

ALL INIDA INSURANCE EMPLOYEES' ASSOCIATION
LIC BUILDING SECRETARIAT ROAD HYDERABAD 500063

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To all the Zonal/Divisional/Regional Units

Dear Comrades,

COMMENDABLE PERFORMANCE OF PUBLIC SECTOR INSURANCE

The financial year 2011-12 closed with yet another good performance by the public sector insurance industry. The LIC retained the market dominance in the life insurance industry by earning a new business (annualized) premium of Rs.81514.99 crore. The LIC sold 3.57 crore individual policies during the year. The four public sector general insurance companies earned gross direct premium income of Rs.30531.61 crore showing a growth of 21.39 percent over the last year.

There is some disappointment that LIC fell short of the target it set for itself. But this fact should not be allowed to overshadow the commendable performance of LIC in the most difficult conditions. The insurance industry cannot perform in isolation from the general performance of the economy. The strong link between the two is an established fact. The financial year 2011-12 was one of the worst years for the Indian economy in the recent period. The economy faltered, both due to the global financial crisis and the continued pursuance of the path of neo-liberalism. The government has pegged the economic growth rate for the year 2011-12 to 6.9 percent from the earlier targeted 8.5 percent. The domestic savings have declined. There is huge pressure on the household savings and the financial savings continue to show the downward trend. The RBI has acknowledged that the household savings have declined because of the unprecedented inflation witnessed in the past two years. The inflationary pressure impacted the disposal incomes and this adversely affected both the insurance and banking sectors. The RBI has raised concerns that the bank deposit growth fell short by 17 percent compared to the target fixed. The economy with downward trend both in industrial and agriculture production failed to create any new jobs. It is in the background of this sluggish performance by the Indian economy, the performance of LIC has to be seen.

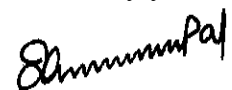
The LIC has clearly outperformed the private sector. The market share of LIC increased to 71.35 percent in premium income compared to 68.7% in the previous year. Similarly the share of LIC in number of policies increased to 80.89% from 76.91%. The SBI Life has come a distant second with 5.71 percent and 1.99 percent market share in premium income and number of policies for the year 2011-12 pushing ICICI Prudential to the third position. It is true that LIC recorded a negative growth of 5.7 percent in premium income and 3.47 percent in number of policies. But its performance is far superior to that of the private sector. The new business premiums of the private sector declined by 16.91 percent and the number of policies show a negative growth of 24.05 percent. The ICICI Prudential which was the largest private life insurance company has shown a decline of 35.39 percent in premium income and 23.81 percent in number of policies.

The private sector as a whole has a market share of 28.64% in premium income and 19.1 percent in number of policies. These statistics make certain interesting revelations. While the share of LIC in terms of the number of policies is more than its share in the premium income, it is just the opposite for the private sector. As against a share of 28.64% in premium income, the share of private companies is only 19.1 percent in number of policies. This clearly indicates that the private sector has targeted the rich and the affluent. The argument that liberalization of insurance sector or for that matter the economy itself benefits the poor and disadvantaged stands totally demolished. The government policies and the unwarranted regulations of the IRDA have also stifled the growth of the insurance industry. Life Insurance mobilizes long term funds for investment in the economy and by the very nature of the business it demands a preferential treatment in the matter of taxation. But the government policy on taxation has created uncertainty among the investors impacting the business. The government would do well to encourage savings in life insurance rather than encouraging and promoting the equity cult. The IRDA's stand on single premium policies has hit the business hard. The delay in approval of new policy plans has also hit the industry. The regulations are meant to promote orderly growth of the industry but in this case they are used to stifle the growth itself.

The four public sector general insurance companies have performed exceedingly well to garner a gross direct premium income of Rs.30531.61 core. The growth of 21.39 percent achieved in the year 2011-12 is unprecedented. This growth is remarkable in the context of the slackening businesses and the sluggish performance of the economy as a whole. The public sector general insurance industry has retained the market dominance with a share of 58.46 percent. This remarkable performance has opened up wide possibilities for further growth of the industry. The government must recognize this fact and take immediate steps to end the uncertainty it has created over the future of these companies through the Insurance Laws (Amendment) Bill 2008. The efforts to privatise these companies must be stopped forthwith and all possible encouragement must be given to the public sector general insurance industry to perform its social obligations and help the Indian economy.

The performance of the public sector insurance industry is a success story under most difficult and trying times. Therefore, there is absolutely no place for despondency or disappointment. The industry has achieved this success due to the commitment of its work force. The work force has not only raised the levels of servicing standards but has also helped the expansion of business opportunities. This good work must continue to shield these marvelous institutions from the attacks of neo-liberalism and to take them to still greater heights. This should be the most important commitment in the present circumstances.

Comradely yours,



General Secretary.