ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

LIC BUILDING SECRETARIAT ROAD HYDERABAD

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

Dear Comrades,

AIIEA SECRETARIAT DECIDES ON INTENSIVE CAMPAIGN AND STRUGGLES

The Secretariat of the AIIEA met as scheduled at Hyderabad on November 2-3, 2008. The Secretariat made a detailed and analytical review of the present stage of our struggle against liberalization of insurance sector, the situation obtaining on our demand for wage revision and a host of other organizational issues. The Secretariat was unanimous in its understanding that with the UPA government deciding to introduce bills in the next session of parliament to hike FDI limits and raise the capital of LIC, our struggle has entered a crucial phase. This massive challenge of the government has to be met with an equally strong response. The Secretariat, therefore, called upon the insurance employees to respond to this situation with great commitment and confidence.

FINANCIAL MELTDOWN AND ITS IMPACT

The global financial meltdown has proved our opposition to neo-liberalism and more importantly the liberalisation of financial sector absolutely correct. What began as a sub-prime mortgage crisis in United States has now infected the entire globe. The icons of American capitalism – giant sized banks, investment banks with global reach and insurance companies - suffered a shocking collapse necessitating the government intervention and a massive bail out package. It is estimated that the mortgage losses in America would exceed 1.5 trillion dollars. The financial crisis has impacted the real economy and there is a general consensus that the United States economy has slipped into a deep recession. The result has been disastrous for the working and middle classes of America. It is estimated that over 2 million people would lose their houses; more than 7,60,000 jobs are lost till September in the current year; more than 2 trillion dollars were lost by the pension funds of the working class. Savings of the people in the shares and stocks worth more than 16 trillion dollars have been wiped out across the world. It is expected that the crisis would now seriously affect the credit cards, auto and education loans. The International Labour Organization predicted that at least 20 million jobs would be lost by the end of 2009 due to the crisis, mostly in construction, real estate, financial services, and the auto sector, bringing world unemployment above 210 million for the first time. It is acknowledged that this is the worst crisis of capitalism since the great depression of 1929.

The crisis has impacted Europe and Japan. The European governments are pumping massive funds to bail out ailing banks and insurance companies. The British Government alone announced a bank rescue package of around £500 billion ($850 billion). France announced a €10.5 billion rescue plan for six of its largest banks, including Crédit Agricole, BNP and Société Générale. Europe is witnessing the worst job losses in the past two decades and the European Commission now concedes that there can be no escape from recession. Nobody is sure as to how long this slow down of economies or recession would last. The neo-liberal project that was based on deregulation and privatization has come under sharp criticism. Today, the governments in Europe are nationalizing banks and other financial institutions. In the United States too, there is a general consensus that self-regulation is a myth and that the government must intervene to take control of the institutions it is bailing out.

CRISIS HAS HIT INDIA

The UPA government and the Finance Minister were initially in a denial mode saying that the global meltdown would not impact India as the fundamentals of our economy are very sound. This optimism did not last long and the government realized that India cannot remain insulated against the crisis of this magnitude. The government has been taking monetary steps to infuse liquidity in the markets through reduction of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratios (SLR). This alone would not help unless the government decides to spend, invest and create jobs and thus create demand. The impact of the crisis is already being felt by the IT and ITES sector where large number of jobs are being lost. The industrial production index has recorded a meager 1.4% growth in the latest quarter. The aviation sector is passing through difficult times. The massive slide in the capital markets has eroded the savings of the people.

The Prime Minister and the Finance Minister today concede that the impact of the crisis on the Indian economy is not very severe because banking and insurance sectors in India are still dominated by the public sector and India did not adopt full convertibility on capital account. If the Indian economy did not sink in the same manner as the US or European economies, it is because the Left parties through their strong opposition and the working class through their organizational actions did not allow the UPA government to fully integrate the Indian financial sector into the architecture of global finance capital. The Secretariat was proud that our struggle against liberalization of financial sector and insurance sector contributed in saving the economy from a real disaster.

IMPACT ON INSURANCE SECTOR

The insurance industry in United States, Europe and Japan has greatly been impacted by the crisis. The US Federal Reserve had to save the AIG – largest insurance company in the world – through a bail out package of over 85 billion dollars. (Subsequently another 37 billion dollars was also committed). The US Fed has also taken control of nearly 80% of the shares in AIG. Media reports said that MetLife Inc., New York Life Insurance Co., and Prudential Financial Inc., were exploring a sale of equity stakes to the government to tide over the crisis. Fortis was bailed out by three governments of Europe and in the process these governments have taken over substantial control over this banking and insurance giant of Europe. ING and Aegon the two Dutch insurers have received massive bail out package from the government. The Generalitis of Italy has reported huge losses in the last quarter. The Standard Life has reported massive decline in its new businesses. The Fitch ratings and Goldman Sachs say that they are seriously concerned about the health of Prudential of UK and Aviva. In fact the Fitch has said that the outlook for insurance in United States, Europe and Japan for the next 18 – 24 months is negative. Thus there is no doubt that the entire insurance industry in the advanced countries is in a serious difficulty. It is pertinent to mention that all these companies are operating in India in partnership with Indian companies.

