showed signs of slowing down. Both the government and the RBI lowered the growth projections of the economy. Though the gross domestic savings touched a little over 34% of the national GDP, the household savings declined. At the same time the share of Corporate savings increased clearly showing the shift in incomes from the households to the corporates. The RBI also noted that during this period there was a decline in the financial savings. Seen in the light of these developments, the growth registered by LIC and the four public sector general insurance companies is commendable.

The Secretariat expressed satisfaction over the manner in which the campaign in defence of our industry is conducted across the country. This struggle supported by the Left political parties prevented the government from further liberalizing insurance sector and hiking the FDI limits. It was, however, felt that the struggle has become much wider and bigger with the crisis in the US economy and the crisis in the financial markets across the world. The government today is advocating increase in FDI beyond 50%. The Anwarul Hoda Committee

on service sector has recommended that there should be no restrictions on ownership of an insurance company. This committee has also recommended de-tariffing of all insurance products, review of investment pattern and lowering the solvency margin levels now as demanded by the private sector. The Raghuram Rajan Committee on Financial Sector has also come out with similar prescriptions. With the government committed to fully liberalise the financial sector in 2009, the struggle in protection of our industry has also become much bigger and wider.

The Secretariat called upon all units to continue the campaign without any let up. The findings of IRDA on the continuous and rising losses of the private life insurance companies must be properly utilized in our campaign. IRDA Report for 2006-07 noted that the total losses of 15 private life insurance companies rose to Rs.1, 934 crores in 2006-07 while the public sector LIC was in a comfortable position with a 22% growth in the surplus generated. The Report also noted that in the non-life sector, the public sector companies recorded net profits of Rs.2, 907 crores with a growth rate of 120%, while the 8 private insurance companies recorded a profit of Rs.230 crores with a growth rate of 49%. The underwriting losses of public sector companies went down by 36% whereas the underwriting losses of private companies went up by 113%. The operating expenses of private companies in general sector went up by 60% while the operating expenses of public sector companies came down by 10%.

Similarly, the record of the private sector in terms of the settlement of the claims should also be exposed. According to the IRDA, the private sector on an average has settled only around 75% of the claims while the record of LIC is in excess of 99 percent. Our campaign must utilize this to create the necessary goodwill among the insuring public so as to help the growth of the industry. The Secretariat advised the units to chalk out innovative programs of campaign at local levels to meet the demands of the situation.

The Secretariat noted with satisfaction the campaign demanding merger of four general insurance companies. The arguments of the AIIEA for consolidation in general insurance are well known and need no repetition. The campaign has been good in many parts of the country but in certain areas it is yet to reach the expected levels. Therefore, the concerned Zonal and Regional Units must take immediate steps to raise the levels of campaign.

### **Government policies hurting people**

The UPA government's commitment to neo-liberalism came in for sharp criticism. These policies have widened inequalities and the fruits of development have totally bypassed the vast majority of the people. The most serious issue today is the unprecedented rise in prices of food grains and other essential commodities. The Secretariat blamed the procurement policies, allowing the forward trading and systematic dismantling of Public Distribution System for the massive price rise. The Secretariat ridiculed the statement of US President George Bush attributing the price rise across the world to the eating habits of Indians. The US President is ignorant of the fact that more than half the Indian population go to bed hungry and this country today is witnessing large scale hunger and starvation. The Secretariat decided that the insurance employees must join the struggle against price rise. While doing so,

they should not only expose the policies of the Indian government but also expose the hypocrisy of imperialism. Today the global food crisis is largely contributed by the US and the West diverting the grains and land for production of bio-fuel. Our campaign must highlight all these issues.

### **Wage Revision**

The Secretariat noted, as stated earlier, with great satisfaction the performance of LIC and four PSU general insurance companies in the financial year 2007-08. The LIC achieved the present growth over the unprecedented growth recorded in the financial year 2006-07. The growth in first premium, total premium and number of policies has far exceeded the growth projections made by LIC for the financial year 2007-08 in its long term plan. Similarly, the growth and profits of the four general insurance companies make our demand for 40 percent wage hike totally justified.

