ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

LIC BUILDING SECRETARIAT ROAD HYDERABAD

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

Dear Comrades,

LIC (AMENDMENT) Bill 2009

Government accepts:

Any further increase in capital should be through appropriation by Parliament
Retain Sovereign Guarantee
Powers to open offices to remain with LIC

One Day strike withdrawn

The LIC (Amendment) Bill 2009 was taken up by the Lok Sabha today for discussion and was passed. Members of Parliament who participated in the discussion lauded the performance of the LIC. The recommendations of the Standing Committee on Finance came in for strong support from many of the speakers. The Government has made some important amendments to the original Bill introduced in 2009. The modifications made, meet the major concerns raised by the AIIEA and also accommodate the recommendations made by the Standing Committee on Finance.

Paid up Capital:

While we argued that there was no need to increase the Capital from Rs.5 Crores to Rs.100 Crores, we had strongly opposed the provision to raise the Capital of LIC over and above Rs 100 crore through notification. **We had argued that giving powers to the executive to raise the capital raises serious apprehensions about the intentions of the government**. We had demanded that in case Capital is to be raised in future it has to be done again by amending the Principal Act (LIC Act 1956) and funds be provided through parliamentary appropriations. The Standing Committee had agreed with our demand. We now find that the government assured that any further increase in capital would be through appropriation by the Parliament.

The revised provison in the Bill as approved is as follows:

"The paid-up equity capital of the Corporation shall be one hundred crore of rupees provided by the Central Government after due appropriation made by Parliament by law for the purpose.

The Corporation may issue and sell bonds and debentures or such other prescribed instruments carrying interest for the purpose of raising its working capital to such amount as may be prescribed."

In fact the Minister, while clarifying on the issues raised by the Members of Parliament clearly mentioned that as per the recommendations of the Standing Committee, any further increase in equity should be through appropriation made by Parliament and there is no question of dilution of government's equity.

Sovereign Guarantee:

The second area of our concern was on the issue of Sovereign Guarantee. The Bill of 2009 had diluted the concept of Sovereign Guarantee and had proposed to provide this selectively. This was to meet the demands of the private insurers and intended to withdraw the Sovereign Guarantee fully in due course. We raised serious objection and had demanded the retention of the Sovereign Guarantee.

The Standing Committee also recommended the retention of Sovereign Guarantee. The Revised Bill has conceded this demand as seen from the provision of the Bill:

The original provision under Section 37 of LIC Act 1956 deals with Policies to be guaranteed by Central Government.

Shri Namo Narain Meena, Minister of State for Finance, while moving the Bill for passage announced that the Sovereign guarantee will be retained.

The provision for Sovereign Guarantee was retained as it is and the following lines were added.

"Provided that the Corporation shall endeavour that its funds are invested in the attractive schemes formulated by it to ensure increased bonus to policyholders while having least investment risk so as to enable the Corporation to play a greater role in economic enrichment of the masses while maintaining its position as a leading player in the market."

Power to open offices:

The third area of our concern was the proposal to withdraw the powers of the Zonal Managers to open Branch offices and Divisional Offices. We did not agree with this proposal and demanded its retention with freedom for LIC to decide on issues of expansion keeping its business interests in view. The Standing Committee fully agreed with our contention. The Revised Bill accepts our contention and the relevant clause reads as follows:

Sub-section (4) of Section 18 of the LIC Act (1956) says

"There may be established as many divisional office and branch offices as the Zonal Manager thinks fit"

This clause is substituted with the following clause:

"There **may be established as many divisional offices and branches in each zone as may be decided by the Corporatio**n in accordance with the guidelines issued by the Insurance Regulatory and Development Authority established under the IRDA Act, 1999 in this regard. "

Distribution of surplus

The fourth major area of our concern was on the issue of distribution of surplus. The 2009 Bill sought to alter this pattern to bring LIC in conformity with the regulations of IRDA. According to these regulations 90% surplus has to be distributed to the policyholders and 10% to the shareholders. We had opposed this and demanded retention of existing pattern. The Standing Committee too recommended retention of existing pattern of surplus distribution which is 95% to policyholders and 5% to the Government. This suggestion has not been accepted by the government and the provision relating to this in the Revised Bill read as under:

For section 28 of the principal Act, the following section was substituted in the Bill, namely:—

"28. (*1*) If as a result of any investigation undertaken by the Corporation under section 26, any surplus emerges,—

(*a*) ninety per cent or more such surplus, as the Central Government may approve, shall be allocated to or reserved for the life insurance policy-holders of the Corporation;

(*b*) such percentage of remaining surplus as the Central Government may approve shall be credited to separate account maintained by the Corporation; and

(*c*) the remainder shall be paid as dividend.

(*2*) The funds available in the account maintained by the Corporation under clause (*b*) of sub-section (*1*) shall be utilised for such purpose and in such manner as the Central Government may determine."

The Minister while moving the Bill for passage has clarified in the Parliament that out of the remaining share of the surplus, (after distributing 90% or more as approved to the policyholders), funds will be given back to LIC for the needs like solvency margin and for the reserves needed for expansion of LIC.

The government's stand on this issue seems to be consistent with the IRDA Act as well as the recommendation of Deloitte, Touché and Tomahatsu Report of 2004. **Shri Bansa Gopal Chowdhury, CPI (M) moved an amendment seeking to retain the present provision of 95% or a higher percentage of the surplus to be allocated or reserved for the policyholders without any change. This amendment was negated. However, the government clarified that the amendment will have prospective effect and that the existing policyholders shall continue to be governed by the earlier provision on surplus distribution.**

As can be seen, the government was forced to address the major concerns expressed by AIIEA through its deposition before the Standing committee and also through the submissions made to various Members of Parliament. The massive campaign and mobilisation of people to our understanding played a great role in making the government accept our views. This is a big advancement and we are sure the LIC employees will comprehend the enormity of the gains made by our movement. It must be noted that the government in the recent period had rejected all the recommendations of the Standing Committee on the PFRDA Bill. The government had also rejected the recommendation of two Standing Committees not to allow foreign capital in retail trade. It is in this background the success achieved by us has to be analysed and understood.

However, this is no time to get overwhelmed by the success and become complacent. This is the time to consolidate the gains through further mobilising people and assuring the policyholders that AIIEA would continue to fight for their interests along with constant efforts to improve the servicing.

It must be clearly realised that the battle continues on Insurance Laws (Amendment) Bill that seeks to hike foreign equity limits and proposes disinvestment of public sector general insurance companies. The mood in the nation is against the neo-liberal policies. The massive resistance to FDI in retail trade and our own successes must give us the confidence to wage the very intense battles in the coming days.

We congratulate all LIC employees on this great success. We thank the Indian working class for the support extended to us. We thank our policyholders for their support with the assurance that their interests would remain very dear to our movement. **In view of the positive developments, the Secretariat's decision on One Day Strike against this Bill stands withdrawn.**

We request all the units to organise lunch hour demonstrations tomorrow and explain the advancements secured during our campaign and struggle.

This advancement should enthuse us in taking up the future campaign and struggle against the Insurance Laws (amendment) Bill.

With Warm Greetings,

Comradely yours,

General Secretary.