

ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

LIC BUILDING SECRETARIAT ROAD HYDERABAD 500063

Cir. No. 7/2013

10th April 2013

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

Dear Comrades,

We reproduce herein below the letter dated 8th April 2013 written by AIEEA to the Finance Minister which is self-explanatory.

Comradely yours,



General Secretary.

8th April 2013

Shri P. Chidambaram,
Finance Minister,
Government of India,
New Delhi

Respected Sir,

ISSUES RELATING TO INSURANCE SECTOR

We introduce ourselves as the All India Insurance Employees' Association, the largest trade union of insurance employees which has been playing a very constructive role in protecting and promoting the interests of the public sector insurance industry.

We appreciate the concern expressed by you during the presentation of Budget 2013-14 over the need to increase the insurance penetration. You have also outlined some measures to achieve this purpose. We would like to place some of our views and suggestions on this issue.

We are in agreement that all efforts should be taken to increase the levels of insurance penetration both in the life and non-life segments. This is necessary considering the fact that life insurance industry has been stagnating over the past two years hit by the slow-down in the economy.

The life insurance industry critically depends on rising incomes and disposable incomes. Unfortunately the household savings have dipped in the last few years and within that, the **savings are moving more towards physical assets rather than financial assets**. If this trend is to be arrested the savings in insurance have to be made more attractive so as to beat the rate of inflation. **We suggest that a separate tax rebate slab be introduced for savings in life insurance alone**. The excessive regulations have also dampened the growth of the industry. The unfair treatment to single premiums has hugely impacted the growth. A policyholder purchases the risk in advance for the entire duration through a single premium. This helps better mobilization of resources and therefore the situation has to be remedied by ending the unfair treatment to this segment of the insurance business.

During the budget speech you have also announced that LIC and atleast one of the public sector general insurance companies will open branches in all centres with a population of 10,000 or more. We welcome the expansion and the efforts to reach out to the population which requires insurance. This is a genuine expectation from the public sector as the private sector cannot be trusted to take up this task. It is worth mentioning that according to the Life Insurance Council, the private sector has closed down 800 branches in the year 2012 on the plea of non-performance.

At the same time Public Sector insurance companies also need to take into account the financial viability of such branches especially in the context of a competitive environment and the need to deliver better returns to the policyholders. The government should also give a preferential treatment to the public sector to perform the social tasks of the government ignoring the voices of a level playing field raised by the vested interests.

We express our serious concern over the decision to allow banks to function as brokers from the present position of agents. This proposal is fraught with certain complexities. We are afraid that allowing banks to function as brokers will result into conflict of interests and this will be detrimental to the interests of the policyholders. We request you to reconsider this proposal.

We take pride in the fact that despite the low levels of incomes, the insurance penetration in India is better compared to countries with per-capita incomes ten times or more than ours. **The World Economic Forum Report 2012 has given India the top global ranking in terms of life insurance density.** Similarly the general insurance industry has been ranked number 3 in the globe. This is a creditable achievement and we need to consolidate the gains. We are aware that insurance sector has huge potential and is capable of mobilizing long term savings for infrastructure development. This potential should be exploited by the government by retaining control over the savings of the people rather than allowing the foreign capital to gain greater control and access to our savings. The government should also seriously consider the merger of the four general insurance companies into a single monolithic corporation. This will surely help the expansion and fulfillment of the social objectives. We, therefore, request you to reconsider the decision to hike FDI limits and disinvestments in the public sector general insurance companies.

We assure you of our support and commitment to the cause of public sector and the policyholders.

Thanking you,

Yours faithfully,
Sd./.....
(K. Venu Gopal)
General Secretary