The Secretariat also analyzed in great detail the impact of the 6<sup>th</sup> Central Pay Commission recommendations. The AIIEA has already placed its views on these recommendations in its circular dated 29<sup>th</sup> April 2008. The Pay Commission in tune with the neo-liberal philosophy has generously rewarded the executives at the higher levels, its recommendations for the clerical and subordinate staff is unsatisfactory. It has recommended elimination of 10 lakh Group D posts, an adverse revision in pension commutation factors, reduction of holidays and outsourcing of many jobs. The Secretariat cautioned the employees that the government could make efforts to introduce these negative features in the public sector too and therefore, the insurance employees must remain vigilant.

The demand for 40% wage increase across the board is fully justified when viewed in the context of the growth indices of the industry. Therefore, the Secretariat decided that the wage revision in insurance industry should be on the basis of its strength. The employees must be mobilized on this demand to create necessary conditions to secure our legitimate demand. It is disappointing that despite the all-round performance of LIC and the four PSU general insurance companies, the managements have not taken any steps to commence negotiations on wage revision. This inordinate delay in starting the process of negotiations is unacceptable. Therefore, the Secretariat decided on organizational actions to force open negotiations that would lead to an early satisfactory settlement. AIIEA today (7.5.2008) addressed letters to the Chairman, LIC, Mumbai and Chairman, GIPSA, New Delhi demanding immediate commencement of discussions on wage revision.

### **Organization**

The LIC has initiated the process of recruitment to the cadre of Assistant. It is expected that the Zonal Offices would issue notifications calling for applications soon. The success achieved by AIIEA in forcing the LIC and government to agree for recruitment is remarkable. The management consultant Booze Allen and Hamilton had not very long ago stated that LIC had 45000 surplus staff. The government had repeatedly argued for reduction of staff through various methods citing this infamous finding of the consultants. The AIIEA refused to accept this finding and waged consistent struggle resulting in the present recruitment. This fact must be properly explained to consolidate the organization.

The Secretariat was unanimous that cadre building is an important activity of the organization. The cadres must be identified and through proper education must be groomed to take up the leadership positions. The Secretariat advised the Zonal, Divisional and State units to take up this task with the urgency it deserves. The Secretariat noted the enormous work being done through People for India Forums in mobilizing people on people's issues and recommended continuation of this work. The Secretariat congratulated our Madurai unit for their campaign against untouchability along with the cadres of Tamilnadu Untouchability Eradication Front (TNUEF). It is a matter of pride that it was the effort of this unit that exposed the existence of a wall in Uthapuram village, Madurai District that separated the dalit communities from the rest of the village. This wall which was existing for over two decades was termed as a wall of shame by the progressive media and the government was compelled to demolish a part of the wall on 6th May 2008 to allow movement of people on either side. Such work is worthy of emulation by the other units.

The Secretariat expressed its disappointment over the delay in increase in the housing loan by the LIC management. It decided to pursue the issue of increase in the housing loan and simplification of rules with greater vigour. The Secretariat also decided to continue to pursue the issue of recognition of AIIEA in LIC.

After a thorough and careful analysis of the entire situation, the Secretariat decided on the following program of action:

- (1) 15<sup>th</sup> May 2008 - Demonstrations in front of all offices of LIC and general insurance companies against price rise;
- (2) Between 8<sup>th</sup> May to 20<sup>th</sup> May 2008 - General Body Meetings to explain the justification of wage demand and preparing employees for a struggle on this demand;
- (3) 21<sup>st</sup> May 2008 – All India Demands Day – Demonstrations, Badge wearing and sending of telegrams to Chairman LIC and Chairman GIPSA demanding immediate commencement of wage negotiations ;
- (4) Organising a National Convention on Merger in general insurance during the winter session of parliament;
- (5) Reiteration of the decision to observe a day's strike if any legislation is introduced to facilitate hike in FDI limits.

The Secretariat calls upon all insurance employees to implement the above decisions successfully. The Secretariat expressed hope and confidence that by aligning ourselves with the struggles of the other sections of the working and toiling people; we can successfully defend our industry and secure the totally justifiable demand on wage revision.

With greetings,

Comradely yours,



General Secretary.