LEGISLATIONS TO AMEND INSURANCE LAWS

In this background the decision of the UPA government to introduce two bills in the next session of parliament to further liberalise the insurance sector is really shocking. The Union Cabinet has decided to introduce a comprehensive legislation in Rajya Sabha to amend the IRDA Act, GIBNA and Insurance Act 1938. Through this measure it aims to hike the FDI limits in insurance to 49% from the present 26%, allow the four public sector general insurance companies to raise capital from the market and change the investment norms to allow a portion of the life funds to be invested outside the country. We have argued and campaigned against these measures for the last 4 years and more. These measures would place the domestic savings so vital for the economic growth of our nation at the disposal of the foreign capital for speculative gains risking the savings of the people and harming the interests of the nation. These measures will pave way for privatizing the public sector general insurance companies. Through legislation, the government also intends to amend LIC Act 1956 to raise the capital from Rs. 5 crore to Rs.100 crore. The government argues that this measure is needed for LIC to conform to the rules of the IRDA. This is a very weak argument. The LIC is established through a special act of Parliament. On a capital base of Rs.5 crore it has created assets worth Rs.8,04,000 crore. Its assets are over Rs. 1, 17, 000 crore more than the liabilities. It has solvency reserves of over Rs.25000 crore. All this makes the need to hike the capital of LIC by a mere Rs.95 crore unnecessary and irrelevant. This measure clearly points towards a hidden agenda and has to be seen as a first step towards privatization of LIC.

The Secretariat, therefore, decided to launch massive campaign to mobilize the public opinion against these measures and also decided on direct organizational action. Today the popular opinion of the people is against neo-liberalism. The people also are aware that the Indian economy was saved because of the public sector dominance in the financial sector. In the circumstances, the Secretariat was absolutely confident that our campaign will evoke massive response from the people, capable of forcing the UPA government to drop the moves to liberalise the insurance sector.

WAGE REVISION

In the preliminary discussions held on July 17, 2008, the LIC agreed that the demand of the AIIEA for a good wage revision commensurate with the growth and paying capacity of the institution is legitimate. The Chairman also assured that LIC would make all possible endeavours to give the employees the best possible wage deal. However, even after three months of these assurances, the LIC has not taken any steps to initiate a meaningful dialogue on the wage demand. The Secretariat was of the firm view that the wage revision in LIC should not be linked to any external factors or developments in other industries. The wage revision in LIC should be settled on the basis of the strength of the institution. The wage revision fell due on 1.8.2007 and further delay on this issue is unacceptable. The Secretariat, therefore, decided on a direct action on this issue and also authorized the headquarters to explore the possibility of joint action. In the general insurance sector even the initial discussion on wage revision has not begun. As the Secretariat was in session it was informed by GIPSA that the preliminary discussion on wage revision would be held at Delhi on November 28, 2008.

OTHER ISSUES

The Secretariat resented the inordinate delay in consideration of our demand for increase in the housing loan, introduction of a mediclaim scheme to the Regular Part Time employees and a solution to the problem of cashiers. The Secretariat warned the LIC management that its inaction on these important issues risks losing the goodwill of employees. Therefore it demanded immediate favourable decisions on these issues. Needless to say that the AIIEA would continue to pursue these issues vigorously.

Since the attitude of the management to find a solution to the temporary employees is unhelpful, it was decided that organizational action on this issue is necessary.

The Secretariat also discussed various problems in the general insurance industry like promotion policy, TMP, new initiatives of the management on business front etc. The Secretariat advised the Standing Committee (General Insurance) to study the possible impact of the new initiatives on jobs and on the growth of business so that proper decisions could be taken. The Secretariat decided to continue resistance against arbitrariness in TMP and the promotion policy without undermining the improvements and concessions gained through the struggles of the AIIEA. The Secretariat congratulated the Standing Committee (GI) and GIEA, SZ for their relentless efforts in getting the transfer order modified of Com. J.Gurumurthy, Joint Secretary, AIIEA.

After a thorough discussion and analysis, the Secretariat decided on the following programme of action:

***One day strike in LIC and public sector general insurance companies on the next day of the introduction of the comprehensive legislation on insurance on FDI hike and other issues;**

***One Hour walk out strike in LIC on the next day of the introduction of the Bill to raise the capital of LIC from Rs.5 to Rs.100 crore. Solidarity demonstrations in general insurance sector;**

***Two Hour walkout strike in LIC in the last week of November demanding commencement of meaningful discussion on wage revision; demonstrations in general insurance sector;**

***Conventions at all Divisional headquarters to mobilize support to our struggle against the bills to liberalise insurance sector; State Level conventions in the State capitals on the same issue;**

***All India Convention against the liberalization of financial sector in New Delhi in the first fortnight of December 2008;**

***Three Hour Dharna after office hours on 8th November or any other convenient Saturday on the issue of temporary employees at all the Divisional headquarters where the problem exist.**

The Secretariat called upon all insurance employees to enthusiastically implement the above programmes of action. The Secretariat is of the firm opinion that the situation had never been so favourable in the past for our struggle against liberalization of financial sector. Let us march on the path of struggle with absolute confidence that success will be ours.

With greetings,

Comradely yours,

General Secretary